

The logo consists of the word "HANDAL" in a bold, blue, sans-serif font, enclosed within a white rounded rectangle with a blue border. The background of the entire page is a photograph of a yellow crane with black and yellow striped sections, extending from the bottom right towards the center. The crane is positioned over a deep blue ocean under a bright blue sky with scattered white clouds. In the distance, an offshore oil rig is visible on the horizon. The sun is shining brightly in the upper left, creating a lens flare effect.

HANDAL

Greater Heights

Handal Resources Berhad (816839-X)

Corporate Office

No. 16C, Jalan 51A/225
46100 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7875 0139 / 0150
Fax: 03-7876 6394
Email: info@handalresources.com.my
Website: www.handalresources.com.my

Operational Offices

Yard 1:
Lot PT 7358
Kawasan Perindustrian Telok Kalong
24007 Kemaman
Terengganu Darul Iman
Tel: 09-860 2000
Fax: 09-860 2199

Yard 2:
4, Kawasan Lapang Fasa II
Kemaman Supply Base
24007 Kemaman
Terengganu Darul Iman
Tel: 09-863 2842
Fax: 09-863 2843

Handal Resources Berhad (816839-X)
Annual Report 2009



Contents

CORPORATE STRUCTURE	2	CORPORATE INFORMATION	3	DIRECTORS' PROFILE	4	EXECUTIVE CHAIRMAN'S STATEMENT	6
CALENDAR OF EVENTS	10	STATEMENT OF CORPORATE GOVERNANCE	11	AUDIT COMMITTEE REPORT	15		
STATEMENT OF INTERNAL CONTROL	18	OTHER COMPLIANCE INFORMATION	19	FINANCIAL STATEMENTS	21		
PARTICULARS OF GROUP PROPERTIES	61	ANALYSIS OF SHAREHOLDINGS	62	NOTICE OF ANNUAL GENERAL MEETING	64		
NOTICE ON eDIVIDEND SERVICE	67	FORM OF PROXY					

Greater Heights

Handal is an integrated offshore crane services provider that specialises in offshore pedestal mounted cranes. Operating out of Kemaman Supply Base, Terengganu, Handal's comprehensive range of services include design and fabrication of new API 2C pedestal cranes, as well as structural fabrication, operation, inspection, maintenance and repair programme for all makes of cranes. Handal also provides lifting solutions for workover projects and crane rental services.

The Group is also involved in the downstream oil and gas industry for the supply and servicing of equipment, tank system and piping, as well as providing consultancy services for engineering projects. Handal also supplies telecommunication and broadcasting systems for government agencies and private sectors.

Since the commencement of its operation, Handal has been scaling new heights as the Group grew from strength to strength. The latest milestone being the listing of the Company on Bursa Malaysia on 30 July 2009, where it made an impressive debut with a closing price of 61.11% premium over its initial public offer price. The listing augurs well for the future of Handal as it continues its quest to reach **Greater Heights**.



Corporate Structure

**HANDAL**

Handal Resources Berhad



Corporate Information

BOARD OF DIRECTORS

Dato' Mohsin Abdul Halim
Executive Chairman

Mallek Rizal bin Mohsin
Managing Director and Chief Executive Officer

Joel Emanuel Heaney
Deputy Managing Director

Zahari bin Hamzah
Executive Director

Lokman Razani bin Abdul Razak
Independent Non-Executive Director

Mohd Rafik bin Shah Mohamad
Independent Non-Executive Director

Chau Sik Cheong
Independent Non-Executive Director

BOARD COMMITTEES

Audit Committee

CHAIRMAN

Mohd Rafik bin Shah Mohamad

MEMBERS

Lokman Razani bin Abdul Razak

Chau Sik Cheong

Nomination Committee

CHAIRMAN

Lokman Razani bin Abdul Razak

MEMBERS

Chau Sik Cheong

Mohd Rafik bin Shah Mohamad

Remuneration Committee

CHAIRMAN

Chau Sik Cheong

MEMBERS

Mohd Rafik bin Shah Mohamad

Lokman Razani bin Abdul Razak

Mallek Rizal bin Mohsin

Joel Emanuel Heaney



L-R: Lokman Razani, Chau, Joel, Dato' Mohsin, Zahari, Mallek Rizal and Mohd Rafik.

Company Secretaries

Leong Oi Wah
(MAICSA No. 7023802)

Wang Sheau Wei
(MAICSA No. 7033274)

Registered Office

25-6, Jalan PJU 1/42A
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7803 8216 / 8185
Fax: 03-7803 6309

Share Registrar

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7841 8000
Fax: 03-7841 8008

Corporate Office

No. 16C, Jalan 51A/225
46100 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7875 0139 / 0150
Fax: 03-7876 6394
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Yard 2:
4, Kawasan Lapang Fasa II
Kemaman Supply Base
24007 Kemaman
Terengganu Darul Iman
Tel: 09-863 2842
Fax: 09-863 2843

Auditors

Messrs GEP Associates
(Firm No. AF 1030)
Block F2, Dataran Prima
25-4 Jalan PJU 1/42A
47301 Petaling Jaya
Selangor Darul Ehsan

Solicitors

Tay & Partners
Ainul Azam & Co.

Principal Bankers

Malayan Banking Berhad
RHB Bank Berhad
AmBank Berhad
OSK Investment Bank Berhad

Stock Exchange Listing

Main Market
Bursa Malaysia Securities Berhad

Directors' Profile



Dato' Mohsin Abdul Halim

Executive Chairman, aged 67, Malaysian

Dato' Mohsin Abdul Halim is the founder of Handal and currently is the Executive Chairman of the Group. He was appointed to the Board on 7 May 2009.

He holds a Teaching Diploma and started his career as a teacher before joining the Kelantan Civil Service in 1966 as an officer. During his tenure as a civil servant, he had assumed several positions; as an Assistant District Officer, Assistant State Secretary and finally as the Private Secretary to Duli Yang Maha Mulia Sultan of Kelantan cum Comptroller of the Kelantan Royal Household. Subsequently, he was seconded to the Malaysian Civil Service and served as the Personal Secretary to the sixth Duli Yang Maha Mulia Seri Paduka Baginda Yang Dipertuan Agong.



Mallek Rizal bin Mohsin

Managing Director and Chief Executive Officer, aged 44, Malaysian

Encik Mallek Rizal bin Mohsin is the Managing Director and Chief Executive Officer of the Group. He is also the Executive Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd and Handrill Sdn Bhd. He was appointed to the Board on 7 May 2009.

He is a qualified Chartered Accountant from the Malaysian Institute of Accountants (MIA) and the Institute of Chartered Accountants New Zealand (ICANZ). Also, he holds a Bachelor of Management Studies from the University of Waikato, New Zealand. He has extensive working experience from the various positions that he holds at major corporations prior to joining Handal. Among others, he was the Auditor for Price Waterhouse (currently known as PricewaterhouseCoopers), Assistant Manager of Corporate Finance at Amanah Merchant Bank Berhad, Corporate Services Manager for ACP Industries Berhad and Special Assistant Corporate Finance of the President's Office for Malaysian Resources Corporation Berhad as well as Chief Financial Officer for Putera Capital Berhad.



Joel Emanuel Heaney

Deputy Managing Director, aged 47, American

Mr Joel Emanuel Heaney was appointed to the Board on 7 May 2009. He is the Deputy Managing Director and advisor to the Handal Group.

He completed his education in Marrero, Louisiana in 1981. In 1984, he created Kennedy Services, a business related to synthetic materials. At the same time, he completed his courses and obtained certification in live design and Dale Carnegie's Business Dynamics. In 1986, he sold Kennedy Services and moved into offshore cranes in the oil and gas industry. Subsequently, he joined Applied Hydraulic Systems Inc, the manufacturer of Nautilus Offshore Crane product line. In 1994, he joined Weatherford International Ltd, the manufacturer of American Aero Crane product line, spearheading the international operations. Later in 1995, he joined Handal Engineering and successfully guided the company into the offshore crane manufacturing and service industry.

To date, he has more than 20 years of experience in the offshore crane industry and a successful track record in company building. With a strong entrepreneurial background, he plays an important role in spearheading Handal Group's operations and performance.



Zahari bin Hamzah

Executive Director and Chief Operating Officer, aged 48, Malaysian

Encik Zahari bin Hamzah was appointed to the Board on 7 May 2009. He is the Executive Director and Chief Operating Officer of Handal.

He graduated with a Mechanical Engineering Diploma from Universiti Teknologi Mara in 1984. Prior to joining Handal, he began his career at Matsushita Electric Company (M) Sdn Bhd as the pioneer batch of Technical Management Executives. Subsequently, he moved to George Kent (M) Bhd, as a Technical/Sales Executive where his responsibilities amongst others include tendering, executing and managing, commissioning and servicing of various oil and gas, petrochemical, oleo and water supply projects. In 1988, he joined Handal as a Sales Manager and was later, promoted to General Sales Manager for the Oil and Gas Division, managing projects/tenders of offshore cranes, watermakers, heaters, pigging system, tankage system, heat exchangers, flares, process systems and material handling activities of Handal Engineering Sdn Bhd. In 2001, he was promoted to the General Manager and was responsible for restructuring of the crane division of Handal Offshore Services Sdn Bhd, as well as managing the overall business and operations of the Company towards a one stop crane manufacturing and service centre.

Lokman Razani bin Abdul Razak

Independent Non-Executive Director, aged 44, Malaysian

Encik Lokman Razani bin Abdul Razak was appointed to the Board on 11 May 2009.

He graduated in Law (LL.B (Hons)) from the University of Sheffield, United Kingdom in 1990 and started his career in the financial industry serving as a Legal Counsel to Arab-Malaysian Merchant Bank Berhad. He has more than ten (10) years experience in the area of management, strategic planning and mergers & acquisitions.

He is currently the Executive Chairman of E-Gal Corporation Sdn Bhd, which is the subsidiary of E-Gal Group Inc, listed in Xetra, Frankfurt, Germany in December 2007. The company's core business is in the field of Information & Communications Technology (ICT). The company is presently a Service and Technology Provider of Public Switch Telephone Network (PSTN) and Voice Over Internet Protocol (VOIP) to Telekom Malaysia Berhad (TM).



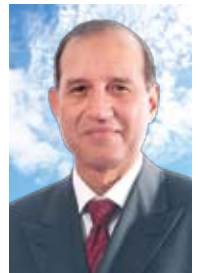
Mohd Rafik bin Shah Mohamad

Independent Non-Executive Director, aged 59, Malaysian

Encik Mohd Rafik bin Shah Mohamad was appointed to the Board on 11 May 2009.

He is a qualified Chartered Accountant from the Malaysian Institute of Accountants and retired member of the Chartered Association of Certified Accountants, United Kingdom. He commenced his career as an Analyst with Esso Malaysia Berhad in 1973, before joining Nestle in 1981. He has held senior finance positions in various local companies. Spanning over a period of twenty-five (25) years, he has held several significant positions in the Nestle group of companies in Malaysia and other countries. His last position was the Executive Vice President and Chief Financial Officer of Nestle Indonesia.

Presently, he is a Director of Nestle (Malaysia) Berhad, Malaysian Agrifood Corp. Berhad and Biotropics Malaysia Berhad.



Chau Sik Cheong

Independent Non-Executive Director, aged 57, Malaysian

He was appointed to our Board on 11 May 2009.

He is a Chartered Accountant and member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants (MIA). He began his career with Coopers & Lybrand (now known as Pricewaterhouse Coopers) on April 1974 and subsequently joined SCM Perunding Sdn Bhd as Finance Manager on October 1980. In June 1982, he joined Cycle and Carriage Bintang Bhd as Senior Accountant and subsequently promoted to Finance Director. He retired from Cycle and Carriage Bintang Bhd in 2004.



Notes:

- (i) Dato' Mohsin Abdul Halim is the father of En. Mallek Rizal bin Mohsin. Other than the above, none of the Directors has any family relationship with each other and with any substantial shareholders of the Company.
- (ii) None of the Directors has any conviction for offences, other than traffic offences, within the past 10 years.
- (iii) Other than the related party transactions disclosed in Note 29 of the Financial Statements and the Circular to Shareholders dated 24 May 2010, none of the Directors has conflict of interest with the Company.
- (iv) Except as disclosed above, none of the Directors holds any directorship in other public companies.
- (v) The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report.

Executive Chairman's Statement



Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Handal Resources Berhad ("Handal" or "the Company") for the financial period ended 31 December 2009.

Review of Financial Performance

Handal commenced business as an investment holding company following the acquisition of Handal Offshore Services Sdn Bhd ("Handal Offshore Services") on 6 May 2009, en-route to the listing of the Company on Bursa Malaysia Securities Berhad. Accordingly, the first financial period of Handal post acquisition covered only eight (8) months of operations since the commencement of business. For the said financial period ended 31 December 2009, Handal Group recorded a set of very encouraging results with revenue of RM48.96 million, and Group profit before tax and after tax of RM13.77 million and RM10.02 million respectively. The revenue and profit figures achieved were higher than the Group's expectation.

The outstanding performance of Handal is mainly attributed to a better than expected results achieved by its wholly-owned subsidiary, Handal Offshore Services. Over the 12-month period, Handal Offshore Services chalked up a revenue of RM65.29 million in financial year 2009 as compared to RM60.58 million

in financial year 2008, representing an increase of 7.8%.

However, its profit after tax of RM14.79 million in financial year 2009 represents an **increase of 60%** as compared to RM9.25 million in financial year 2008. This performance most certainly augurs well for the future of Handal Group.

Dividends

After taking into consideration the distributable reserves and cash flow of the Company, the Directors are recommending a single-tier first and final dividend of 2 sen per share for the financial period ended 31 December 2009, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

"For the eight-month financial period ended 31 December 2009, Handal Group recorded a revenue of RM48.96 million. Group profit before tax and after tax were RM13.77 million and RM10.02 million respectively."



The new yard at Telok Kalong Industrial Area, Kemaman.

A Successful Listing Exercise

Handal was listed on Bursa Malaysia on 30 July 2009. The listing exercise was a success judging from the over-subscription rates of 15.17 times. The Company's shares closed at RM1.16 on the first day of listing, chalking up an impressive premium of 61.11% over the Initial Public Offering price of 72 sen.

Handal raised a total of RM13.32 million from the public issue of 18.5 million shares at 72 sen each. Out of the proceeds, RM8.5 million has been earmarked for business expansion purposes, as Handal looks to expand its business to East Malaysia and neighbouring countries in the region. RM3.42 million will be utilised for working capital with the remaining RM1.4 million being the listing expenses.



Acquisition of New Subsidiaries

Subsequent to the listing exercise, Handal had on 1 November 2009 completed the acquisition of the entire equity interest in Handal Engineering Sdn Bhd ("Handal Engineering") and 90% equity interest in Handrill Sdn Bhd ("Handrill") respectively. Handal Engineering is principally involved in the downstream oil and gas industry for the supply, fabrication and servicing of industrial plant and equipment, tank system, piping and mooring system. It is also gearing for topside maintenance jobs having acquired the license from Petronas for this service. It also supplies telecommunication and broadcasting systems for Radio Television Malaysia (RTM), Telekom Malaysia Berhad and other government agencies and private sectors since 1988. Handrill is principally involved in providing consultancy and support services for engineering projects. Handrill is registered with and licensed by Petronas as Rig Operator, Production/Drilling/Workover Associated Services for drilling rigs, offshore rigs and tender assisted.



Review of Operations

Operating out of Kemaman Supply Base, Terengganu, Handal Offshore Services is principally involved in providing integrated offshore crane services to the oil and gas majors operating in Malaysia. Handal Offshore Services specialises in offshore pedestal mounted cranes, providing one-stop service ranging from crane overhaul and maintenance, crane rental, fabrication of new cranes, supply, training and certification of crane operators, parts and components as well as lifting solutions for workover projects.

Being the only operator in the country which can provide a truly one-stop service for API 2C cranes, Handal Offshore Services is an approved API 2C fabricator and is very much sought after by the oil majors which operate the numerous offshore platforms in Malaysia in relation to upstream oil and gas activities such as exploration, development and production. The business of Handal Offshore Services is not affected by the fluctuations of the oil prices as there is always a demand for maintenance services for the existing cranes at the offshore platforms.



Executive Chairman's Statement



The acquisition of Handal Engineering and Handrill has widened and diversified the business activities for the Group as a whole in servicing the oil and gas majors in the region, as well as opened up new earnings stream for the Group. The award of a contract to Handal Engineering by Petronas Lubricants International Sdn Bhd for the Engineering, Procurement, Construction and Commissioning (EPCC) of 22 units of new storage tanks at Melaka Lube Blending Plant (MLBP) amounting to RM17.5 million for a period of 14 months augurs well for the future earnings of the Group.

Business Outlook and Prospects

Handal's strength lies in its establishment and excellent track record as an integrated offshore crane service provider servicing upstream segment of the oil and gas industry in Peninsular Malaysia. It is involved in a niche industry with a very high barrier of entry due to the highly specialised and technical nature of the business.

In line with the growth in business, Handal has moved to a new 10-acre yard at the Telok Kalong Industrial Area in the vicinity of Kemaman Supply Base in the beginning of 2010. The new yard has the capacity to handle 30 offshore cranes per annum compared to just 12 cranes per annum at the old yard. With this development, Handal has intensified its efforts and are currently bidding for new cranes tenders worth in excess of RM30 million.

In addition to the specialised services to the oil and gas majors in Peninsular Malaysia, Handal has penetrated to East Malaysia by providing lifting solutions for the Domestic Workover Projects which Handal has been performing the works since 2006. In this market, Handal is gearing to have a stronger presence by bidding for the crane maintenance contract once it expires. Moving forward, Handal aspires to have an even stronger presence in East Malaysia by securing more crane maintenance contracts in this area as well as neighbouring countries in South East Asia, especially Brunei and Indonesia.

The opportunity beckons us because integrated crane maintenance and services opportunities will always exist until the platforms are decommissioned and the requirements will increase due to additional or new platforms being built and the need to maintain and service the existing cranes. Handal is best equipped and well positioned to grab these opportunities.

The prospect of the Malaysian oil and gas industry remains exciting with the commitment by Petronas and other oil majors to intensify exploration and production efforts to enhance the country's oil and gas reserves, underpinned by stabilising oil prices and the need to retain energy sources. These new offshore upstream activities initiated by the oil and gas majors in Malaysia and the neighbouring countries will augur well for Handal's business as there will be opportunities for crane fabrication and future crane maintenance jobs, as well as services provided by Handal Engineering and Handrill.



Corporate Governance

The Group is committed to maintain high standards of Corporate Governance by upholding integrity, transparency and accountability to safeguard interest of all stakeholders.

Corporate Responsibility

Handal recognises its corporate responsibility towards the community, environment and employees. As the Group carries out its business, it will always consider the interests of society by taking responsibility for the impact of its activities on customers, suppliers, employees and other stakeholders, as well as the environment.

Health, Safety and Environment (HSE) issues are the utmost priority of Handal as there is a requirement for strict compliance by its customers operating in the oil and gas industry which is heavily regulated. In this aspect, Handal is proud to announce that there were zero LTA/LTI since 1995 despite the high risk nature of works undertaken by the Company.

In terms of human capital development, Handal provides various training programmes for its employees to enhance and upgrade their work skills for better opportunities of career advancements.

Appreciation

YTM Tengku Baderul Zaman Ibni Al Marhum Sultan Mahmud resigned from the Board of Directors on 29 December 2009. On behalf of the Board of Directors, I wish to take this opportunity to thank YTM Tengku Baderul Zaman for his invaluable contribution to the Company during his tenure and wish him all the best in his future undertakings.

Encik Mohd Rafik bin Shah Mohamad will not seek for re-election as a member of the Board at the forthcoming Annual General Meeting. On behalf of the Board of Directors, I wish to thank and express my appreciation to Encik Rafik for his contribution during his tenure as a Director of the Company.

On behalf of the Board of Directors, I wish to thank our shareholders, customers, business associates, bankers, government authorities and statutory bodies for their continued confidence and support in Handal. I would also like to thank my fellow board members, the management team and staff for their invaluable contribution, dedication and commitment to the Group.

Dato' Mohsin Abdul Halim

Executive Chairman



Calendar of Events



Dec 2008

Mohd Remy bin Afizan, an employee of Handal, was presented the Chairman's Safety Award from ExxonMobil Exploration and Production Malaysia Inc.

18 May 2009

1st Board Meeting at the office of Handal Resources Berhad.

29 May 2009

Signing of the Underwriting Agreement with OSK Investment Bank Berhad.

10-12 Jun 2009

Participation at Oil & Gas Asia Exhibition, Kuala Lumpur Convention Centre.

29 Jun 2009

Prospectus Launch officiated by YB Dato' Dr Awang Adek Hussin, Deputy Minister of Finance at Mandarin Oriental Kuala Lumpur.

16 July 2009

Shares balloting of public and bumiputra issues held at Malaysian Issuing House Sdn Bhd.

30 Jul 2009

Listing of Handal Resources Berhad on Bursa Malaysia Securities Berhad.

9 Sep 2009

Majlis Berbuka Puasa for Handal employees and Anak-anak Yatim from Sekolah Kebangsaan Mentok 2, Kemaman and Sekolah Agama Tahfiz, Kerteh held at Kelab Desa Rantau Petronas, Kerteh.

1 Nov 2009

Completion of acquisition of Handal Engineering Sdn Bhd and Handrill Sdn Bhd.

Nov 2009

Mohamad Fadzli bin Ishak, an employee of Handal, was presented the Chairman's Safety Award from ExxonMobil Exploration and Production Malaysia Inc.



Statement of Corporate Governance

The Board of Directors ("Board") acknowledges the importance of adopting a high standard of corporate governance within the Group. Corporate governance forms a fundamental part of the company's responsibility of protecting and enhancing shareholder's value and the financial performance of the Group.

The Board is pleased to provide the Statement as set out below, which outlines the extent of compliance of the Group with the best practices of the Code.

1. Board of Directors

(a) Composition

The Group is led and controlled by a Board comprising members with vast experience in the industry.

(b) Board Balance

The Board currently comprises seven (7) members, which include one (1) Executive Chairman, one (1) Managing Director/Chief Executive Officer, one (1) Deputy Managing Director, one (1) Executive Director/Chief Operating Officer and three (3) Independent Non-Executive Directors. The composition of the Board fulfills the prescribed requirement as stated in Paragraph 15.02 (1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). A brief profile of the Board of Directors is presented in pages 4 to 5 of this Annual Report.

The composition of the Board is such that no individual shall dominate the Board decision making whereby there are Executive and Non-Executive Directors with diverse experience and expertise to facilitate effective decision making and independent judgment.

The Executive Directors are responsible for the day-to-day operations and management of the Group whereas the Independent Non-Executive Directors provide fundamental role in corporate governance by providing their unbiased and independent views and advise to safeguard the long-term interests of all stakeholders.

(c) Supply of Information

The Directors are given full and timely access to all information pertaining to the business and affair of the Group to enable them to discharge their duties effectively. The available information can be in form of quantitative such as financial results and progress report. All Directors have direct access to the advices and services of the Group's Company Secretaries and Senior Management and when required may seek independent professional advices at the Company's expense.

(d) Appointment to the Board

The Nomination Committee of the Group comprises entirely of Independent Non-Executive Directors. The primary function of the Nomination Committee is to identify and recommend new nominees of Executive and Non-Executive Directors to the Board. In fulfilling this duty, the Nomination Committee has carried out an annual review to:

- (i) assess the effectiveness of the entire Board and the suitability of an individual to be appointed to the Board by taking into consideration the experience, knowledge, expertise and other qualities of the individual.
- (ii) And appropriate Board composition and size

The current Nomination Committee of the Group comprises the following:

Lokman Razani Bin Abdul Razak – Chairman, Independent Non-Executive Independent

Chau Sik Cheong – Member, Independent Non-Executive Director

Mohd Rafik Bin Shah Mohamad – Member, Independent Non-Executive Director

Statement of Corporate Governance

1. Board of Directors (continued)

(e) Re-election

In accordance with the Company's Articles of Association, all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election at each Annual General Meeting.

(f) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme for Directors of Public Companies within the stipulated time frame as prescribed by Bursa Malaysia. The Board acknowledges that continuous education is important for the Directors to enhance their knowledge and expertise and keep them updated with the new regulations and statutory requirements as well as changes and future developments in the global economy.

(g) Board Meetings

Board Meetings are held at least once every quarter and additional meetings are convened as and when necessary. All proceedings of the Board Meetings are duly minuted and signed by the Chairman of the Meeting.

During the financial year under review, three (3) Board Meetings were held and the Directors' attendances at the Board Meetings were as follows:

Directors' Board Meeting Attendance Record

NAME OF DIRECTORS	MEETINGS ATTENDED
Dato' Mohsin Abdul Halim	3/3
Mallek Rizal bin Mohsin	3/3
Joel Emanuel Heaney	3/3
Zahari bin Hamzah	3/3
YTM Tengku Baderul Zaman Ibni Al Marhum Sultan Mahmud (Resigned w.e.f. 29th December 2009)	1/3
Lokman Razani bin Abdul Razak	3/3
Mohd Rafik bin Shah Mohamad	2/3
Chau Sik Cheong	3/3

2. Directors' Remuneration

The remuneration of Board members is broadly categorised into those to be paid to Executive Directors and Non-Executive Directors. Remuneration for executive directors comprise basic salary, bonuses, allowances and other customary benefits taking into consideration the performance, responsibilities and experience whereas the Non-Executive Directors are paid based on the level of responsibilities undertaken by the particular Non-Executive Director as well as experience.

The Remuneration Committee was established to support the Board for the discharge of their duties in relation to the directors' remuneration. The Remuneration committee consists of the following:

Chau Sik Cheong – Chairman, Independent Non-Executive Director

Lokman Razani Bin Abdul Razak – Member, Independent Non-Executive Director

Mohd Rafik Bin Shah Mohamad – Member, Independent Non-Executive Director

Mallek Rizal Bin Mohsin – Member, Non Independent Executive Director

Joel Emanuel Heaney – Member, Non Independent Executive Director

The Remuneration Committee is responsible for making recommendation to the Board on remuneration packages and benefits for the Executive Directors. However, it is the duty of the Board as a whole to approve the remuneration of these Directors with the Executive Directors refraining themselves from deliberations and voting on their own remuneration. The process for determining the remuneration package of Non-Executive Directors is similar to the process applicable to Executive Directors as mentioned above.

The details of the remuneration for Directors during the financial year under review are as follows:

Details on the Remuneration Received by Directors During the Year

	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	TOTAL (RM)
Emoluments and Allowance	1,214,092	30,000	1,244,092
Fees	176,000	128,500	304,500
Benefit-in-kind	84,492	–	84,492
Total	1,474,584	158,500	1,633,084
REMUNERATION BAND (RM)	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	
50,000 and below	–	4	
100,001 – 150,000	1	–	
400,001 – 450,000	1	–	
450,001 – 500,000	2	–	

3. Shareholders

(a) Dialogue between the Company and Investors

The Company values the importance of dialogue with investors. For this, the Company maintains a high level of transparency by providing an insightful interpretation of the Group's performance, operations and other information affecting shareholders' interest through the dissemination of timely announcements and disclosure made to Bursa Malaysia which is accessible via Bursa Malaysia's website at www.bursamalaysia.com and the Company's website at www.handalresources.com.my.

(b) The Annual General Meeting

The Annual General Meeting of the Company is the principal forum for shareholders to meet and exchange views with the Board. Shareholders are encouraged to involve themselves in the question and answer session whereby the Board members and senior management are available to provide explanations to all shareholders' queries.

Statement of Corporate Governance

4. Accountability and Audit

(a) Financial Reporting

All reasonable steps have been taken by the Directors to provide a balanced and informative assessment of the Group's position and other aspects while presenting the annual financial statement and quarterly announcement of results to the shareholders. The Audit Committee assists the Board by reviewing the information for disclosure to ensure accuracy and adequacy.

(b) Internal Control

The Statement of Internal Control set out in page 18 of this annual report provides the overview of the current internal control procedures in practice by the Group.

(c) Relationship with External Auditors

The Board has established a formal and transparent professional relationship with the External Auditors. The role of the Audit Committee in relation to the auditors is set out on pages 15 to 17 of this Annual Report.

(d) Directors' Responsibility Statement

The Directors are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs, the results and cash flows of the Group as stated in the Companies Act, 1965.

In preparing these financial statements, the Directors are satisfied that the Group has applied the relevant accounting policies to make judgment and estimates.

(e) Corporate Social Responsibility (CSR) Statement

The Company has organised events for the employees and the orphanages through Majlis Berbuka Puasa as well as participated in the charity event through Yayasan Tuanku Syed Putra.

The Group is committed to integrate CSR practice into its day to day operations and is duly committed to protect the environment through the following principles:

- (i) Compliance to relevant environmental legislation.
- (ii) Ensure a safe and healthy working environment.
- (iii) Promote environmental awareness to our suppliers, sub-contractors and employees.

Throughout the financial year ended 31 December 2009, the Group has complied with all the Best Practices of Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

Audit Committee Report

Composition of the Audit Committee

Mohd Rafik bin Shah Mohamad (Chairman) – Chairman, Independent Non Executive Director

Lokman Razani bin Abdul Razak – Independent Non Executive Director

Chau Sik Cheong – Independent Non Executive Director

Terms of Reference

The Audit Committee (the Committee) was established on 18 May 2009.

1. Composition of Audit Committee

The Audit Committee (“the Committee”) shall be appointed by the Board of Directors (“the Board”) from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Non-Executive Directors as defined in the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Board shall, within three (3) months of a vacancy occurring in the Audit committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Committee shall elect a chairman from among their members who shall be an Independent Non-Executive Director. An alternate Director or Executive Director must not be appointed as a member of the Committee.

2. Membership

At least one member of the Committee:

- Must be a member of the Malaysian Institute of Accountants; or
- If not a member of the Malaysian Institute of Accountants, that member must have at least 3 years’ working experience and; must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or must be a member of one of the associations of the accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- Must have a degree/masters/doctorate in accounting or finance and at least 3 years’ post qualification in accounting or finance; or
- Must have at least 7 years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- Fulfills such other requirements as prescribed or approved by the Exchange.

3. Responsibilities of The Committee

The Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or otherwise directed by the Board. It shall have:

- (i) The authority to investigate any matter within its terms of reference;
 - (ii) The resources which are required to perform its duties;
 - (iii) Full and unrestricted access to any information pertaining to the Company;
 - (iv) Direct communication channels with the external auditors and internal auditors;
 - (v) The right to obtain independent professional or other advice;
 - (vi) The rights to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive members of the committee, other directors and employees of the listed issuer, whenever deemed necessary.
- The Committee should meet with the external auditors without executive board members present at least twice a year.

The Committee is also authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and reasonable for the performance of its duties.

Audit Committee Report

Terms of Reference (continued)

4. Meetings and Minutes

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

In addition to the Committee members, the meetings will normally be attended by the representatives of the departments in the Company and of the external auditors as and when required.

The Committee may invite any person to be in attendance to assist it in its deliberations.

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two.

The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Committee shall be reporting to the full Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board of Director after considering the recommendation of the Committee.

The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the chairman and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings tabled at Board meetings.

5. Duties

The duties of the Committee should include the following:

- To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:
 - Any changes in accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption;
 - Compliance with accounting standards and other legal requirements;
- To discuss problems and reservations arising from the interim and final audits, and any matter the Auditor may wish to discuss (in the absence of management where necessary);
- To review the External Auditor's management letter and management's response;
- To consider any related party transactions that may arise within the Company or Group;
- To consider the major findings of internal investigations and management's response;
- To consider other topics as defined by the Board.

Summary of Activities

During the financial year ended 31 December 2009 four (4) Audit Committee Meetings were held and the details of attendance of each member are as follows:

AUDIT COMMITTEE MEMBERS	NO. OF MEETINGS ATTENDED
Mohd Rafik bin Shah Mohamad (Chairman)	3/4
Lokman Razani bin Abdul Razak	4/4
Chau Sik Cheong	4/4

During the financial year ended 31 December 2009, the activities of the Audit Committee included the following:

- Review of the external auditors' scope of work and their audit plan.
- Reviewed and approved the internal audit and controls plan presented by the internal auditors.
- Review of the quarterly unaudited financial statements and its explanatory notes thereon and recommending to the Board for Directors' approval.
- Reviewed and the applicable approved accounting standards issued by MASB.
- Reviewed the Related Party Transactions as follows and recommended the same to the Board for approval:
 - (i) for the acquisition of 100,000 ordinary shares of RM1.00 each in Handal Engineering Sdn Bhd for a cash consideration of RM613,000 from Jebesen & Jessen Business Services (M) Sdn Bhd, Zahari Bin Hamzah, Ahmad Bin Che and Dato' Mohsin Abdul Halim.
 - (ii) for the acquisition of 90,000 ordinary shares of RM1.00 each in Handrill Sdn Bhd ("HSB") representing 90% equity interest in HSB, for a cash consideration of RM315,000 from Dato' Mohsin Abdul Halim, Zahari bin Hamzah and Mallek Rizal bin Mohsin.

Internal Audit Function

The Company has outsourced its internal audit function to an independent professional consultancy firm with the aim of providing independent and systematic reviews on the systems of internal control. The Internal Audit function provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group.

Upon completion of each internal audit cycle, the Internal Auditors will report to the Audit Committee on their audit findings, their recommendations of the correction actions to be taken by the management together with the management's responses in relation thereto. The Internal Auditors may also follow up to determine the extent of their recommendations that have been implemented by the management, at the request of the Audit Committee.

The approach adopted by the Group is risk-based approach to the implementation and monitoring of controls of the subsidiary companies.

Listed below is the internal audit activity which was carried out during the financial year 2009:

COMPANY	AUDITED AREAS	AUDIT ACTIVITIES CARRIED OUT
Handal Offshore Services Sdn Bhd	Inventory Management and Logistics	■ Completeness of inventory recording ■ Storage and safeguard measures of the company ■ Method of costing

During the financial year 2009, an amount of RM4,500 was incurred in respect of the Group's internal audit function.

Statement of Internal Control

Introduction

The Board of Directors is pleased to provide the following statement on Internal Control pursuant to Paragraph 15.26(b) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Statement has been prepared in accordance with the Principles and Best Practices provisions relating to Internal Controls provided in the Malaysian Code on Corporate Governance ("Code").

Board Responsibility

The Board of Directors acknowledges the responsibility for maintaining a sound system of internal control to safeguard the shareholders' investment and the Group's assets. This entails the establishment of an appropriate control environment and framework as well as processes for reviewing the adequacy and integrity of the Group's internal control. Due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage rather than to eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, the system can only provide reasonable but not conclusive assurance against material misstatement, operational failures, loss or fraud.

Risk Management Framework

The primary objective and direction of the Board in managing the risks faced by the Group is focused on the achievement of the Group's business objectives. The Board is in the process of establishing an ongoing process for identifying, monitoring, evaluating and managing significant risks faced by the Group.

Internal Audit Function

The Internal Audit function is an integral part of the assurance framework and its primary mission is to provide assurance on the adequacy and effectiveness of the risk, control and governance framework of the Group. The Group's internal audit function was outsourced to an independent professional consultancy firm in the third quarter of 2009 with the objective of providing an independent opinion and systematic review on the business operations to the Audit Committee of the Group. On a quarterly basis, internal auditors review the internal control of the activities in the Group's businesses, by implementing a risk-based approach and report their findings to the Board and Audit Committee.

Key Elements of the System of Internal Control

The key elements of the Group's system of internal control include:

- Scheduled training to ensure that the employees acquire the necessary knowledge and competency to meet their performance and job expectations.
- Management meetings are conducted on a regular basis to review financial and operational performance, business development and other necessary areas.
- An organisation structure with formally defined lines of responsibility and delegation of authority.
- A policy on financial limits and approving authority for capital and operating expenditure.
- Adoption of the American Petroleum Institute's Monogram, which is to maintain and continuously control the quality requirements of the Company's products and services.

The Board is of the view that the Group's system of internal control is sound and adequate to safeguard the shareholders' investment as well as the Group's assets. The system of internal control will be continuously reviewed to ensure that it is in line with the changes in the operational environment of the Group. Notwithstanding this, the Board will continually seek assurance on the effectiveness of the internal control system through appraisal by both the internal and external auditors to ensure that the internal control in place is adequate to support the operations of the Group.

Other Compliance Information

(a) Utilisation of Proceeds

As at the end of the financial year ended 31 December 2009, the status of utilisation of the proceeds as compared to the actual utilisation is as follows:

PURPOSES	PROPOSED UTILISATION PER PROSPECTUS RM'000	ACTUAL UTILISATION RM'000	TIME FRAME FOR UTILISATION	BALANCES UNUTILISED RM'000	REMARKS
(i) Business expansion purposes	8,500	928	Within 2 years after listing	7,572	Available for use
(ii) Working capital	3,420	1,259	Within 1 year after listing	2,161	Available for use
(iii) Listing expenses	1,400	1,400	Within 1 year after listing	–	Fully utilised
Total	13,320	3,587		9,733	

(b) Share Buy Back

During the financial year ended 31 December 2009, there were no share buy-backs by the Company.

(c) Options, Warrant or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year ended 31 December 2009.

(d) American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

The company did not sponsor any ADR or GDR programme.

(e) Imposition of Sanctions/Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any regulatory bodies during the financial year ended 31 December 2009.

(f) Non-Audit Fees

The amount of non-audit fees incurred for services rendered by the external auditors to the Group for the financial year ended 31 December 2009 amounted to RM45,000.

(g) Variation in Results

There was no material variances between the results of the financial year and the unaudited results previously announced.

(h) Material Contracts with Related Parties

- (i) On 6 June 2008, Handal Resources Berhad ("HRB") entered into an agreement to acquire the entire equity interest in Handal Offshore Services Sdn Bhd ("HOSSB") comprising 4,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM35,749,998, which was fully satisfied by the issuance of 71,499,996 HRB shares to the respective vendors of HOSSB namely Dato' Mohsin Abdul Halim, Zahari bin Hamzah, Mallek Rizal bin Mohsin and Joel Emanuel Heaney at an issue price of RM0.50 per HRB share. The acquisition was completed on 6 May 2009.
- (ii) On 1 October 2009, HRB entered into a sale and purchase of shares agreement with Jebson & Jessen Business Services (M) Sdn Bhd, Zahari bin Hamzah, Ahmad bin Che and Dato' Mohsin Abdul Halim for the acquisition of 100,000 ordinary shares of RM1.00 each in Handal Engineering Sdn Bhd ("HESB") for a cash consideration of RM613,000. The acquisition was completed on 1 November 2009.
- (iii) On 1 October 2009, HRB entered into a sale and purchase of shares agreement with Dato' Mohsin Abdul Halim, Zahari bin Hamzah and Mallek Rizal bin Mohsin for the acquisition of 90,000 ordinary shares of RM1.00 each in Handrill Sdn Bhd ("HSB") representing 90% equity interest in HSB, for a cash consideration of RM315,000. The acquisition was completed on 1 November 2009.

Dato' Mohsin Abdul Halim, Mallek Rizal bin Mohsin, Zahari bin Hamzah and Joel Emanuel Heaney are Directors and Major Shareholders of HRB.

Other Compliance Information

(i) Revaluation of Landed Properties

The Company does not have a revaluation policy on landed properties.

(j) Profit Guarantees

During the financial year ended 31 December 2009, there were no profit guarantees received by the Company.

(k) Recurrent Related Party Transactions (“RRPT”)

The breakdown of the aggregate value of transactions conducted during the financial year ended 31 December 2009 is as follows:

SUBSIDIARY COMPANY OF HRB	NAME OF RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION	AMOUNT OF TRANSACTION (RM'000)	AMOUNT OF TRANSACTIONS REFERRED TO IN THE PROSPECTUS FROM 30 JULY 2009 TO 31 DECEMBER 2009 (RM'000)
Handal Offshore Services Sdn Bhd ("HOSSB")	Handal Fabrication Sdn Bhd ("HFSB")	Dato Mohsin Abdul Halim, Zahari bin Hamzah and Joel Emanuel Heaney are the directors and substantial shareholders of HFSB.	Manpower and engineering services	3,869*	5,139
Handal Offshore Services Sdn Bhd ("HOSSB")	Excell Crane & Hydraulics Inc ("ECHI")	Joel Emanuel Heaney is a director and shareholder of ECHI	Material and spare parts supply	3,509*	10,581

* Represents post-acquisition figures.



Financial Statements

DIRECTORS' REPORT	22	STATEMENT BY DIRECTORS	26	STATUTORY DECLARATION	26
INDEPENDENT AUDITORS' REPORT	27	CONSOLIDATED BALANCE SHEET	29	BALANCE SHEET	30
CONSOLIDATED INCOME STATEMENT	31	INCOME STATEMENT	32		
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	33	STATEMENT OF CHANGES IN EQUITY	34		
CONSOLIDATED CASH FLOW STATEMENT	35	CASH FLOW STATEMENT	36		
NOTES TO THE FINANCIAL STATEMENTS	37				

Directors' Report

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 17 to the Financial Statements. There have been no significant changes in the principal activities of the Company and its subsidiary companies during the financial year.

Results

	GROUP RM	COMPANY RM
Net profit/(loss) for the financial year	10,019,112	(215,417)
Attributable to:		
Equity holders of the Company	10,020,927	(215,417)
Minority interests	(1,815)	–
	10,019,112	(215,417)

In the opinion of the directors, the results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial period.

A single tier final dividend of 4% or RM0.02 per ordinary share of RM0.50 amounting to RM1,800,000 for the financial year ended 31 December 2009 has been proposed by the Company. The proposed final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current year will not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2010.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Issue of Shares and Debentures

As approved by shareholders at a general meeting held on 2 May 2009, the authorised share capital of the Company was increased from RM100,000 to RM50,000,000 through the creation of an additional 99,800,000 new ordinary shares of RM0.50 each.

During the financial year, the issued and paid-up share capital of the Company was increased from RM2 to RM45,000,000 as part of its flotation scheme on the Main Market of Bursa Malaysia Securities Berhad.

The details of the changes of the issued and paid-up share capital of the Company are as follows:

- Acquisition of the entire issued and paid-up share capital of Handal Offshore Services Sdn. Bhd., a company incorporated in Malaysia, comprising 4,000,000 ordinary shares of RM1 each for the purchase consideration of RM35,749,998 satisfied by the issuance of 71,499,996 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 per share.
- Public issue of 18,500,000 new ordinary shares of RM0.50 each at an issue price of RM0.72 per share.

There were no issue of debentures during the financial year.

Share Options

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

Directors

The following directors served on the Board of the Company since the date of the last report:

Dato' Mohsin Abdul Halim	(Appointed on 7.5.2009)
Zahari Bin Hamzah	(Appointed on 7.5.2009)
Joel Emanuel Heaney	(Appointed on 7.5.2009)
Mallek Rizal Bin Mohsin	(Appointed on 7.5.2009)
Mohd Rafik Bin Shah Mohamad	(Appointed on 11.5.2009)
Chau Sik Cheong	(Appointed on 11.5.2009)
Lokman Razani Bin Abdul Razak	(Appointed on 11.5.2009)
YTM. Tengku Baderul Zaman Ibni Al Marhum Sultan Mahmud	(Appointed on 11.5.2009; resigned on 29.12.2009)
Noor Lizan Binti Abdul Khalid	(Resigned on 8.5.2009)
Yong Lee Ching	(Resigned on 8.5.2009)

In accordance with the Company's Articles of Association, Dato' Mohsin Abdul Halim, Encik Zahari Bin Hamzah, Mr Joel Emanuel Heaney, Encik Mallek Rizal Bin Mohsin, Mr Chau Sik Cheong and Encik Lokman Razani Bin Abdul Razak retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election. Encik Mohd Rafik Bin Shah Mohamad retires from the Board at the forthcoming Annual General Meeting and does not wish to seek for re-election.

Directors' Interest

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

SHARES IN THE COMPANY REGISTERED IN NAME OF DIRECTOR	NO. OF ORDINARY SHARES OF RM0.50 EACH			BALANCE AT 31.12.2009
	BALANCE AT 1.1.2009/ AT DATE OF APPOINTMENT	BOUGHT	SOLD	
Direct Interests				
Dato' Mohsin Abdul Halim	23,738,000	—	(1,992,000)	21,746,000
Zahari Bin Hamzah	25,168,000	—	(2,112,000)	23,056,000
Joel Emanuel Heaney	15,444,000	—	(1,296,000)	14,148,000
Mallek Rizal Bin Mohsin	7,150,000	300,000	(600,000)	6,850,000
Mohd Rafik Bin Shah Mohamad	—	100,000	—	100,000
Chau Sik Cheong	—	100,000	(80,000)	20,000
Lokman Razani Bin Abdul Razak	—	300,000	(30,000)	270,000
Indirect Interests				
Dato' Mohsin Abdul Halim	7,150,000	300,000	(600,000)	6,850,000
Mallek Rizal Bin Mohsin	23,738,000	—	(1,992,000)	21,746,000

By virtue of their interests in shares in the Company, Dato' Mohsin Abdul Halim, Encik Zahari Bin Hamzah, Mr Joel Emanuel Heaney and Encik Mallek Rizal Bin Mohsin are deemed to have interests in shares in its subsidiary companies to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

Directors' Report

Directors' Benefits

Since the end of the previous financial period, none of the directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Significant Events during the Financial Year

- (a) On 30 July 2009, the Company's shares were listed on the Main Market of Bursa Malaysia Securities Berhad.
- (b) On 1 November 2009, the Company acquired the entire issued and fully paid-up share capital of Handal Engineering Sdn. Bhd., a company incorporated in Malaysia for a total purchase consideration of RM613,000. As a result, Handal Engineering Sdn. Bhd., became a wholly-owned subsidiary company of the Company.
- (c) On 1 November 2009, the Company acquired 90,000 ordinary shares of RM1 each which represent 90% of the total issued and paid-up share capital of Handrill Sdn. Bhd., a company incorporated in Malaysia for a total purchase consideration of RM315,000. As a result, Handrill Sdn. Bhd. became a 90% owned subsidiary company of the Company.

Other Financial Information

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that there were no known bad debts and no provision for doubtful debts is required; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would require any amount to be written off as bad debts or provided for as doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the Group and of the Company for the succeeding financial year.

Registered Office

The registered office of the Company is located at:

25-6, Jalan PJU 1/42A
Block F2, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Principal Place of Business

The principal place of business of the Company is located at:

Lot PT 7358, Kawasan Perindustrian Telok Kalong
24007 Kemaman
Terengganu Darul Iman
Malaysia

Auditors

The auditors, Messrs GEP Associates, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 29 March 2010.

Dato' Mohsin Abdul Halim

Mallek Rizal Bin Mohsin

Kemaman

Statement by Directors

The directors of **HANDAL RESOURCES BERHAD**, state that, in their opinion, the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2009, their results and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 29 March 2010.

Dato' Mohsin Abdul Halim

Mallek Rizal Bin Mohsin

Kemaman

Statutory Declaration

I, **MALLEK RIZAL BIN MOHSIN** being the director primarily responsible for the accounting records and financial management of **HANDAL RESOURCES BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets, income statements, statements of changes in equity and cash flow statements, together with the notes thereto, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by **Mallek Rizal Bin Mohsin**,
at Petaling Jaya, Selangor Darul Ehsan
on 29 March 2010

Mallek Rizal Bin Mohsin

Before me,

K. Cherian Abraham (B299)
Commissioner for Oaths

Independent Auditors' Report

TO THE MEMBERS OF HANDAL RESOURCES BERHAD

Report on the Financial Statements

We have audited the financial statements of Handal Resources Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 60.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GEP Associates

AF 1030

Chartered Accountants

Gong Wooi Teik

741/04/10 (J)

Chartered Accountant

Petaling Jaya

Consolidated Balance Sheet

AS AT 31 DECEMBER 2009

	NOTE	2009 RM
ASSETS		
Non-current assets		
Property, plant and equipment	4	27,432,609
Prepaid land lease payments	5	2,517,123
Goodwill on consolidation	6	373,969
		30,323,701
Current assets		
Inventories		5,552,350
Work-in-progress		16,242,532
Trade receivables	7	16,697,047
Amount due from customers for contract works	8	969,346
Other receivables, deposits and prepayments		641,291
Short term investment	9	8,538,068
Short term and fixed deposits with licensed banks	10	19,711,108
Cash on hand and at banks		3,199,333
		71,551,075
TOTAL ASSETS		101,874,776
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	11	45,000,000
Reserves	12	11,565,078
Total Equity		56,565,078
Non-current liabilities		
Hire purchase creditors	13	345,789
Borrowings	14	16,586,846
Deferred taxation	15	1,143,700
		18,076,335
Current liabilities		
Trade payables	16	8,748,757
Other payables and accruals		2,966,428
Hire purchase creditors	13	127,863
Borrowings	14	14,173,873
Current tax payable		1,216,442
		27,233,363
TOTAL LIABILITIES		45,309,698
TOTAL EQUITY AND LIABILITIES		101,874,776

The accompanying Notes form an integral part of the Financial Statements.

Balance Sheet

AS AT 31 DECEMBER 2009

	NOTE	2009 RM	2008 RM
ASSETS			
Non-current Asset			
Investment in subsidiary companies	17	36,677,998	–
Current assets			
Deposit and prepayments		1,500	630,215
Amount owing by subsidiary company	18	38,475	–
Short term investment	9	8,538,068	–
Cash on hand and at banks		1,233,288	2
		9,811,331	630,217
TOTAL ASSETS		46,489,329	630,217
EQUITY AND LIABILITY			
Equity attributable to shareholders of the Company			
Share capital	11	45,000,000	2
Reserves	12	1,328,734	(5,425)
Total equity		46,328,734	(5,423)
Current liability			
Other payable and accruals		160,595	635,640
TOTAL LIABILITY		160,595	635,640
TOTAL EQUITY AND LIABILITY		46,489,329	630,217

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 RM
Revenue	19	48,958,223
Cost of sales	20	(28,615,403)
Gross profit		20,342,820
Other income		1,578,228
Administrative expenses		(5,593,531)
Selling and distribution expenses		(208,751)
Other expenses		(1,381,389)
Profit from operations	21	14,737,377
Finance costs	22	(968,612)
Profit before taxation		13,768,765
Income tax expense	23	(3,749,653)
Net profit for the year		10,019,112
Attributable to:		
– Equity holders of the Company		10,020,927
– Minority interests		(1,815)
		10,019,112
Earnings per share		
– basic (sen)	24	18.20
– diluted (sen)	24	N/A

Income Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 RM	8.5.2008 TO 31.12.2008 RM
Revenue		—	—
Other income		38,068	—
Administrative expenses		(181,166)	(480)
Other expenses		(72,319)	(4,945)
Net loss for the financial year/period	21	(215,417)	(5,425)
Attributable to:			
Equity holders of the Company		(215,417)	(5,425)

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
	NON-DISTRIBUTABLE	DISTRIBUTABLE	(ACCUMULATED LOSS)/RETAINED EARNINGS	TOTAL
	SHARE CAPITAL RM	SHARE PREMIUM RM	RM	RM
Balance at 1 January 2009	2	–	(5,425)	(5,423)
Issue of shares (Note 11)				
– Acquisition of subsidiary	35,749,998	–	–	35,749,998
– Public issue	9,250,000	4,070,000	–	13,320,000
Share issue and listing expenses, representing net loss not recognised in income statement	–	(2,520,424)	–	(2,520,424)
Net profit for the financial year	–	–	10,020,927	10,020,927
Balance at 31 December 2009	45,000,000	1,549,576	10,015,502	56,565,078

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	SHARE CAPITAL RM	NON- DISTRIBUTABLE SHARE PREMIUM RM	DISTRIBUTABLE ACCUMULATED LOSS RM	TOTAL RM
At date of incorporation	2	–	–	2
Net loss for the financial period	–	–	(5,425)	(5,425)
Balance at 31 December 2008	2	–	(5,425)	(5,423)
Issue of shares (Note 11)				
– Acquisition of subsidiary	35,749,998	–	–	35,749,998
– Public issue	9,250,000	4,070,000	–	13,320,000
Share issue and listing expenses, representing net loss not recognised in income statement	–	(2,520,424)	–	(2,520,424)
Net loss for the financial year	–	–	(215,417)	(215,417)
Balance at 31 December 2009	45,000,000	1,549,576	(220,842)	46,328,734

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		13,768,765
Adjustments for:		
Depreciation of property, plant and equipment		1,410,509
Interest expense		968,612
Unrealised loss on foreign exchange		48,152
Amortisation of prepaid land lease payments		29,548
Income from short term investment		(38,068)
Interest income		(381,336)
Excess of fair value over acquisition cost of subsidiary		(1,123,129)
Operating profit before working capital changes		14,683,053
Decrease in inventories		1,005,378
Decrease in work-in-progress		2,638,376
Increase in trade receivables		(3,186,200)
Increase in amount due from customers for contract works		(1,774,921)
Decrease in other receivables, deposits and prepayments		1,373,389
Increase in trade payables		189,777
Decrease in other payables and accruals		(271,731)
Cash generated from operations		14,657,121
Interest paid		(134,101)
Tax paid		(3,491,456)
Net cash generated from operating activities		11,031,564
CASH FLOWS FROM INVESTING ACTIVITIES		
Effect of acquisition of subsidiary companies, net of cash acquired	17	15,479,479
Interest received		381,336
Short term investment income received		38,068
Placement of fixed deposits		(500,682)
Purchase of property, plant and equipment	25	(11,636,454)
Net cash generated from investing activities		3,761,747
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares		13,320,000
Net drawdown of term loan		1,785,884
Payment of hire purchase interest		(9,886)
Payment of term loan interest		(26,016)
Repayment of hire purchase creditors		(63,273)
Payment of interest on medium term notes		(666,770)
Payment of share issue and listing expenses		(2,520,424)
Net decrease in bills payable		(2,812,839)
Repayment of medium term notes		(5,000,000)
Net cash generated from financing activities		4,006,676
NET INCREASE IN CASH AND CASH EQUIVALENTS		18,799,987
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	18,799,989

The accompanying Notes form an integral part of the Financial Statements.

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 RM	8.5.2008 TO 31.12.2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year/period		(215,417)	(5,425)
Adjustment for:			
Income from short term investment		(38,068)	–
Operating loss before working capital changes		(253,485)	(5,425)
Decrease/(Increase) in deposit and prepayments		628,715	(630,215)
Increase in amount owing by subsidiary company		(38,475)	–
(Decrease)/Increase in other payable and accruals		(475,045)	635,640
Net cash used in operating activities		(138,290)	–
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term investment income received		38,068	–
Acquisition of subsidiary companies		(928,000)	–
Net cash used in investing activities		(889,932)	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		13,320,000	2
Payment of share issue and listing expenses		(2,520,424)	–
Net cash generated from financing activities		10,799,576	2
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,771,354	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	9,771,356	2

Notes to the Financial Statements

31 DECEMBER 2009

1. Basis of Preparation of the Financial Statements

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved Financial Reporting Standards in Malaysia.

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous years.

Standards and Interpretation in Issue but not yet Effective

At the date of authorisation of this financial statements, the following Financial Reporting Standards ("FRSs"), amendments to FRSs and Issues Committee Interpretations ("IC Interpretations") were issued by MASB but not yet effective and have not been applied by the Company:

FRSs, AMENDMENTS TO FRSs AND IC INTERPRETATIONS		EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 1 and FRS 127	Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Share-based Payment – Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 7	Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
FRS 8	Operating Segments	1 July 2009
Amendments to FRS 8	Operating Segments	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
Amendments to FRS 107	Statement of Cash Flows (formerly known as Cash Flow Statements)	1 January 2010
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110	Events after the Reporting Period (formerly known as Events after the Balance Sheet Date)	1 January 2010
Amendments to FRS 116	Property, Plant and Equipment	1 January 2010
Amendments to FRS 117	Leases	1 January 2010
Amendments to FRS 118	Revenue	1 January 2010
Amendments to FRS 119	Employee Benefits	1 January 2010
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
FRS 123 and Amendment to FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements	1 January 2010
Amendment to FRS 128	Investments in Associates	1 January 2010
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010

Notes to the Financial Statements

1. Basis of Preparation of the Financial Statements (continued)

Standards and Interpretation in Issue but not yet Effective (continued)

FRSs, AMENDMENTS TO FRSs AND IC INTERPRETATIONS		EFFECTIVE FOR FINANCIAL PERIODS BEGINNING ON OR AFTER
Amendment to FRS 131	Interests in Joint Ventures	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendment to FRS 134	Interim Financial Reporting	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140	Investment Property	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010

Consequential amendments were also made to various FRS as a result of these new/revised FRSs.

All of the above new/revised FRSs, amendments to FRSs and IC Interpretations are effective for periods beginning on or after 1 January 2010 and 1 July 2010, except for FRS 8 which is effective for annual financial statements for period beginning on or after 1 July 2009.

By virtue of the exemption provided in paragraph 103AB of FRS 139 and paragraph 44AB of FRS 7, the impact of applying FRS 139 and FRS 7 on the financial statements of the Company upon initial application of these standards as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

The financial statements were approved and authorised for issue by Board of Directors on 29 March 2010.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

(b) Basis of Consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies as listed in Note 17 to the Financial Statements, made up to the end of the financial year. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating activities so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date, on which control is transferred to the Group and are no longer consolidated from the date that control ceases. In preparing the consolidated financial statements, all intercompany transactions, balances and unrealised gains or losses on transactions between group companies are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statements during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for capital work-in-progress and building under construction are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment and building under construction are not depreciated until the assets are ready for their intended use.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(c) Property, Plant and Equipment and Depreciation (continued)

Depreciation of other property, plant and equipment is computed on the straight line method to write off the cost of each asset to its residual value at the following rates based on the estimated useful lives of the various property, plant and equipment:

	RATE PER ANNUM (%)
Crane and machineries	20
Motor vehicles	20
Computer and peripherals	20 – 25
Workshop equipment	10
Furniture and fittings	10 – 15
Office equipment	10 – 15
Renovation	15

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in Income Statements.

(d) Impairment of Assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of the non-financial assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rate basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. Significant Accounting Policies (continued)

(e) Investments in Subsidiary Companies

Investments in subsidiary companies are stated at cost and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the Income Statements.

(f) Goodwill on Consolidation

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Work-In-Progress

Work-in-progress is valued at cost. Cost represents materials, labours and other direct costs incurred on uncompleted service and maintenance works up to the financial year end.

(i) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. Specific allowance is made for any debt which is considered to be doubtful of collection based on a review of all outstanding amounts as at the balance sheet date.

(j) Amount Due from/(to) Contract Customers

Amount due from/(to) contract customers are stated at cost less progress billings to date and anticipated losses on contracts. Cost includes all direct contract costs and other related costs. Where progress billings in respect of individual contract exceed the aggregate cost incurred to-date, the excess amounts are classified under current liabilities as amount due to contract customers.

(k) Short Term Investment

Short term investment is stated at lower of cost and net realisable value.

(l) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(m) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

Operating lease payments are recognised as an expense of a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(n) Property, Plant and Equipment Acquired under Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the Income Statements over the period of the respective agreements.

(o) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(p) Equity Instruments

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in the statements of changes in equity in the period in which they are declared.

(q) Revenue Recognition

(i) Services

Revenue from services rendered is recognised when the services are performed.

(ii) Contracts

Revenue from contracts is taken up in the financial statements on percentage of completion method. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion of a construction contract is determined based on the proportion that the contract costs incurred for work performed to-date bear to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to-date when determining the stage of completion of a contract. Such costs are shown as amounts due from/(to) customers on construction contracts unless it is not probable that such contract costs are recoverable from the customers, in which case such costs are recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

(iii) Goods Sold

Revenue from sale of goods is recognised when the goods are delivered and upon customers' acceptance.

Revenue for the sales of goods subject to installation and inspection is recognised upon acceptance by customers of the individual contracts.

(iv) Rental Income

Rental income from cranes is recognised on an accrual basis by reference to the agreement entered into.

(v) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(vi) Commission Received

Commission received is recognised on receipt basis.

2. Significant Accounting Policies (continued)

(r) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the Income Statements as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(s) Foreign Currency Transactions and Balances

The financial statements of the Group are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

Transactions in foreign currencies are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in Income Statements for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in Income Statements for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(t) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the financial period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statements for the financial period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Notes to the Financial Statements

2. Significant Accounting Policies (continued)

(v) Financial Instruments

Financial instruments carried on the balance sheets include investments, cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group have a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(w) Cash Equivalents

The Group adopts the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly-liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

3. Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Construction Contracts

The Group recognised contract profits based on the stage of completion method. The stage of completion of a construction contract is determined based on the proportion that the contract costs incurred for work performed to-date bear to the estimated total costs for the contract. When it is probable that the estimated total contract costs of a contract will exceed the total contract revenue of the contract, the expected loss on the contract is recognised as an expense immediately.

Significant judgement is required in the estimation of total contract costs. Where the actual total contract costs is different from the estimated total contract costs, such difference will impact the contract profits/(losses) recognised.

(b) Allowance for Doubtful Debts

The Group recognised an allowance for doubtful debts when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant judgement is required in the assessment of the recoverability of receivables, which have a financial impact on the amount of allowance for doubtful debts recognised.

4. Property, Plant and Equipment

2009 GROUP COST	BALANCE AT 1.1.2009 RM	ACQUISITION OF SUBSIDIARIES RM	ADDITION RM	DISPOSAL RM	RECLASSI- FICATION RM	BALANCE AT 31.12.2009 RM
Crane and machineries	–	8,565,765	4,834,255	–	4,567,098	17,967,118
Motor vehicles	–	148,601	–	–	–	148,601
Motor vehicles under hire purchase	–	507,934	457,330	–	–	965,264
Computer and peripherals	–	535,536	31,767	–	–	567,303
Workshop equipment	–	155,864	–	–	–	155,864
Furniture and fittings	–	173,779	715,335	–	–	889,114
Office equipment	–	196,480	110,832	–	–	307,312
Renovation	–	105,286	–	–	–	105,286
Capital work-in-progress	–	4,834,569	583,744	–	(4,567,098)	851,215
Building under construction	–	8,630,540	5,221,191	–	–	13,851,731
	–	23,854,354	11,954,454	–	–	35,808,808
ACCUMULATED DEPRECIATION	BALANCE AT 1.1.2009 RM	ACQUISITION OF SUBSIDIARIES RM	CURRENT DEPRECIA- TION RM	DISPOSAL RM	RECLASSI- FICATION RM	BALANCE AT 31.12.2009 RM
Crane and machineries	–	5,918,430	1,308,081	–	–	7,226,511
Motor vehicles	–	148,601	–	–	–	148,601
Motor vehicles under hire purchase	–	279,403	22,792	–	–	302,195
Computer and peripherals	–	366,098	37,406	–	–	403,504
Workshop equipment	–	50,495	10,391	–	–	60,886
Furniture and fittings	–	82,640	9,212	–	–	91,852
Office equipment	–	77,898	13,336	–	–	91,234
Renovation	–	42,125	9,291	–	–	51,416
Capital work-in-progress	–	–	–	–	–	–
Building under construction	–	–	–	–	–	–
	–	6,965,690	1,410,509	–	–	8,376,199
NET BOOK VALUE						BALANCE AT 31.12.2009 RM
Crane and machineries						10,740,607
Motor vehicles						–
Motor vehicles under hire purchase						663,069
Computer and peripherals						163,799
Workshop equipment						94,978
Furniture and fittings						797,262
Office equipment						216,078
Renovation						53,870
Capital work-in-progress						851,215
Building under construction						13,851,731
						27,432,609

Included in building under construction is interest expense capitalised during the financial year amounting to RM672,676 as mentioned in Note 22 to the Financial Statements.

The building under construction of the Group has been pledged to a licensed financial institution for banking facilities granted to the Group as mentioned in Note 14 to the Financial Statements.

Notes to the Financial Statements

5. Prepaid Land Lease Payments

	GROUP 2009 RM
Acquisition of a subsidiary company (Note 17)	2,546,671
Amortisation for the financial year	(29,548)
At end of year	2,517,123
Analysed as:	
Long term leasehold land	2,517,123

The long term leasehold land has been pledged as securities for banking facilities granted to the Group as mentioned in Note 14 to the Financial Statements.

6. Goodwill on Consolidation

	GROUP 2009 RM
At cost:	
At beginning of financial year	–
Acquisition of subsidiary companies (Note 17)	373,969
At end of financial year	373,969

7. Trade Receivables

The Group's normal credit term ranges from 30 days to 45 days. Other credit terms are assessed and approved on a case-by-case basis.

8. Amount Due from Customers for Contract Works

	GROUP 2009 RM
Aggregate cost incurred to date	1,250,860
Attributable profit	–
	1,250,860
Less: Progress billings	(281,514)
Amount due from customers for contract works	969,346

9. Short Term Investment

	GROUP 2009 RM	COMPANY 2009 RM	2008 RM
At cost (Note 26)	8,538,068	8,538,068	–

Short term investment represents deposit placement with an investment fund management company for investment in fixed income instruments.

10. Short Term and Fixed Deposits with Licensed Banks

Included in the short term and fixed deposits with the licensed banks of the Group is an amount of RM11,021,774 which has been assigned in favour of the Trustees of the RM25 million Medium Term Notes facilities as mentioned in Note 14 to the Financial Statements.

And also included in the short term and fixed deposits of the Group is an amount of RM8,689,334 being deposits pledged to licensed banks as continuing security for banking facilities granted to the Group as mentioned in Note 14 to the Financial Statements.

The short term and fixed deposits of the Group have maturity periods ranging from 7 days to 14 months. The effective interest rates of the deposits range from 1.90% to 3.50% per annum.

11. Share Capital

	GROUP AND COMPANY 2009 RM	2008 RM
Share capital is represented by:		
Authorised		
100,000,000 ordinary shares of RM0.50 each		
At beginning of financial year/date of incorporation	100,000	100,000
Created during the financial year/period	49,900,000	–
At end of financial year/period	50,000,000	100,000
Issued and fully paid		
90,000,000 ordinary shares of RM0.50 each		
At beginning of financial year/date of incorporation	2	2
Issued during the financial year/period:		
– Acquisition of a subsidiary company	35,749,998	–
– Public issue	9,250,000	–
At end of financial year/period	45,000,000	2

As approved by shareholders at a general meeting held on 2 May 2009, the authorised share capital of the Company was increased from RM100,000 to RM50,000,000 through the creation of an additional 99,800,000 new ordinary shares of RM0.50 each.

During the financial year, the issued and paid-up share capital of the Company was increased from RM2 to RM45,000,000 as part of its flotation scheme on the Main Market of Bursa Malaysia Securities Berhad.

The details of the changes of the issued and paid-up share capital of the Company are as follows:

- (a) Acquisition of the entire issued and paid-up share capital of Handal Offshore Services Sdn. Bhd. comprising 4,000,000 ordinary shares of RM1 each for the purchase consideration of RM35,749,998 satisfied by the issuance of 71,499,996 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 per share.
- (b) Public issue of 18,500,000 new ordinary shares of RM0.50 each at an issue price of RM0.72 per share.

The resulting share premium arising from the above issuance of shares has been credited to share premium account.

The newly issued shares ranked pari passu with the then existing shares of the Company.

Notes to the Financial Statements

12. Reserves

	GROUP 2009 RM	2009 RM	COMPANY 2008 RM
Non-distributable reserve:			
Share premium	1,549,576	1,549,576	—
Distributable reserve:			
Retained earnings/(Accumulated loss)	10,015,502	(220,842)	(5,425)
	11,565,078	1,328,734	(5,425)

Share Premium

	GROUP/COMPANY 2009 RM
Share premium arose as follows:	
Public issue of 18,500,000 ordinary shares issued at a premium of RM0.22 per ordinary share	4,070,000
Share issue and listing expenses	(2,520,424)
	1,549,576

Retained Earnings

Malaysian companies presently adopt the full imputation tax system. The Government has introduced the single tier tax system under the Finance Act 2007 for companies effective from the year of assessment 2008. Under the single tier tax system, tax on a company's profit is a final tax, and the dividends distributed to shareholders will be exempted from tax.

13. Hire Purchase Creditors

	GROUP 2009 RM
Total hire purchase instalments due:	
Within one year	149,165
Between two to five years	357,070
After five years	52,478
	558,713
Unexpired term charges	(85,061)
Outstanding principal amount due:	473,652
Within one year	(127,863)
Between two to five years	(301,658)
After five years	44,131

Hire purchase liabilities are subject to interest rates ranging from 2.51% to 3.80% per annum.

14. Borrowings

	GROUP 2009 RM
Secured:	
Bank overdrafts (Note 26)	3,959,186
Bills payable	4,794,000
Term loan	2,007,533
Medium term notes	20,000,000
	30,760,719
Amount repayable within one year	(14,173,873)
Amount repayable between two to five years	16,586,846

Bank Overdrafts and Bills Payable

The bank overdrafts and bills payable are secured by the following:

- (i) Pledge of fixed deposits on lien as mentioned in Note 10 to the Financial Statements;
- (ii) Assignment of certain contracts secured by one of its subsidiary companies of the Company;
- (iii) Negative pledge; and
- (iv) Jointly and severally guaranteed by certain directors of the Company.

The bank overdrafts bear interest charged ranging from 7.05% to 8.50% per annum and are held on call by the licensed bank.

Bills payable have maturity periods ranging from 131 days to 163 days and bear interest ranging from 3.65% to 4.68% per annum.

Term Loan

The term loan is secured by fixed deposits of the Group and also jointly and severally guaranteed by certain directors of the Company.

This loan is repayable over a period of five years and bears interest charged at 6.55% per annum.

Medium Term Notes ("MTNs")

	GROUP 2009 RM
The MTNs are repayable as follows:	
Financial years ending 31 December,	
2010	5,000,000
2011	5,000,000
2012	10,000,000
	20,000,000

A subsidiary company, Handal Offshore Services Sdn. Bhd. ("HOSSB") issued RM30 million MTNs out of nominal amount of a total of RM50 million MTNs. The purpose of the MTNs is to repay the bank borrowings, to finance the construction of a new fabrication and maintenance facility and for working capital.

The MTNs were constituted by a trust deed dated 31 July 2007 made between HOSSB and the Trustee for the holders of the MTNs.

Notes to the Financial Statements

14. Borrowings (continued)

Medium Term Notes ("MTNs") (continued)

The main features of the RM50 million MTNs are as follows:

(a) The MTNs of RM50 million comprising two (2) tranches of RM25 million each ("Tranche").

(i) Tranche 1

SERIES	TENOR (YEARS)	AMOUNT RM
1	2	5,000,000
2	3	5,000,000
3	4	5,000,000
4	5	10,000,000

(ii) Tranche 2 of up to RM5 million out of a total of RM25 million was issued by HOSSB during the financial year.

(b) All MTNs issued under the Tranche 1 shall be issued at par.

The MTNs issued under Tranche 2 shall be issued at par, premium or at discount to face value depending on the yield to maturity agreed with the private placement investor(s) at the time of issuance of the MTNs.

(c) The MTNs issued bear fixed coupon rates ranging from 7.15% to 7.45% per annum, payable semi-annually in arrears from the date of issue of the MTNs with the last coupon payment to be made on the respective maturity dates.

(d) The MTNs are secured against the following:

- (i) An assignment of all proceeds arising there from under present and future contracts of HOSSB;
- (ii) A first ranking legal charge over the leasehold land of the Group as mentioned in Note 4 to the Financial Statements;
- (iii) A first ranking charge over the designated accounts including all monies standing to credit of the Group; and
- (iv) An assignment of all the rights and interest arising from the insurance, performance bonds, liquidated damages (where applicable) during the construction period of Group's new fabrication yard.

15. Deferred Taxation

	GROUP 2009 RM
Acquisition of subsidiary companies (Note 17)	473,491
Recognised in income statement (Note 23)	670,209
At end of year	1,143,700

The component and movement of deferred tax liability during the year is as follows:

	ACCELERATED CAPITAL ALLOWANCES RM	OTHERS RM	TOTAL RM
Acquisition of subsidiary companies (Note 17)	457,270	16,221	473,491
Recognised in income statement (Note 23)	702,830	(32,621)	670,209
At end of year	1,160,100	(16,400)	1,143,700

16. Trade Payables

	GROUP 2009 RM
The currency exposure profile of trade payables is as follows:	
– Ringgit Malaysia	4,678,850
– United States Dollar	2,747,239
– Australia Dollar	862,259
– Singapore Dollar	253,995
– Euro	206,414
	8,748,757

The normal credit terms granted to the Group ranges from 30 days to 90 days.

17. Investment in Subsidiary Companies

	COMPANY 2009 RM	2008 RM
Unquoted shares, at cost	36,677,998	–

Details of the subsidiary companies are as follows:

	PLACE OF INCORPORATION	EQUITY INTEREST 2009 (%)	2008 (%)	PRINCIPAL ACTIVITIES
Handal Offshore Services Sdn. Bhd.	Malaysia	100	–	Overhaul and maintenance, manufacturing or fabrication of new offshore pedestal cranes, offshore crane rental business, workover projects and other services such as supply of manpower and parts
Handal Engineering Sdn. Bhd.	Malaysia	100	–	Selling of industrial plant and equipment and telecommunication equipment
Handrill Sdn. Bhd.	Malaysia	90	–	Consultants in engineering project support services

(a) Acquisition of Subsidiary Companies

- (i) On 6 May 2009, the Company acquired 100% equity interest on Handal Offshore Services Sdn. Bhd., a company incorporated in Malaysia for the purchase consideration of RM35,749,998 satisfied by the issuance of 71,499,996 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 per share.
- (ii) On 1 November 2009, the Company acquired the entire issued and fully paid-up share capital of Handal Engineering Sdn. Bhd., a company incorporated in Malaysia for a total purchase consideration of RM613,000.
- (iii) On 1 November 2009, the Company acquired 90,000 ordinary shares of RM1 each which represent 90% of the total issued and paid-up share capital of Handrill Sdn. Bhd., a company incorporated in Malaysia for a total purchase consideration of RM315,000.

Notes to the Financial Statements

17. Investment in Subsidiary Companies (continued)

(b) The effect of the acquisition of the subsidiary companies on the financial results of the Group are as follows:

	2009 RM
Post-acquisition results of the subsidiary companies acquired:	
Revenue	48,958,223
Cost of sales	(28,615,403)
Gross profit	20,342,820
Other income	1,540,160
Administrative expenses	(5,412,365)
Selling and distribution expenses	(208,751)
Other expenses	(1,309,070)
Profit from operations	14,952,794
Finance costs	(968,612)
Profit before taxation	13,984,182
Income tax expense	(3,749,653)
Profit on acquisition of subsidiary companies	10,234,529

If the acquisition had occurred on 1 January 2009, the Group's revenue and profit for the year would have been RM71,763,280 and RM15,190,782 respectively.

(c) The assets and liabilities arising from the acquisition are as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RM
Property, plant and equipment (Note 4)	16,888,664
Inventories	6,557,728
Prepaid land lease payments (Note 5)	2,546,671
Work-in-progress	18,880,908
Trade and other receivables	22,306,615
Cash and bank balances	16,407,479
	83,588,065
Trade and other payables	(11,141,570)
Hire purchase creditors	(218,925)
Borrowings	(32,696,649)
Deferred taxation (Note 15)	(473,491)
Current tax payable	(1,628,457)
	(46,159,092)
Total net assets	37,428,973
Less: Minority interests	(1,815)
	37,427,158
Excess of fair value over acquisition cost	(1,123,129)
Goodwill on acquisition (Note 6)	373,969
Total purchase consideration	36,677,998
Less: Cash and cash equivalents of subsidiary companies acquired	(16,407,479)
Acquisition with share exchange	(35,749,998)
Effect of acquisition of subsidiary companies, net of cash acquired	(15,479,479)

18. Amount Owing by Subsidiary Company

	COMPANY	
	2009 RM	2008 RM
Non-trade	38,475	—

The amount owing by subsidiary company is unsecured, interest-free and without fixed terms of repayment.

19. Revenue

	GROUP 2009 RM
Revenue of the Group consist of the following:	
Integrated crane services	30,814,574
Fabrication of cranes	2,538,310
Workover projects listing solutions	9,134,329
Trading and projects services	6,471,010
	48,958,223

20. Cost of Sales

	GROUP 2009 RM
Cost of sales of the Group consist of the following:	
Integrated crane services rendered	18,605,210
Cost of fabrication of cranes	1,949,489
Cost of workover projects listing solutions	2,912,382
Cost of trading and projects services rendered	5,148,322
	28,615,403

Notes to the Financial Statements

21. Profit from Operations/Net Loss for the Financial Year/Period

	GROUP	COMPANY	
	2009	2009	8.5.2008
	RM	RM	TO
			31.12.2008
			RM
(a) The profit from operations is arrived at after charging:			
Staff costs	3,639,177	—	—
Depreciation of property, plant and equipment	1,410,509	—	—
Directors' remuneration:			
– Emoluments and allowance	1,244,092	30,000	—
– Fee	304,500	96,000	—
– Benefit-in-kind	84,492	—	—
Rental of land	253,120	—	—
Loss on foreign exchange	55,634	—	—
Rental of premises	95,335	—	—
Amortisation of prepaid land lease payments	29,548	—	—
Auditors' remuneration:			
– Statutory audit	59,200	20,000	800
– Other services	45,000	45,000	—
Rental of equipment	5,750	—	—
Rental of motor vehicles	1,935	—	—
And crediting:			
Excess of fair value over acquisition cost of subsidiary company	1,123,129	—	—
Interest income	381,336	—	—
Income from short term investment	38,068	38,068	—

(b) Directors' Remuneration

	GROUP	COMPANY	
	2009	2009	8.5.2008
	RM	RM	TO
			31.12.2008
			RM
Executive:			
Emoluments and allowance	1,214,092	30,000	—
Fee	176,000	96,000	—
Benefit-in-kind	84,492	—	—
	1,474,584	126,000	—
Non-Executive:			
Emoluments and allowance	30,000	—	—
Fee	128,500	—	—
	158,500	—	—

21. Profit from Operations/Net Loss for the Financial Year/Period (continued)

(b) Directors' Remuneration (continued)

Remuneration paid and payable to Directors of the Company analysed into bands of RM50,000:

	NUMBER OF DIRECTORS 2009
Executive Director	
RM50,000 and below	—
RM50,001 – RM100,000	—
RM100,001 – RM150,000	1
RM150,001 – RM200,000	—
RM200,001 – RM250,000	—
RM250,001 – RM300,000	—
RM300,001 – RM350,000	—
RM350,001 – RM400,000	—
RM400,001 – RM450,000	1
RM450,001 – RM500,000	2
Non-Executive Director	
RM50,000 and below	4

(c) Staff Costs

	GROUP	COMPANY	
	2009 RM	2009 RM	8.5.2008 TO 31.12.2008 RM
Salaries, wages, bonuses and allowances	2,961,594	—	—
EPF and SOCSO	207,854	—	—
Other staff related expenses	469,729	—	—
	3,639,177	—	—

22. Finance Costs

	GROUP 2009 RM
Interest on medium term notes	1,339,446
Bank overdrafts interest	134,020
Bankers' acceptance interest and charges	131,839
Term loan interest	26,016
Hire purchase interest	9,886
Sundry loan interest	81
	1,641,288
Less: Amount capitalised in building under construction (Note 4)	(672,676)
	968,612

Notes to the Financial Statements

23. Income Tax Expense

	GROUP	COMPANY
	2009 RM	8.5.2008 TO 31.12.2008 RM
Tax expense for the year	3,092,336	—
Deferred tax expense relating to origination and reversal of temporary differences (Note 15)	670,209	—
	3,762,545	—
Overprovision in prior years	(12,892)	—
	3,749,653	—

A reconciliation of income tax expense applicable to profit before taxation/(loss) for the financial year/period at the statutory income tax rate to income tax expense of the Group and of the Company is as follows:

	GROUP	COMPANY
	2009 RM	8.5.2008 TO 31.12.2008 RM
Profit before taxation/(loss) for the financial year/period	13,768,765	(215,417)
Taxation at Malaysian statutory rate @ 25%/20%	3,442,200	(53,900)
Expenses not deductible for tax purposes	759,200	63,400
Over provision in prior years	(12,892)	—
Adjustment of opening deferred tax liabilities	(11,291)	—
Income not subject to taxation	(411,064)	(9,500)
Non-recognition of deferred tax benefit	(16,500)	—
	3,749,653	—

One of the subsidiary companies, Handal Offshore Services Sdn. Bhd. ("HOSSB") has been granted pioneer status for a period of ten (10) years by the Ministry of International Trade and Industry under the Promotion of Investments Act, 1986. Under this pioneer status incentive, income derived from the pioneer activity is exempted from income tax for a period of five (5) years from 18 September 2005 to 17 September 2010. HOSSB is required to apply for the extension of the incentive period for another five (5) years upon the expiry of its initial five (5) years pioneer period subject to the fulfilment of terms and conditions in the Pioneer Certificate.

24. Earnings Per Share

The basic earnings per share ("EPS") is arrived at by dividing the Group's profit attributable to the equity holders of the Company of RM10,020,927 by the weighted average number of ordinary shares in issue during the financial year of 55,065,754.

The fully diluted earnings per share for the Group is not presented as there were no potential dilutive ordinary shares outstanding at the balance sheet date.

25. Purchase of Property, Plant and Equipment

	GROUP 2009 RM
Aggregate cost	11,954,454
Financed by hire purchase	(318,000)
Cash consideration	11,636,454

26. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:

	GROUP 2009 RM	COMPANY 2009 RM	2008 RM
Short term investment (Note 9)	8,538,068	8,538,068	–
Short term and fixed deposits with licensed banks	19,711,108	–	–
Cash on hand and at banks	3,199,333	1,233,288	2
Bank overdrafts (Note 14)	(3,959,186)	–	–
	27,489,323	9,771,356	2
Less: Fixed deposits pledged to licensed banks (Note 10)	(8,689,334)	–	–
	18,799,989	9,771,356	2

27. Capital Commitment

	GROUP 2009 RM
Contracted but not provided for construction of office and factory yard	955,635

28. Significant Event during the Financial Year

Other than as disclosed elsewhere in the financial statements, on 30 July 2009, the Company's shares were listed on the Main Market of Bursa Malaysia Securities Berhad.

29. Related Parties

The parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, of where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

(a) The significant related party transactions of the Group are as follows:

COMPANIES WHERE CERTAIN DIRECTORS OF THE GROUP HAVE FINANCIAL INTERESTS:	TRANSACTIONS	TRANSACTION VALUE YEAR ENDED 31 DECEMBER 2009 RM	BALANCE AT 31 DECEMBER 2009 RM
Handal Fabrications Sdn. Bhd.	Manpower and material supply for fabrication and machining job	3,868,768	1,387,977
Excell Crane & Hydraulic	Supply of raw material	3,508,850	1,743,216

Notes to the Financial Statements

29. Related Parties (continued)

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year is as follows:

	GROUP	COMPANY	
	2009	2009	8.5.2008
	RM	RM	TO
			31.12.2008
			RM
Salaries and other emoluments	1,642,123	30,000	—
Directors' fee	304,500	96,000	—
Benefit-in-kind	84,492	—	—
	2,031,115	126,000	—

Included in the total key management personnel are:

	GROUP	COMPANY	
	2009	2009	8.5.2008
	RM	RM	TO
			31.12.2008
			RM
Directors' remuneration (Note 21)	1,633,084	126,000	—

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

30. Financial Instruments

Financial Risk Management Objectives and Policies

The financial risk management policy of the Group seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing their risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

Credit Risk

The management has in place a credit policy to monitor and minimise the exposure of default. Receivables are monitored on an ongoing basis.

At balance sheet date, there were no significant concentrations of credit risk in the financial statements. The maximum exposure to credit risk for the Group was represented by the carrying amount of each financial asset.

Interest Rate Risk

The Group is exposed to interest rate risk mainly from differences in timing between the maturities or repricing of its interest bearing assets and liabilities.

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. These mismatches are managed as part of the overall interest rate risk management process of the Group.

30. Financial Instruments (continued)**Financial Risk Management Objectives and Policies** (continued)**Interest Rate Risk** (continued)

The maturity profile and effective interest rate of the Group's financial assets and liabilities exposed to interest rate risk are as follows:

2009	EFFECTIVE INTEREST RATE %	TOTAL RM	WITHIN ONE YEAR RM	BETWEEN TWO TO FIVE YEARS RM
Financial assets				
Short term and fixed deposits with licensed banks	1.90 to 3.50	19,711,108	19,711,108	–
Financial liabilities				
Medium term notes	7.15 to 7.45	20,000,000	5,000,000	15,000,000
Bank overdrafts	7.05 to 8.50	3,959,186	3,959,186	–
Bills payable	3.65 to 4.68	4,794,000	4,794,000	–
Term loan	6.55	2,007,533	420,687	1,586,846
		30,760,719	14,173,873	16,586,846

Foreign Currency Risk

The Group incur foreign currency risk on certain transactions that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are United States Dollar, Singapore Dollar, Australia Dollar and Euro.

The Group do not generally hedge its exposure to fluctuations in foreign exchange rate.

Liquidity Risk

The Group monitor their cash flows actively and ensure that credit facilities are in place to meet their obligations as and when they fall due.

Fair Value

Recognised Financial Instruments

The carrying amounts of the financial assets and financial liabilities of Group at the balance sheet date approximated their fair values.

There are no fair values for financial instruments not recognised in the balance sheets as at 31 December 2009 that are required to be disclosed.

Notes to the Financial Statements

31. Segmental Reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment revenue, results, assets and liabilities include item directly attributable to a segment and those where a reasonable basis of allocation exist.

(a) Business Segments

The main business segments of the Group comprise the following:

	INVESTMENT HOLDING RM	INTEGRATED CRANE SERVICES RM	FABRICA- TION OF CRANES RM	WORKOVER PROJECTS LIFTING SOLUTIONS RM	OTHER BUSINESS SEGMENTS RM	ELIMINA- TIONS RM	CONSOLI- DATED RM
2009							
Revenue							
Revenue from external parties	–	30,814,574	2,538,310	9,134,329	6,471,010	–	48,958,223
Inter-segment revenue	–	–	–	–	18,816	(18,816)	–
Total revenue	–	30,814,574	2,538,310	9,134,329	6,489,826	(18,816)	48,958,223
Results							
Segment result	(215,417)	7,667,118	214,659	4,875,494	691,058	–	13,232,912
Interest income							381,336
Unallocated income							1,123,129
Interest expenses							(968,612)
Profit before taxation							13,768,765
Income tax expense							(3,749,653)
Net profit after taxation							10,019,112
Minority interest							1,815
Profit attributable to equity holders of the Company							10,020,927
Assets							
Segment assets	10,146,828	63,825,727	5,257,560	18,919,788	3,724,873	–	101,874,776
Liabilities							
Segment liabilities	160,595	30,833,344	2,539,856	9,139,893	2,636,010	–	45,309,698
Other information							
Depreciation							1,410,509
Amortisation							29,548

(b) Geographical Segments

The Group operates principally in Malaysia. Accordingly, no geographical segment information is provided.

32. Comparative Figures

No comparative figures have been presented in the consolidated financial statements as this is the first set of financial statements of the Group.

Particulars of Group Properties

The following property is held by HANDAL OFFSHORE SERVICES SDN. BHD.

Location:	PT 7358, Mukim Telok Kalong District of Kemaman Terengganu Darul Iman
Tenure:	Leasehold for 60 Years expiring on 15.10.2066
Land/Built-Up Area:	Land – 40,000 square metres/10 acres Building/Workshop – 5,955.75 square metres
Description/Existing Use:	Industrial Lot/Fabrication yard/Workshop
Age of Building:	Under construction
Net Book Value at 31.12.2009:	Land – RM2,659,290 Building – RM13,851,731 Total – RM16,511,021
Year of Acquisition:	2006

Analysis of Shareholdings

AS AT 23 APRIL 2010

Authorised share capital	: RM50,000,000
Issued and fully paid-up capital	: RM45,000,000
Class of shares	: Ordinary shares of RM0.50 each
Voting rights	: One vote per ordinary share

Analysis of Shareholdings

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHAREHOLDINGS	% OF ISSUED CAPITAL
Less than 100	5	0.33	19	0.00
100 to 1,000	167	11.10	142,200	0.16
1,001 to 10,000	919	61.10	5,350,581	5.94
10,001 to 100,000	380	25.27	11,137,900	12.38
100,001 to less than 5% of issued shares	29	1.93	8,025,900	8.92
5% and above of issued shares	4	0.27	65,343,400	72.60
TOTAL	1,504	100.00	90,000,000	100.00

Directors' Shareholdings as Per Register of Directors' Shareholdings

NO.	DIRECTORS	DIRECT INTEREST	%	INDIRECT INTEREST	%
1.	Dato' Mohsin Abdul Halim	21,746,000	24.16	6,693,400 *	7.44
2.	Mallek Rizal Bin Mohsin	6,693,400	7.44	21,746,000 ^	24.16
3.	Heaney Joel Emanuel	13,848,000	15.39	—	—
4.	Zahari Bin Hamzah	23,056,000	25.62	—	—
5.	Lokman Razani Bin Abdul Razak	205,800	0.23	—	—
6.	Mohd Rafik Bin Shah Mohamad	100,000	0.11	—	—
7.	Chau Sik Cheong	20,000	0.02	—	—

Notes: * Deemed interested by virtue of his relationship with Mallek Rizal Bin Mohsin, his son.

^ Deemed interest by virtue of his relationship with Dato' Mohsin Abdul Halim, his father.

Directors' Shareholdings in Related Companies

By virtue of their interests in shares in the Company, Dato' Mohsin Abdul Halim, Zahari Bin Hamzah, Joel Emanuel Heaney and Mallek Rizal Bin Mohsin are deemed to have interests in shares in its subsidiary companies to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

List of Thirty Largest Shareholders

NO.	NAME	NO. OF SHARES	%
1.	Zahari Bin Hamzah	23,056,000	25.62
2.	Mohsin Abdul Halim	21,746,000	24.16
3.	Heaney Joel Emanuel	13,848,000	15.39
4.	Mallek Rizal Bin Mohsin	6,693,400	7.44
5.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (LBF)</i>	750,000	0.83
6.	Chan Cheu Leong	704,800	0.78
7.	UOBM Nominees (Tempatan) Sdn Bhd <i>UOB-OSK Asset Management Sdn Bhd for Uni Aggressive Fund</i>	603,900	0.67
8.	Eng Lian Kee	500,000	0.56
9.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	462,000	0.51
10.	Eng Gel Bert	400,000	0.44

List of Thirty Largest Shareholders (continued)

NO.	NAME	NO. OF SHARES	%
11.	Chen Ken Boon	378,900	0.42
12.	Nooraihan Binti Mohd Radzuan	350,000	0.39
13.	Rosdin Bin Hanafiah	300,000	0.33
14.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Eng Weng Cheow (E-SDK)</i>	258,900	0.29
15.	Mohd Radzuan Bin Ab Halim	250,000	0.28
16.	Chu Yuen Loy	245,000	0.27
17.	Chen Kin Yau	236,000	0.26
18.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for OSK-UOB Growth and Income Focus Trust (4892)</i>	231,000	0.26
19.	Hamzah Bin Abdul Majid	220,000	0.24
20.	Joseph David Smith Jr	212,000	0.24
21.	How Cheng Kong	206,300	0.23
22.	Lokman Razani Bin Abdul Razak	205,800	0.23
23.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Tham Jooi Loon (MM1102)</i>	185,300	0.21
24.	Nor Ahmar Binti Mohd Ali	150,000	0.17
25.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cheah Yeow Kwan</i>	150,000	0.17
26.	OSK Nominees (Tempatan) Sdn Berhad <i>OSK Capital Sdn Bhd for Ismail Bin Abdul Hamid</i>	150,000	0.17
27.	HLG Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account for Khoo Kok Kheng (CCTS)</i>	149,600	0.17
28.	Lim Kien Huat	145,000	0.16
29.	Chan Cheu Leong	130,000	0.14
30.	Teoh Lian Hin	123,700	0.14

Substantial Shareholders

NAME	DIRECT INTEREST	%	INDIRECT INTEREST	%
1. Zahari Bin Hamzah	23,056,000	25.62	—	—
2. Dato' Mohsin Abdul Halim	21,746,000	24.16	6,693,400 *	7.44
3. Heaney Joel Emanuel	13,848,000	15.39	—	—
4. Mallek Rizal Bin Mohsin	6,693,400	7.44	21,746,000 ^	24.16

Notes: * Deemed interested by virtue of his relationship with Mallek Rizal Bin Mohsin, his son.

^ Deemed interest by virtue of his relationship with Dato' Mohsin Abdul Halim, his father.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Second Annual General meeting of the Company will be held at Lot PT 7358, Kawasan Perindustrian Telok Kalong, 24007 Kemaman, Terengganu Darul Iman on Wednesday, 16 June 2010 at 10.00 a.m., to transact the following business:

As Ordinary Business:

- | | |
|---|----------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of Directors and Auditors thereon. | RESOLUTION 1 |
| 2. To declare a single tier first and final dividend of RM0.02 per share in respect of the financial year ended 31 December 2009. | RESOLUTION 2 |
| 3. To approve payment of the Directors' Fees of RM126,000 for the year ended 31 December 2009. | RESOLUTION 3 |
| 4. To re-elect the following Directors retiring by rotation pursuant to Article 68 of the Company's Articles of Association: | |
| (a) Dato' Mohsin Abdul Halim | RESOLUTION 4 |
| (b) Mallek Rizal Bin Mohsin | RESOLUTION 5 |
| (c) Joel Emanuel Heaney | RESOLUTION 6 |
| (d) Zahari Bin Hamzah | RESOLUTION 7 |
| (e) Lokman Razani Bin Abdul Razak | RESOLUTION 8 |
| (f) Chau Sik Cheong | RESOLUTION 9 |
| 5. To re-appoint Messrs. GEP Associate as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | RESOLUTION 10 |

As Special Business:

To consider and if thought fit, to pass, with or without modifications the following Ordinary Resolutions:

- | | |
|---|----------------------|
| 6. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 | RESOLUTION 11 |
|---|----------------------|

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered to issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per cent (10%) of the nominal value of the total issued and paid-up share capital of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. PROPOSED SHAREHOLDERS' RATIFICATION FOR THE RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

RESOLUTION 12
(Please refer
Explanatory
Note)

"THAT all the recurrent related party transactions entered into by the Company and its subsidiary, Handal Offshore Services Sdn Bhd ("HOSSB") with the related parties, Handal Fabrication Sdn Bhd and Excell Crane & Hydraulics Inc, as set out in Section 2.2.3 (a) of the Circular to Shareholders dated 24 May 2010, from the listing date of the Company, 30 July 2009, up to the date of the Second Annual General Meeting, which were undertaken in the ordinary course of business, on arms length basis, on normal commercial terms which were not more favorable to the related party than those generally available to the public and were not detrimental to the minority shareholders of the Company, be hereby approved and ratified.

THAT all the actions taken and the execution of all necessary documents by the Directors of the Company as they had considered expedient or deemed fit in the interest of the Company, be hereby approved and ratified.

AND THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to HOSSB to enter into RRPTs of a Revenue or Trading Nature as set out in Section 2.2.3 (b) of the Circular to Shareholders dated 24 May 2010 with the specific related parties mentioned therein which are necessary for the Group's day to day operations, subject to the following:

- (a) That the RRPTs of a revenue or trading nature entered into are in the ordinary course of business, they are at arm's length basis and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (b) That the proposals are subject to annual renewal and that such approval shall continue to be in force until:
 1. The conclusion of the next Annual General Meeting ("AGM") of the Company; or
 2. The expiration of the period within the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act 1965 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
 3. Revoked or varied by resolution passed by the shareholders in general meeting,whichever is the earlier.

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution."

8. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

As Special Business to consider and if thought fit, to pass the following Special Resolution:

**SPECIAL
RESOLUTION 13**

"THAT, the existing clause 104 of the Company's Articles of Association be amended to read as follows:

Any dividend or other money payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may by writing direct or by directly crediting the dividend entitlement into the member's bank account as provided to the Depository from time to time. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or such person as the holder may direct and payment of the cheque or the direct crediting to the member's bank account shall be a good discharge to the Company. Every such cheque or warrant shall be sent or directly credited at the risk of the person entitled to the money represented thereby. Where the members have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends out of its accounts."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

Notice of Annual General Meeting

Notice of Dividend Entitlement and Payment

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the members at the Second Annual General Meeting to be held on Wednesday, 16 June 2010 a single tier first and final dividend of RM0.02 per share in respect of the financial year ended 31 December 2009 will be paid on **30 July 2010**.

The entitlement date for the dividend payment is **30 June 2010**.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on **30 June 2010** in respect of transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Leong Oi Wah (MAICSA 7023802)

Wang Sheau Wei (MAICSA 7033274)

Secretaries

Kuala Lumpur

24 May 2010

Notes:

1. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
2. A proxy may but need not be a member of the Company and paragraphs (a) and (b) of Section 149(1) of the Act shall not apply.
3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment shall be invalid.
4. To be valid, this form, duly completed must be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, it may appoint one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

Explanatory Notes on Special Business:

Resolution 11

Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

Ordinary Resolution No. 12 is proposed for the purpose of granting a general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in General Meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This General Mandate is new and will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for purpose of funding future investment, working capital and/or acquisitions.

Resolution 12

Please refer to the Circular dated 24 May 2010 for further information.

Resolution 13

Proposed Amendments to Articles of Association

The proposed amendments to the Articles of Association of the Company is to facilitate the implementation of the electronic dividend payment system by Bursa Securities.

Notice on eDividend Service

24 May 2010

Dear Shareholder,

RE: eDividend (Electronic Dividend) Service

We wish to inform you that Handal Resources Berhad (“the Company”) will be providing eDividend to shareholders to be implemented in the third quarter of 2010. The eDividend refers to the payment of cash dividends by a listed issuer directly into the shareholders’ bank accounts. One of the main objectives of implementing eDividend is to promote greater efficiency of the payment system which is aligned to the national agenda of migrating to electronic payment.

1. Benefits of eDividend

- 1.1 eDividend extends to all companies listed on Bursa Malaysia Securities Berhad (“listed issuers”) and provides, amongst others, faster access to your cash dividends, eliminates the inconvenience of having to deposit the dividend cheques and problems such as misplaced, lost or expired cheques, and unauthorised deposit of dividend cheques.
- 1.2 When you register for eDividend you will enjoy the following additional benefits:
 - (a) the convenience of a one-off registration for entitlement to eDividend from all listed issuers; and
 - (b) the option to consolidate the dividends from all your Central Depository System (“CDS”) accounts into one bank account for better account management.

2. Registration for eDividend

- 2.1 Registration for eDividend has commenced on 19 April 2010 for a period of 1 year until 18 April 2011, at no cost to the shareholders. If you register after the 1 year period, an administrative charge will be imposed.

To register for eDividend, you are required to provide to Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”) through your stock broker, your bank account number and other information by completing the prescribed form. This form can be obtained in due course from your stock broker’s office where your CDS account is maintained, or downloaded from Bursa Malaysia’s website at <http://www.bursamalaysia.com>.
- 2.2 You need to submit to your stock broker’s office where your CDS account is maintained, the duly completed prescribed form and the following for registration:
 - (a) Individual depositor: Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stock broker’s verification;

Corporate depositor: Certified true copy of the Certificate of Incorporation/Certificate of Registration; and
 - (b) Copy of your bank statement/bank savings book/details of your bank account obtained from your banks website that has been certified by your bank/copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stock broker’s verification. For corporate entities, a certified true copy is to be submitted.

If the CDS account is held in the name of a nominee, the nominee will register for the eDividend.
- 2.3 If you are not able to be present at your stock broker’s office to submit the prescribed form and supporting documents, please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stock broker, a Dealer’s Representative, a notary public and an Authorised Officer of the Malaysian Embassy/High Commission.

Notice on eDividend Service

3. Notification of eDividend Payment after Registration

- 3.1 You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification to you either via e-mail or sms, at the discretion of the Company, once the Company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax certificate.

4. Additional Information for Shareholders

- 4.1 Your savings or current account, must be an active bank account, maintained with a local bank under your name or in the case of a joint account, has your name as one of the account holders. It must also be a bank account with a financial institution that is a member of the Malaysian Electronic Payment System Inter-Bank GIRO (IBG).
- 4.2 Your bank account particulars and other related information is protected under the Securities Industry (Central Depositories) Act 1991 which strictly prohibits the disclosure of such information to any person unless you expressly authorise the disclosure in writing. For eDividend purposes, you will be authorising disclosure of your bank account particulars and other related information to persons necessary to facilitate the eDividend such as the Company, the share registrar and the appointed paying banks.
- 4.3 Once you have registered for eDividend, any cash dividend entitlement of which the books closure date is announced by the Company on or after 1 September 2010, shall be paid to you via eDividend.

If you have any query relating to the eDividend service, please do not hesitate to contact Bursa officers, Ms. Moy Foong Kheng at 03-2034 7732 or Encik Abd Fariz Mohd at 03-2034 7757.

Thank you.

Yours faithfully

Dato' Mohsin Abdul Halim
Chairman

Form of Proxy

NUMBER OF SHARES HELD

CDS ACCOUNT NO.

HANDAL

Handal Resources Berhad

(816839-X)

"A" I/We _____ (FULL NAME IN BLOCK LETTERS) _____ NRIC/Co.No. _____
of _____ (FULL ADDRESS) _____
Tel No. _____ being a Member of HANDAL RESOURCES BERHAD, hereby appoint
_____ (FULL NAME IN BLOCK LETTERS AS PER NRIC) _____ NRIC No. _____
of _____ (FULL ADDRESS) _____
or failing him, _____ (FULL NAME IN BLOCK LETTERS AS PER NRIC) _____ NRIC No. _____
of _____ (FULL ADDRESS) _____
or failing him, the CHAIRMAN OF THE MEETING as my/our *first proxy to attend and vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at Lot PT 7358, Kawasan Perindustrian Telok Kalong, 24007 Kemaman, Terengganu Darul Iman on Wednesday, 16 June 2010 at 10.00 a.m., or any adjournment thereof.

"B" Where it is desired to appoint a second proxy, this section must also be completed, otherwise it should be deleted.

I/We _____ (FULL NAME IN BLOCK LETTERS) _____ NRIC/Co.No. _____
of _____ (FULL ADDRESS) _____
Tel No. _____ being a Member of HANDAL RESOURCES BERHAD, hereby appoint
_____ (FULL NAME IN BLOCK LETTERS AS PER NRIC) _____ NRIC No. _____
of _____ (FULL ADDRESS) _____
or failing him, _____ (FULL NAME IN BLOCK LETTERS AS PER NRIC) _____ NRIC No. _____
of _____ (FULL ADDRESS) _____
or failing him, the CHAIRMAN OF THE MEETING as my/our *first proxy to attend and vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at Lot PT 7358, Kawasan Perindustrian Telok Kalong, 24007 Kemaman, Terengganu Darul Iman on Wednesday, 16 June 2010 at 10.00 a.m., or any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy "A"	%
Second Proxy "B"	%
	100%

In case of a vote taken by a show of hands, *First Proxy "A"/*Second Proxy "B" shall vote on my/our behalf.

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the space provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote, or abstain from voting on the resolutions as he/they may think fit.)

No.	Resolutions	For	Against
1.	Resolution 1		
2.	Resolution 2		
3.	Resolution 3		
4.	Resolution 4		
5.	Resolution 5		
6.	Resolution 6		
7.	Resolution 7		
8.	Resolution 8		
9.	Resolution 9		
10.	Resolution 10		
11.	Resolution 11		
12.	Resolution 12		
13.	Resolution 13		

Signed this _____ day of _____ 2010

Signature of Shareholder/Common Seal

* Delete if inapplicable.

Notes:

- The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- A proxy may but need not be a member of the Company and paragraphs (a) and (b) of Section 149(1) of the Act shall not apply.
- A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment shall be invalid.
- To be valid, this form, duly completed must be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, it may appoint one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

Affix
stamp

To:

Symphony Share Registrars Sdn Bhd

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya
