

HANDAL



Greatness Through Globalisation

ANNUAL REPORT 2010



Greatness Through Globalisation

The cover of the annual report features the theme “Greatness Through Globalisation” to celebrate Handal Resources Berhad’s success in utilising international technology. Boosted by our achievements, we are also rapidly gaining a global reputation for excellence.

The professionalism of our experts as well as the sophistication of our equipment are proudly displayed on the cover. Motivated by our corporate goals, we are surging into a vibrant future.

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HANDAL

- Handal Resources Berhad (816839-X)
- 100% - Handal Offshore Services Sdn Bhd (556861-H)
- 100% - Handal Engineering Sdn Bhd (134854-K)
- 90% - Handrill Sdn Bhd (802490-W)
- 100% - HandsComms Sdn Bhd (902193-P)
- 100% - Handal E&P Sdn Bhd (935611-U)





Board of Directors

Dato' Mohsin Abdul Halim

(Executive Chairman)

Mallek Rizal bin Mohsin

(Managing Director and Chief Executive Officer)

Joel Emanuel Heaney

(Group Adviser and Deputy Managing Director)

Zahari bin Hamzah

(Chief Operating Officer and Executive Director)

Muhammad'Asri bin Mohd Rafa'i

(Senior Independent Non-Executive Director)

Chau Sik Cheong

(Independent Non-Executive Director)

Lokman Razani bin Abdul Razak

(Independent Non-Executive Director)

Audit Committee

Chau Sik Cheong
(Chairman)

Lokman Razani bin Abdul Razak
Muhammad'Asri bin Mohd Rafa'i

Nomination Committee

Lokman Razani bin Abdul Razak
(Chairman)

Chau Sik Cheong
Muhammad'Asri bin Mohd Rafa'i

Remuneration Committee

Chau Sik Cheong
(Chairman)

Muhammad'Asri bin Mohd Rafa'i
Lokman Razani bin Abdul Razak
Mallek Rizal bin Mohsin
Joel Emanuel Heaney

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
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
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

Auditors

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

Advocates & Solicitors

Tay & Partners
Ainul Azam & Co

Principal Bankers

AmBank (M) Berhad
RHB Bank Berhad

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market

Directors' Profile

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Dato' Mohsin Abdul Halim



Mallek Rizal bin Mohsin



Joel Emanuel Heaney



Zahari bin Hamzah



Lokman Razani bin Abdul Razak



Chau Sik Cheong



Muhamad' Asri bin Mohd Rafa'i



Dato' Mohsin Abdul Halim

Executive Chairman, aged 68, Malaysian

Dato' Mohsin Abdul Halim is the founder and 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. During his tenure as a civil servant, he had assumed several positions; as an Assistant District Officer, Assistant State Secretary and finally as Private Secretary to Duli Yang Maha Mulia the 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 45, Malaysian

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

An astute Chartered Accountant, he is a member of the Malaysian Institute of Accountants (MIA) and the Institute of Chartered Accountants New Zealand (ICANZ). Also, he holds a Bachelor of Management Studies degree from the University of Waikato, New Zealand. His working experience is extensive, too. Prior to joining Handal, he had worked at major corporations in positions such as 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, Special Assistant Corporate Finance of the President's Office for Malaysian Resources Corporation Berhad and Chief Financial Officer for Putera Capital Berhad.

directors' profile

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Joel Emanuel Heaney

Group Advisor and Deputy Managing Director, aged 48, 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 49, 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 was employed by 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 to Handal Offshore Services Sdn Bhd, overall management and operation of the Company and converting towards a one stop crane manufacturing and service center, and an API 2C crane fabrication center.



Lokman Razani bin Abdul Razak

Independent Non-Executive Director, aged 45, 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).


Chau Sik Cheong

Independent Non-Executive Director, aged 58, Malaysian

Mr Chau Sik Cheong 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.


Muhammad 'Asri bin Mohd Rafa'i

Independent Non-Executive Director, aged 45, Malaysian

Encik Muhammad 'Asri bin Mohd Rafa'i was appointed to the Board on 24 August 2010.

He is a qualified Chartered Accountant from the Malaysian Institute of Accountants and an Associate of the Chartered Institute of Management Accountants, United Kingdom. He holds the Bachelor of Science in Finance and Accounting from the University of Salford, Greater Manchester, United Kingdom.

He has extensive working experience from the various positions that he holds at major corporations, among others were the Accountant of KC Sunshine Travel, London, United Kingdom, Accountant of Sapura IT – System Network Integration Sdn Bhd, Finance Manager of Unipheonix Technology Sdn Bhd, General Manager of Dataran Satria Sdn Bhd, Group Business Development Manager of PSE Group and Deputy General Manager of Usra Tampi (M) Sdn Bhd. Currently, he is the General Manager of Finance and Business Development of Averroes Pharmaceuticals (M) Sdn Bhd.

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 34 of the Financial Statements and the Circular to Shareholders dated 6 May 2011, 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.

A portrait of Dato' Mohsin Abdul Halim, the Executive Chairman, wearing a dark blue pinstripe suit, a white shirt, and a striped tie. He is standing against a blue background with white geometric lines.

Dear Shareholders,

Acting on behalf of the Board of Directors, I take great pleasure in presenting the Annual Report of Handal Resources Berhad ('Handal' or 'the Company') for the financial period ended 31 December 2010.

Dato' Mohsin Abdul Halim
Executive Chairman



Review of Financial Performance

For the financial period ended 31 December 2010, Handal recorded very promising results with revenue of RM98.78 million, which is an increase of 86% as compared to 2009. The Company's profit before tax was RM20.41 million and the profit after tax was RM15.61 million, an increase of 48% and 56% respectively as compared to 2009. The impressive results clearly exceeded our expectations.

Handal's exceptional performance is due mainly to the successful implementation of our business strategies and the sheer dedication of our employees throughout our entire organization.

Our excellence has enabled us to win an award from the Malaysian Venture Capital & Private Equity Association. We were hailed as being one of the 'Best Investee Companies'. In addition, we were presented with the Top Malaysian Small Cap Companies award by OSK Research in 2009 and 2010.

Dividends

After careful analysis of the distributable reserves and cash flow of the Company, the Directors are recommending a single-tier first and final dividend of 3 sen per share for the financial period ended 31 December 2010, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

New Subsidiary

HandsComms is a diversified communications company that offers a wide spectrum of video, voice and contact centre/multimedia solutions. Its key aim is to supply excellent voice and multimedia solutions by utilising state-of-the-art technology. Its main activities are as follows:

- Providing system and network design consultation
- System integration and implementation
- High-quality after-sales support

Handal E&P was incorporated on 9 March 2011 to carry on any trade or business whatsoever which the Company deems profitable or which may be advantageously carried on by the Company in connection with or as ancillary to the general business of the Company.

Review Of Operations

Handal Offshore Services Sdn. Bhd. (HOSSB)

The business activities of HOSSB yielded excellent results in 2010. It secured an extension to the current contract for maintaining and overhauling cranes for Exxon and PCSB. It has also begun to pursue new crane tenders more aggressively, and it has managed to secure approximately 59% of the bids tendered. In the past, its success rate was lower than 30%.



HOSSB's sources of income are changing and this bodes well for its future. A greater amount of its income stems from services that are performed outside the scope of its service contracts. Such services are typically performed at higher rates than the contractual rates, thus enabling HOSSB to increase its income without increasing risk.

To ensure the sustainability of the Group's income in the future, HOSSB is nearing the completion of its purchase of the Seacrane product line. It has also built 2 additional rental cranes to meet market demand. Consequently, it has 16 rental cranes in total.



Handal Engineering Sdn. Bhd. (HESB)

During the 2010 financial year, HESB commenced the Petronas Lubricant Twenty Two project, which is expected to be completed sometime between by end-July and early August 2011.

HESB has also secured the contract to perform prefabrication work for Exxon Mobil. This would provide it with the opportunity to further expand its operations and to station its personnel in Kemaman and Kerteh for future onshore as well as offshore work.

HESB is also developing its trading activities by attempting to supply the floating roof tank drain systems which are required by the Sabah Oil Gas Terminal (SOGT) project as well as another major project in Bintulu. In addition, it is bidding for the contract to supply mooring equipment for the Petrofac Cendor 02 project.

Handrill Sdn. Bhd.

Handrill has engaged an experienced drilling engineer to lead the project to fabricate a new type of workover rig which is lightweight and modular. It is finalizing the design of the rig and the procurement of the key components began in May 2011.

It is working together with its principal – BassDrill – to pursue the possibility of utilising a medium-type tender assist in drilling rig for a local petroleum sharing contractor, whose project is expected to commence during the 3rd quarter of 2012. In addition, we are collaborating with BassDrill to pursue the possibility of fabricating a new semi-submersible drilling rig for domestic deep sea operations with a local petroleum sharing contractor

HandsComms Sdn. Bhd.

In 2010, HandsComms secured a hybrid voice conference call project which was commissioned by Telekom Malaysia Berhad. The project is worth RM3.2 million. Presently, we are also involved in the maintenance of an audio-visual system for Setiausaha Kerajaan Negeri Selangor as well as the Melaka state government office.



Business Outlook and Prospects

At the start of 2010, the Company shifted its manufacturing operations to its new 10-acre yard at the Telok Kalong Industrial Area, which is near to the Kemaman Supply Base. Our new fabrication yard has the capacity to manufacture 30 offshore cranes every year. This is more than twice the capacity of our yard at the Kemaman Supply Base.

Aside from offering specialised services to the oil and gas organizations in Peninsular Malaysia, the Company has been providing workover lifting solutions to the East Malaysian market since 2006. We aim to enhance further our presence in the East Malaysian market by bidding for crane service maintenance contracts upon the expiry of the existing contracts.

We believe that the prospects for the local oil and gas industry are truly promising because PETRONAS and the other major companies are aggressively increasing their exploration and production activities. The industry's new dynamism is a boost to the Company's business and the spin-off benefits will also be very beneficial.

Corporate Governance

In order to protect the interests of all shareholders, the Company continues to emphasize the importance of integrity, transparency and accountability.



Corporate Responsibility

The Company takes its corporate responsibility to its employees, community and environment very seriously. The impact of our activities on people as well as the environment is a key consideration for us. Health, Safety and Environment (HSE) issues are important to the Company. We insist that all our customers comply with all the guidelines that exist within our heavily regulated industry. We are extremely proud that there has been no LTA/LTI since 1995.

The Company invests generously in human capital development to provide our employees with ample career advancement opportunities. Training programmes are held regularly to hone the skills of our workers and to enable them to operate the latest equipment.

Throughout 2010, our corporate social responsibility activities benefited the underprivileged, including the children at orphanages. Subsequent to the end of the 2010 financial year, the Board of Directors launched our Tabung Kebajikan Handal whereby the slogan is 'small change to change life'.

Appreciation

On behalf of the Board of Directors, I wish to express my appreciation to our shareholders, customers, business associates, bankers, government authorities and statutory bodies for their continued support for the Company. I would also like to thank my fellow board members, our management team and our employees for their unwavering commitment to the Company.

Dato' Mohsin Abdul Halim

Executive Chairman

Calendar Of Events 2010

15 Jan 2010

Soft opening of the new Telok Kalong Office, Kemaman.

1 Apr 2010

Officially moved to the new Telok Kalong Office from Kemaman Supply Base.

19 Apr 2010

Participated in Epic Sdn Bhd Sports Carnival held at KSB Phase 1, Kemaman.

29 Apr 2010

Presentation of Chairman's Safety Award to Mohd Fadzli bin Ishak, Crane Operator, who had been highly recognized by client on his contribution to Safety and Health during his offshore duties.

18 May 2010

Encik Mallek Rizal Mohsin, MD and CEO, received the Growth Strategy and Innovation Award, granted by The 3rd AEA – International Distinguished Entrepreneur. Photograph and article extracted from the Global Magazine.

20 - 22 May 2010

Participated in the 34th Annual Indonesia Petroleum Association (IPA) convention and Exhibition held at Jakarta Convention Centre, Jakarta, Indonesia.

16 Jun 2010

Annual General Meeting held at Telok Kalong Office, Kemaman, Terengganu.

Visit to Handal Kemaman Supply Base yard by media and invited guests after the AGM.

29 & 30 Jul 2010

Teambuilding Programme for employees of Handal Group held at Kelab Golf Rantau Petronas (KGRP), Kerteh, Terengganu.

25 Aug 2010

Majlis Berbuka Puasa Bersama Anak-anak Yatim Sekolah Kebangsaan Bukit Mentok dan Sekolah Kebangsaan Pusat serta Pelajar-pelajar Sekolah Tahfiz Taman Islam, Kemaman, Terengganu.

7 Sep 2010

Majlis Berbuka Puasa Bersama Penduduk Kampung Pantai Kundur dan Anak-anak Yatim di Masjid Al-Mohsinin, Sungai Udang Melaka.

26 & 27 Sep 2010

Annual Business Summit of Handal Group held at Telok Kalong Office, Kemaman.

18 Oct 2010

Handal Safety Stand Down (1st Batch) held at Telok Kalong Office.

19 Oct 2010

Handal Safety Awards Presentation to employees of Handal Group.

29 Oct 2010

Bowling Competition held at Kerteh Mesra Mall, Kerteh, Terengganu.

5 Nov 2010

Handal Sports Carnival held at Padang KGRP, Kerteh, Terengganu.

9 Dec 2010

Handal Safety Stand Down (2nd Batch) held at Telok Kalong Office.



The Board of Directors ("the Board") recognize the importance of good corporate governance and is committed to the establishment and implementation of a proper framework and controls that are in line with the principles and best practices as recommended by the Malaysian Code of Corporate Governance ("the Code").

The Board will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code wherever applicable in the best interests of the shareholders of the Company. The Board has generally applied the Principles and Best Practices of the Code.

The Board is pleased to report herein the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

DIRECTORS

1. Board Responsibilities

The Board is fully aware of its role and has adopted the specific responsibilities that are listed in the Code, which facilitates the discharge of the Board's stewardship responsibilities.

a. Board Balance

The Board of Directors consists of seven (7) members comprising four (4) executive directors, and three (3) non-executive directors. Three of the seven directors are independent directors. The Board has complied with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad that at least two or one-third of the Board, whichever is the higher is independent directors. The Board considers its current size adequate given the existing scope and nature of the Group's business operations.

The Board is responsible for implementing the policies and decisions of the Board, overseeing the operations and developing the business and corporate strategies of the Group. The Board also monitors the performance of the Group and ensures that a proper internal control system is in place. The presence of independent non-executive directors is to provide independent and unbiased views on financial and business matters for the interest of the Group.

b. Board Committees

The Board has established Board committees to assist the Board in discharging their duties. These committees are as follow:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

Audit Committee

The composition of the Audit Committee is in compliance with relevant regulatory requirements. The report of the Audit Committee is on pages 17.

Nomination Committee

The Nomination Committee meets as and when required. The Nomination Committee is responsible for reviewing the Board composition and balance as well as considering the Board's succession planning and recommending new nominees for appointment to the Board. The decision on new appointment shall be the responsibility of the Board after considering the recommendation of the Nomination Committee. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

The Nomination Committee met twice during the financial year ended 31 December 2010.

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The members of the Nomination Committee are as follows:-

Member	Designation
Lokman Razani bin Abdul Razak	Independent Non-Executive Director
Muhammad 'Asri Bin Mohd Rafa'i	Senior Independent Non-Executive Director
Chau Sik Cheong	Independent Non-Executive Director

The Board considers that the the overall performance of the Board and the Board Committees, current mix of skills, relevant qualities and experience of its members are sufficient for the discharge of its duties and responsibilities effectively.

Remuneration Committee

The Remuneration Committee meets as and when required. The Remuneration Committee recommends to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director and any performance related pay schemes for Executive Directors and reviews Executive Directors' scope of service contracts. The Board as a whole determines the fees and allowances of the Non-Executive Directors after considering the recommendation of Remuneration Committee.

The members of Remuneration Committee are as follows:-

Member	Designation
Chau Sik Cheong	Independent Non-Executive Director
Lokman Razani bin Abdul Razak	Independent Non-Executive Director
Muhammad 'Asri Bin Mohd Rafa'i	Senior Independent Non-Executive Director
Mallek Rizal bin Mohsin	Managing Director and Chief Executive Officer
Joel Emanuel Heaney	Group Adviser and Deputy Managing Director

2. Board Meetings

During the financial year review, six (6) Board Meetings were held and the Directors' attendances at the Board Meetings were as follows:-

	Attendance
DATO' MOHSIN ABDUL HALIM	6/6
MALLEK RIZAL BIN MOHSIN	6/6
JOEL EMANUEL HEANEY	6/6
ZAHARI BIN HAMZAH	6/6
LOKMAN RAZANI BIN ABDUL RAZAK	6/6
MOHD RAFIK BIN SHAH MOHAMAD (Retired w.e.f 16 June 2010)	3/3
CHAU SIK CHEONG	6/6
Muhammad 'Asri Bin Mohd Rafa'i (Appointed w.e.f 24 August 2010)	1/1

3. Supply of information

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, the Board members have full and unrestricted access to all information concerning the Group's affairs. Prior to the Board meetings, all Board members are provided with the agenda and Board papers containing information relevant to the business of the meeting to enable them to obtain further explanations, where necessary, in order to be properly briefed before the meetings. The Board papers include information on major financial, operational and corporate matters of the Group. The Board members also have access to the advice and services of the Company Secretary, senior management and independent professional advisers including the external auditors.

4. Appointment and Re-election

In accordance with Article 63(2) of the Company's Articles of Association, at least one-third of the Directors for the time being shall retire from office and be subject to retirement by rotation at each Annual general Meeting ("AGM"). The Article 64(1) also provides that all Directors shall retire once in every three (3) years in compliance with the Code. Directors who are appointed before the next AGM will retire and be subject to re-election by shareholders at the next AGM.

5. Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd within the stipulated timeframe required in the Listing Requirements of Bursa Securities. The Board of Directors is mindful that they should receive appropriate continuous training and during the financial year, they have attended presentations and briefings in order to keep abreast with developments in the industry, market place and with new statutory and regulatory requirements.

DIRECTORS' REMUNERATION

The determination of remuneration packages of the Directors are matters for the Board as a whole. The remuneration of the Directors is structured to attract, retain and motivate them in order to run the Group successfully.

The Board reviews the remuneration of the Directors annually whereby the respective Executive Directors abstained from discussions and decisions on their own remuneration.

The aggregate remuneration of the Directors for the financial year ended ("FYE") 31st December 2010 is as follows:-

	Executive Directors	Non-Executive Directors	Total (RM)
Directors' Emoluments	5,238,993	-	5,238,993
Benefit-in-kind	252,480	-	252,480
Fees	-	108,000	108,000
Total	5,491,473	108,000	5,599,473

Remuneration Band (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	3
100,001-150,000	-	-
400,001-500,000	-	-
450,001-500,000	-	-
1,250,001-1,300,00	1	-
1,300,001-1,350,000	2	-
1,600,001-1,650,000	1	-

RELATIONSHIP WITH SHAREHOLDERS

The Group recognizes the importance of effective communication with its shareholders and investors to keep them informed of the major development of the group. Such information is disseminated through the following channels:-

- Annual Report;
- Circulars to shareholders;
- Various disclosures and announcement to Bursa Securities; and
- Company's website at www.handalresources.com.my

The main forum for dialogue with shareholders remains at the Annual General Meeting which encourages the shareholders to raise questions pertaining to the operations and financials of the Group.

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ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance and prospects through the quarterly and annual financial statements to shareholders. The Board and the Audit Committee have to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Board has reviewed and ensuring that appropriate accounting policies have been used, consistently applied and supported by reasonable judgments and estimates.

(b) Internal Control

The Board has overall responsibility for maintaining a sound and effective system of internal control of the Group, covering not only financial controls but also controls relating to operations, compliance and risk management to safeguard shareholders investments and the Group's assets. The Board also recognizes that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable and not absolute assurance against material misstatements, loss or fraud.

The internal control system of the Group is supported by an established organisational structure with well-defined authority and responsibility lines, and which comprises of appropriate financial, operational and compliance controls.

(c) Relationship with Auditors

The Board, via the Audit Committee, has established a formal and transparent arrangement for maintaining an appropriate relationship with its auditors, both external and internal.

(d) Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which gave a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended.

In preparing the financial statements for the FYE 2010, the Directors have:-

- adopted the appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensure applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements; and
- ensure the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records of the Group and Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

(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 various charity event.

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 2010, the Group has complied with the Best Practices of Corporate Governance.

COMPOSITION OF MEMBERS**Mohd Rafik Bin Shah Mohamad (Chairman)***[Retired w.e.f 16.06.2010]*

- Chairman, Independent Non-Executive Director

Chau Sik Cheong*[Appointed Chairman w.e.f 24.08.2010]*

- Chairman, Independent Non-Executive Director

Lokman Razani Bin Abdul Razak

- Member, Independent Non-Executive Director

Muhammad 'Asri Bin Mohd Rafa'i*[Appointed w.e.f 24.08.2010]*

- Member, Senior Independent Non-Executive Director

TERMS OF REFERENCE**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.

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. Authority

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;

audit committee report

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- vi) The right 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.

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 Directors 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 do the following in relation to the internal audit function:
 - Identify the head of internal audit
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the commendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit functions;
 - Approve any appointment or termination of senior staff members of the internal audit function;
 - To consider other topics as defined by the Board.

AUDIT COMMITTEE ACTIVITIES

Audit Committee Meetings and Attendance

During the FYE 31 December 2010, five (5) Audit Committee Meetings were held and the details of attendance of each member are as follows:-

Members	No. of meetings Attended
Mohd Rafik Bin Shah Mohamad (Chairman)	
<i>[Retired w.e.f 16.06.2010]</i>	3/3
Chau Sik Cheong	
<i>[Appointed Chairman w.e.f 24.08.2010]</i>	5/5
Lokman Razani Bin Abdul Razak	5/5
Muhammad 'Asri Bin Mohd Rafa'i	
<i>[Appointed w.e.f 24.08.2010]</i>	1/1

Activities of The Audit Committee

During the FYE 31 December 2010, the activities of the Audit Committee included the following:-

- a) Review of the external auditors' scope of work and their audit plan.
- b) Reviewed with the external auditors on the results of their audit, the audit report and internal control recommendations in respect of improvements in internal control procedures noted in the course of their audit.
- c) Reviewed and approved the internal audit and controls plan presented by the internal auditors.
- d) Reviewed the annual report and the audited financial statements of the Company and the Group prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB").
- e) Reviewed the Company's compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the applicable approved accounting standards issued by MASB.
- f) Reviewed the quarterly unaudited financial statements and its explanatory notes thereon and recommending to the Board for Directors' approval.
- g) Reviewed the Company's status of compliance with the Malaysian Code on Corporate Governance for the purpose of issuing of a Corporate Governance Statement pursuant to the requirement of paragraph 15.26 of the Listing Requirements of Bursa Securities.

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- h) Reviewed the Group's key operational and business risks area and the policies in place to address and minimize such risks.
- i) Reviewed all recurrent related party transactions entered into by the Group.

Internal Audit Function

The Audit Committee is aware of the importance of independent and adequately resourced internal audit function for the effectiveness of internal control system. The principal responsibilities of the internal audit function are as follows:-

- Evaluate the effectiveness of the internal control systems so as to provide reasonable assurance that such systems continue to operate in compliance with the existing control and risk assurance systems effectively.
- Review, appraise and to ensure compliance with the Group's established policies and procedures as well as the relevant statutory requirements.
- Highlight major weakness in control procedures and make recommendation for improvements to the Audit Committee. The internal audit function of the Group adopts a risk based approach to monitor and implement an effective internal control system for the Group. The monitoring process forms the basis for continuous improvement to the risk management process of the Group in meeting its overall objectives. At the present moment, the Company's internal audit function is outsourced to an Internal Audit firm.

Introduction

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Board of Directors of a listed entity are required to include in its annual report a statement about the state of internal control of the listed entity as a group. In addition, the Malaysian Code on Corporate Governance ("Code") requires a listed entity to maintain a sound system of internal control to safeguard shareholders' investments and assets of the group. Set out below is the internal control statement prepared by the Board in accordance with the "Statement on Internal Control: Guidance to Directors of Public Listed Companies" (the "Guidance").

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

The Board of Directors and Management are responsible for the on-going identification, evaluation and management of the significant risk faced by the Group in achieving the Group's business objectives. The Board is in the process of establishing an appropriate framework to assist the Board in identifying, evaluating and managing significant risks faced by the Group.

Internal Audit Function

The Board of Directors had outsourced the Internal Audit function to a professional firm of consultants, which is independent of the activities it reviews. The Internal Audit function reviews the auditable areas based on the internal audit plan approved by the Audit Committee and Board of Directors; and provides an independent assessment of the adequacy and effectiveness of the Group's internal control system. The Internal Audit function reports directly to the Audit Committee, which receives reports of audit findings and recommendations arising from each audit review. The Management is responsible for ensuring that corrective actions are taken on reported weaknesses.

During the FYE 31 December 2010, the Internal Audit function had performed the following internal audit review:-

- (i) Handal Offshore Services Sdn Bhd – Purchasing Cycle; and
- (ii) Handal Resources Berhad – Compliance review of Malaysian Code of Corporate Governance

In addition, the Internal Audit function had assisted the Audit Committee to review the recurrent related party transactions of the Group for the period from July 2010 to December 2010. The review was carried out and the result was presented to the Audit Committee in February 2011.

The Group had incurred RM40,919 during the financial year for its outsourced Internal Audit function.

Other Key Elements of Internal Control

Apart from the above, the other key elements of internal control are described below:

- * Organisation chart defined clear management structure and lines of responsibility and reporting was established by the Group;
- * Management authority limits for the board, board committees, directors and management team are in place;
- * Statements of Policy and Procedures are established by the Group as control guidelines for the staff to follow in discharging their jobs responsibly;
- * Regular visits to business operating units by key members of the Board and Management teams;
- * Appropriate trainings are provided to the employees on a need-to basis 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;
- * 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.

A few minor internal control weaknesses and improvement areas were identified during the period, all of which have been reported to the Audit Committee and are being addressed by the Management. None of these weaknesses have resulted in any material errors and losses that would require disclosure in the Group's annual report.

Other Compliance Information

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Throughout the FYE 31 December 2010, the Group has complied with all the Best Practices of Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

a) Utilisation Of Proceeds

As at the end of the FYE 31 December 2010, 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	2,121	Within 2 year after listing	6,379	Available for use
(ii) Working capital	3,420	3,420	Within 1 year after listing	-	Available for use
(iii) listing expenses	1,400	1,400	Within 1 year after listing	-	Fully utilised
Total	13,320	6,941		6,379	

b) Share Buy Back

During the FYE 31 December 2010, there were no share buybacks by the Company.

c) Options, Warrant Or Convertible Securities

There were no options, warrants or convertible securities issued during the FYE 31 December 2010.

d) American Depository Receipt (ADR) Or Global Depository 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 FYE 31 December 2010.

f) Non-Audit Fees

The amount of non-audit fees incurred for services rendered by the external auditors to the Group for the FYE 31 December 2010 amounted to RM3,000.

g) Variation in Results

There was no material variances between the results of the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

h) Material Contracts with related parties

There was no material contract entered by Handal Resources Berhad with related parties for the financial year 2010.

i) Revaluation of Landed Properties

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

j) Profit guarantees

During the FYE 31 December 2010, there were no profit guarantees given by the Company

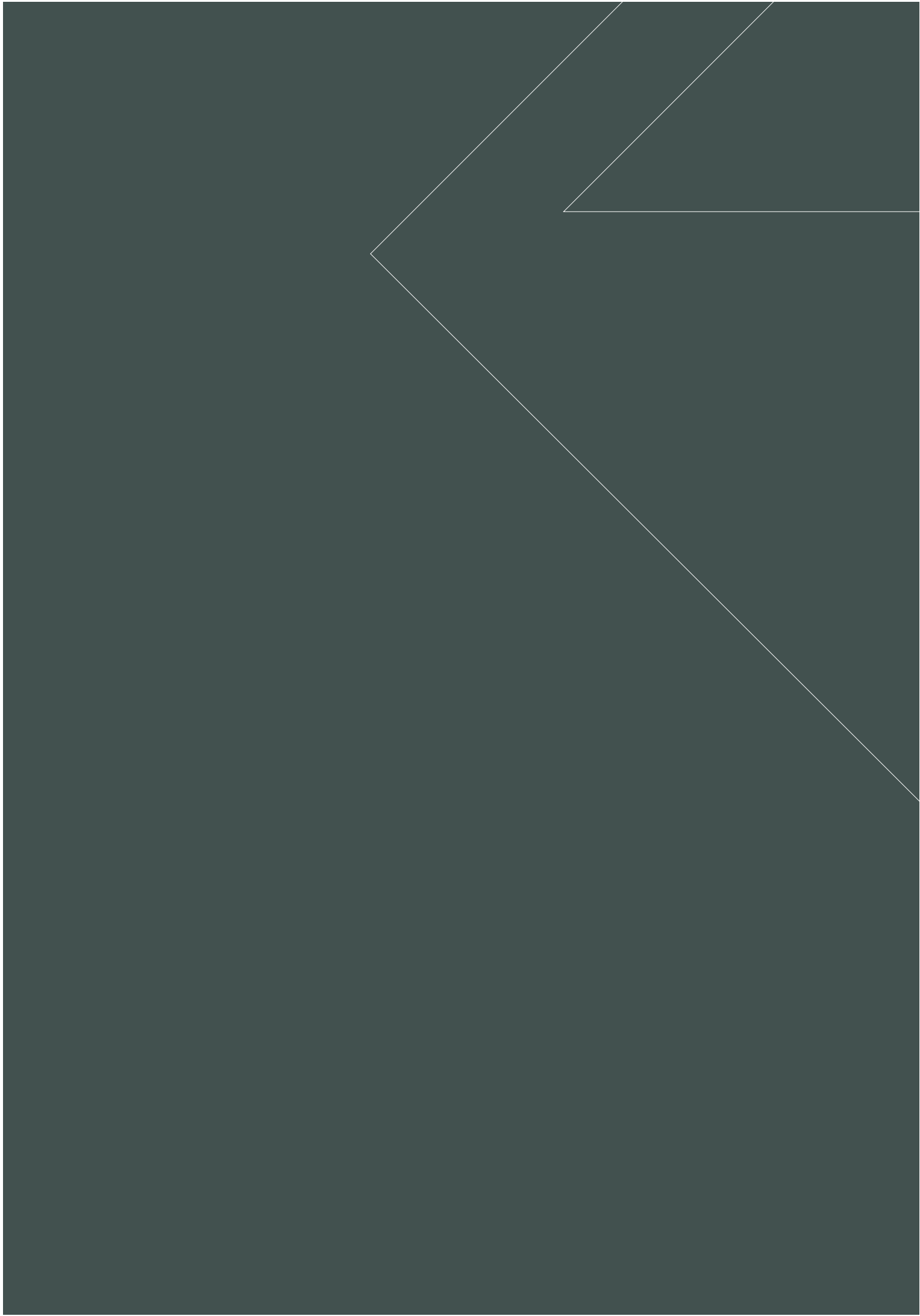
k) Recurrent Related Party Transactions ("RRPT")

The breakdown of the aggregate value of transactions conducted during the financial year ended 31 December 2010 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 circular to shareholders in relation to Proposed Shareholders ratification for RRPT(RM) From
					16 June 2010 to 30 June 2011
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	5,886 ^(Note 1)	8,382
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	8,323 ^(Note 2)	3,776

Note 1 Actual Value from 16 June 2010 (the date on which the Existing Mandate was obtained) up to 7 July 2010.

Note 2 Actual Value from 16 June 2010 (the date on which the Existing Mandate was obtained) up to 15 April 2011



FINANCIAL STATEMENTS

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Directors' Report

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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 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 15 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
Profit for the year	15,614,243	6,696,486
Attributable to:		
Owners of the Company	15,620,958	6,696,486
Minority interests	(6,715)	-
	15,614,243	6,696,486

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

Since the end of the previous financial year, the Company paid a single tier final dividend of 4% or RM0.02 per ordinary share of RM0.50 amounting to RM1,800,000 in respect of the financial year ended 31 December 2009 on 30 July 2010.

The directors recommend a single tier final dividend of 6% or RM0.03 per ordinary share for the financial year ended 31 December 2010. 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 2011.

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

The Company has not issued any new shares or 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	
Zahari Bin Hamzah	
Joel Emanuel Heaney	
Mallek Rizal Bin Mohsin	
Chau Sik Cheong	
Lokman Razani Bin Abdul Razak	
Muhammad 'Asri Bin Mohd Rafa'l	(Appointed on 24.8.2010)
Mohd Rafik Bin Shah Mohamad	(Retired on 16.6.2010)

In accordance with Article 63 of the Company's Articles of Association, Encik Mallek Rizal Bin Mohsin and Mr Chau Sik Cheong shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 68 of the Company's Articles of Association, Encik Muhammad 'Asri Bin Mohd Rafa'l who was appointed since the last Annual General Meeting shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offers himself 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 31.12.2010
	Balance at 1.1.2010	Bought	Sold	
Direct Interests				
Dato' Mohsin Abdul Halim	21,746,000	-	(7,013,000)	14,733,000
Zahari Bin Hamzah	23,056,000	-	(13,704,000)	9,352,000
Joel Emanuel Heaney	14,148,000	-	(5,478,200)	8,669,800
Mallek Rizal Bin Mohsin	6,850,000	6,000,000	(4,315,600)	8,534,400
Chau Sik Cheong	20,000	-	(20,000)	-
Lokman Razani Bin Abdul Razak	270,000	-	(176,200)	93,800
Indirect Interests				
Dato' Mohsin Abdul Halim	6,850,000	6,000,000	(4,315,600)	8,534,400
Mallek Rizal Bin Mohsin	21,746,000	-	(7,013,000)	14,733,000

By virtue of their interests in shares in the Company, Dato' Mohsin Abdul Halim and Encik Mallek Rizal Bin Mohsin are deemed to have interests in the shares of the subsidiary companies to the extent that the Company has an interest, in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' BENEFITS

Since the end of the previous financial year, 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 other than as disclosed in Note 19 and Note 34 to the Financial Statements.

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.

directors' report

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SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 32 to the Financial Statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Significant events subsequent to the reporting period are disclosed in Note 33 to the Financial Statements.

OTHER FINANCIAL INFORMATION

Before the statements of comprehensive income and statements of financial position 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 other than as disclosed in Note 31 to the Financial Statements.

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 30 March 2011

DATO' MOHSIN ABDUL HALIM

MALLEK RIZAL BIN MOHSIN

Kemaman

Statement By Directors

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31 DECEMBER 2010

The directors of **HANDAL RESOURCES BERHAD**, state that, in their opinion, the accompanying financial statements set out on pages 33 to 78 are 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 at 31 December 2010, and of their financial performance and cash flows for the year ended on that date.

The information set out in Note 39 to the Financial Statements have been compiled in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed in accordance with
a resolution of the Directors
dated 30 March 2011

DATO' MOHSIN ABDUL HALIM
Kemaman

MALLEK RIZAL BIN MOHSIN

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 financial statements set out on pages 33 to 78 are in my opinion 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 30 March 2011)

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 statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 78.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 2010 and of their financial performance and cash flows for the year then ended.

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 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) Our 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.

independent auditors' report

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Other Reporting Responsibilities

The supplementary information set out in Note 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

741/04/12 (J)

Chartered Accountant

Petaling Jaya

30 March 2011

Consolidated Statement Of Financial Position

AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	31,701,862	29,949,732
Goodwill on consolidation	5	373,969	373,969
		32,075,831	30,323,701
Current assets			
Inventories		5,194,630	5,552,350
Work-in-progress		14,111,619	16,242,532
Trade receivables	6	28,631,416	16,697,047
Retention sum	6	323,950	-
Amount due by customers for contract works	7	2,212,226	969,346
Other receivables, deposits and prepayments		3,932,520	641,291
Short term investment	8	20,123,435	8,538,068
Fixed deposits with licensed banks	9	11,806,980	19,711,108
Cash on hand and at banks		7,333,169	3,199,333
		93,669,945	71,551,075
TOTAL ASSETS		125,745,776	101,874,776
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Company			
Share capital	10	45,000,000	45,000,000
Reserves	11	25,386,036	11,565,078
		70,386,036	56,565,078
Minority interests		3,285	-
Total Equity		70,389,321	56,565,078
Non-current liabilities			
Borrowings	12	19,092,211	16,932,635
Deferred taxation	13	1,978,600	1,143,700
		21,070,811	18,076,335
Current liabilities			
Trade payables	14	10,593,372	8,748,757
Amount due to customers for contract works	7	3,256,989	-
Other payables and accruals		3,024,790	2,966,428
Borrowings	12	17,043,757	14,301,736
Current tax payable		366,736	1,216,442
		34,285,644	27,233,363
TOTAL LIABILITIES		55,356,455	45,309,698
TOTAL EQUITY AND LIABILITIES		125,745,776	101,874,776

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

Statement Of Financial Position

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AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM
ASSETS			
Non-current Assets			
Property, plant and equipment	4	124,835	-
Investment in subsidiary companies	15	36,967,998	36,677,998
		37,092,833	36,677,998
Current assets			
Deposit and prepayments		229,940	1,500
Amount due by subsidiary company	16	7,099	38,475
Short term investment	8	20,123,435	8,538,068
Cash on hand and at banks		477,799	1,233,288
		20,838,273	9,811,331
TOTAL ASSETS		57,931,106	46,489,329
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Company			
Share capital	10	45,000,000	45,000,000
Reserves	11	6,225,220	1,328,734
Total equity		51,225,220	46,328,734
Non-current liability			
Deferred taxation	13	20,500	-
Current liabilities			
Other payable and accruals		180,435	160,595
Amount due to subsidiary companies	16	6,504,951	-
		6,685,386	160,595
TOTAL LIABILITIES		6,705,886	160,595
TOTAL EQUITY AND LIABILITIES		57,931,106	46,489,329

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

Consolidated Statement Of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
Revenue	17	98,782,691	48,958,223
Cost of sales	18	(59,486,080)	(28,615,403)
Gross profit		39,296,611	20,342,820
Other income		2,035,413	1,578,228
Administrative expenses		(16,054,233)	(5,593,531)
Selling and distribution expenses		(481,746)	(208,751)
Other expenses		(2,183,942)	(1,381,389)
Profit from operations	19	22,612,103	14,737,377
Finance costs	20	(2,199,755)	(968,612)
Profit before taxation		20,412,348	13,768,765
Income tax expense	21	(4,798,105)	(3,749,653)
Profit for the year		15,614,243	10,019,112
Other comprehensive income		-	-
Total comprehensive income for the year		15,614,243	10,019,112
Attributable to:			
- Owners of the Company		15,620,958	10,020,927
- Minority interests		(6,715)	(1,815)
		15,614,243	10,019,112
Earnings per share			
- basic (sen)	22	17.36	18.20
- diluted (sen)	22	N/A	N/A

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

Statement Of Comprehensive Income

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
Revenue	17	7,400,000	-
Other income		235,377	38,068
Administrative expenses		(511,705)	(181,166)
Other expenses		(406,686)	(72,319)
Profit/(Loss) before taxation	19	6,716,986	(215,417)
Income tax expense	21	(20,500)	-
Net profit/(loss) for the financial year		6,696,486	(215,417)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		6,696,486	(215,417)
Attributable to :			
Owners of the Company		6,696,486	(215,417)

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

Consolidated Statement Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	← Attributable to Owners of the Company →					
	Non-Distributable		Distributable			
	Share Capital	Share Premium	Retained Earnings	Total	Minority Interests	Total Equity
	RM	RM	RM	RM	RM	RM
Balance at 1 January 2009	2	-	(5,425)	(5,423)	-	(5,423)
Total comprehensive income for the year	-	-	10,020,927	10,020,927	-	10,020,927
Issue of shares (Note 10)						
- Acquisition of subsidiary	35,749,998	-	-	35,749,998	-	35,749,998
- Public issue	9,250,000	4,070,000	-	13,320,000	-	13,320,000
Share issue and listing expenses	-	(2,520,424)	-	(2,520,424)	-	(2,520,424)
Balance at 31 December 2009	45,000,000	1,549,576	10,015,502	56,565,078	-	56,565,078
Total comprehensive income for the year	-	-	15,620,958	15,620,958	(6,715)	15,614,243
Issue of shares by subsidiary to minority interests	-	-	-	-	10,000	10,000
Dividend paid (Note 23)	-	-	(1,800,000)	(1,800,000)	-	(1,800,000)
Balance at 31 December 2010	45,000,000	1,549,576	23,836,460	70,386,036	3,285	70,389,321

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

Statement Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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	← Attributable to Owners of the Company →			
		Non-	Distributable	
		Distributable	(Accumulated	
			Loss)/	
	Share	Share	Retained	Total
	Capital	Premium	Earnings	
	RM	RM	RM	RM
Balance at 1 January 2009	2	-	(5,425)	(5,423)
Total comprehensive loss for the year	-	-	(215,417)	(215,417)
Issue of shares (Note 10)				
- 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	-	(2,520,424)	-	(2,520,424)
Balance at 31 December 2009	45,000,000	1,549,576	(220,842)	46,328,734
Total comprehensive income for the year	-	-	6,696,486	6,696,486
Dividend paid (Note 23)	-	-	(1,800,000)	(1,800,000)
Balance at 31 December 2010	45,000,000	1,549,576	4,675,644	51,225,220

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

Consolidated Statement Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		20,412,348	13,768,765
Adjustments for :			
Depreciation of property, plant and equipment		3,780,715	1,440,057
Interest expense		2,199,755	968,612
Unrealised (gain)/loss on foreign exchange		(165,834)	48,152
Income from short term investment		(235,377)	(38,068)
Interest income		(492,349)	(381,336)
Excess of fair value over acquisition cost of subsidiary		-	(1,123,129)
Operating profit before working capital changes		25,499,258	14,683,053
Decrease in inventories		357,720	1,005,378
Decrease in work-in-progress		2,130,913	2,638,376
Increase in trade receivables and retention sum		(12,618,905)	(3,186,200)
Increase in amount due by customers for contract works		(1,242,880)	(1,774,921)
(Increase)/Decrease in other receivables, deposits and prepayments		(3,258,191)	1,373,389
Increase in trade payables		2,369,668	189,777
Increase in amount due to customer for contract work		3,256,989	-
Increase/(Decrease) in other payables and accruals		59,727	(271,731)
Cash generated from operations		16,554,299	14,657,121
Interest paid		(331,499)	(134,101)
Tax paid		(4,845,947)	(3,491,456)
Net cash generated from operating activities		11,376,853	11,031,564
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		486,014	381,336
Short term investment income received		235,377	38,068
Placement of fixed deposits		(3,111,311)	(500,682)
Purchase of property, plant and equipment	24	(5,532,845)	(11,636,454)
Effect of acquisition of subsidiary companies, net of cash acquired	15	-	15,479,479
Net cash (used in)/generated from investing activities		(7,922,765)	3,761,747
CASH FLOWS FROM FINANCING ACTIVITIES			
Net drawdown of term loan		21,656,764	1,785,884
Net increase/(decrease) in bills payable		205,283	(2,812,839)
Issue of shares by subsidiary company to minority interests		10,000	-
Payment of hire purchase interest		(21,302)	(9,886)
Repayment of hire purchase payables		(127,863)	(63,273)
Payment of term loan interest		(303,219)	(26,016)
Payment of interest on medium term notes		(1,303,018)	(666,770)
Dividend paid		(1,800,000)	-
Repayment of medium term notes		(20,000,000)	(5,000,000)
Proceeds from issuance of shares		-	13,320,000
Payment of share issue and listing expenses		-	(2,520,424)
Net cash (used in)/generated from financing activities		(1,683,355)	4,006,676
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,770,733	18,799,987
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		18,799,989	2
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	20,570,722	18,799,989

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

Statement Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		6,716,986	(215,417)
Adjustments for :			
Depreciation of property, plant and equipment		13,341	-
Income from short term investment		(235,377)	(38,068)
Operating profit/(loss) before working capital changes		6,494,950	(253,485)
(Increase)/Decrease in deposit and prepayments		(228,440)	628,715
Increase/(Decrease) in other payable and accruals		19,840	(475,045)
Net cash generated from/(used in) operating activities		6,286,350	(99,815)
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term investment income received		235,377	38,068
Decrease/(Increase) in amount due by subsidiary company		31,376	(38,475)
Purchase of property, plant and equipment	24	(138,176)	-
Acquisition of subsidiary companies		(290,000)	(928,000)
Net cash used in investing activities		(161,423)	(928,407)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amount due to subsidiary company		6,504,951	-
Dividend paid		(1,800,000)	-
Proceeds from issuance of shares		-	13,320,000
Payment of share issue and listing expenses		-	(2,520,424)
Net cash generated from financing activities		4,704,951	10,799,576
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,829,878	9,771,354
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,771,356	2
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	20,601,234	9,771,356

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

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as disclosed in Note 2.1 to the Financial Statements.

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 15 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 as income in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and is presented separately in profit or loss of the Group and within equity in the consolidated statement of financial position, separate from shareholders' equity. 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. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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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 (%)
Long leasehold land	1.67
Building	2
Crane and machineries	20
Motor vehicles	20
Furniture, fittings and office equipment	10 - 25
Workshop equipment	10
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 the profit or loss in the year the asset is derecognised.

(d) Impairment of Non-Financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Financial Assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the category includes loans and receivables.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(f) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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31 DECEMBER 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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 included in profit or loss.

(h) 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.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount including goodwill, an impairment loss is recognised in the profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(i) 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 ordinary course of business less the estimated costs of completion and selling expenses.

(j) Work-in-Progress

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

(k) Amount Due From/(To) Contract Customers

Amount due from/(to) contract customers is stated at aggregate amount of costs incurred on incomplete projects and recognised profits (less recognised losses) to date less progress billings rendered to date. Cost includes all direct contract costs and other related costs. Where progress billings in respect of individual project exceeds the amount included in amount due from customers, the excess amount is classified under current liabilities.

(l) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company classified its financial liabilities as other financial liabilities.

Other financial liabilities

The Group's and the Company's other financial liabilities include borrowings, trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) Financial Liabilities (continued)****Other financial liabilities (continued)**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measure at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange of modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(m) Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

(n) 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.

(o) Revenue Recognition**(i) Goods sold and services rendered**

Revenue from goods sold and services rendered are recognised when the goods are delivered and services are rendered and upon customers' acceptance.

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

(ii) Contracts

Revenue from contracts is taken up in the financial statements on percentage of completion method. When the outcome of a 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 reporting date. The stage of completion of a contract is measured by the value of work certified as a proportion of total contract value where the outcome of the contract can be foreseen with reasonable certainty.

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue Recognition (continued)

(ii) Contracts (continued)

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) Rental income

Rental income from cranes is recognised on an accrual basis.

(iv) Interest income

Interest income from fixed deposits and short term investment is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

(v) Dividend income

Dividend income is recognised when the rights to receive payment is established.

(vi) Commission received

Commission received is recognised on receipt basis.

(p) Employee Benefits

(i) Short term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and social security contribution are recognised as an expense in the year which the associated services are rendered by employees.

(ii) Defined contribution plans

The Group and the Company make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(q) Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(q) Foreign Currency (continued)****(ii) Foreign currency transactions and balances (continued)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss 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.

(r) Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(s) Income Tax**(i) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, short term investment and fixed deposit which are subject to an insignificant risk of changes in value.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows :

FRSs and amendments to FRSs

Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
Amendments to FRS 117	Leases
FRS 123	Borrowing Costs (Revised)
Amendments to FRS 127	Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9
	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those discussed below :

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosures of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statements of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Changes in Accounting Policies (continued)

FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Amendments to FRS 117 Leases

The amendment to FRS 117 requires entity with existing leases and of land and building (combined) to reassess the classification of land as a finance or operating leases. The Group has reassessed and determined that the leasehold land of the Group is in substance finance leases and has reclassified the leasehold land to property, plant and equipment. This change in presentation has been applied retrospectively and has no impact on the Group's financial statements. The following comparative figures have been restated.

	As previously stated RM	Effect of Amendment to FRS 117 (Leases) RM	As restated RM
Statement of financial position as at 31 December 2009			
Non-current assets			
Property, plant and equipment	27,432,609	2,517,123	29,949,732
Prepaid land lease payments	2,517,123	(2,517,123)	-

FRS 139 Financial Instruments : Recognition and Measurement

FRS 139 established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below :

Impairment of trade receivables :

Prior to 1 January 2010, allowance for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group and the Company have remeasured the allowance for impairment losses as at that date in accordance with FRS 139 but no adjustments is required to be made to the opening balance of retained earnings as at that date.

2.2 Standards and Interpretation in issue but not yet effective

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments : Presentation - Classification of Rights Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards and Interpretation in issue but not yet effective (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010 (continued)

- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the Amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the Amendments to FRS 127 are described below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

The financial statements were approved and authorised for issue by Board of Directors on 30 March 2011.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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) Income Taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Construction Contracts

The Group recognised contract profits based on the stage of completion method. The stage of completion of a contract is measured by the value of work certified as a proportion of total contract value where the outcome of the contract can be foreseen with reasonable certainty. 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.

(c) Impairment of Loans and Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(d) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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4. PROPERTY, PLANT AND EQUIPMENT

2010 GROUP COST	Long leasehold land RM	Building RM	Crane and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop equipment RM	Renovation RM	Capital work- in-progress RM	Building under construction RM	Total RM
Balance at 1.1.2010	2,659,290	-	17,967,118	1,113,865	1,763,729	155,864	105,286	851,215	13,851,731	38,468,098
Addition	-	-	2,672,488	-	557,263	64,383	35,548	331,633	1,871,530	5,532,845
Written off	-	-	-	-	(80,141)	-	-	-	-	(80,141)
Reclassification	-	15,723,261	615,606	-	-	-	-	(615,606)	(15,723,261)	-
Balance at 31.12.2010	2,659,290	15,723,261	21,255,212	1,113,865	2,240,851	220,247	140,834	567,242	-	43,920,802
ACCUMULATED DEPRECIATION										
Balance at 1.1.2010	142,167	-	7,226,511	450,796	586,590	60,886	51,416	-	-	8,518,366
Current depreciation	44,322	131,028	3,118,250	193,053	256,413	20,415	17,234	-	-	3,780,715
Written off	-	-	-	-	(80,141)	-	-	-	-	(80,141)
Balance at 31.12.2010	186,489	131,028	10,344,761	643,849	762,862	81,301	68,650	-	-	12,218,940
NET BOOK VALUE										
Balance at 1.1.2010	2,517,123	-	10,740,607	663,069	1,177,139	94,978	53,870	851,215	13,851,731	29,949,732
Balance at 31.12.2010	2,472,801	15,592,233	10,910,451	470,016	1,477,989	138,946	72,184	567,242	-	31,701,862

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4. PROPERTY, PLANT AND EQUIPMENT (continued)

2009 GROUP COST	Long leasehold land RM	Crane and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop equipment RM	Renovation RM	Capital work- in-progress RM	Building under construction RM	Total RM
Balance at 1.1.2009	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
As previously reported	-	8,565,765	656,535	905,795	155,864	105,286	4,834,569	8,630,540	23,854,354
Effects of adopting the amendments to FRS 117	2,546,671	-	-	-	-	-	-	-	2,546,671
As restated	2,546,671	8,565,765	656,535	905,795	155,864	105,286	4,834,569	8,630,540	26,401,025
Addition	-	4,834,255	457,330	857,934	-	-	583,744	5,221,191	11,954,454
Reclassification	-	4,567,098	-	-	-	-	(4,567,098)	-	-
Balance at 31.12.2009 (As restated)	2,546,671	17,967,118	1,113,865	1,763,729	155,864	105,286	851,215	13,851,731	38,355,479
ACCUMULATED DEPRECIATION									
Balance at 1.1.2009	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
Effects of adopting the amendment to FRS 117	29,548	5,918,430	428,004	526,636	50,495	42,125	-	-	6,965,690
Current depreciation	-	1,308,081	22,792	59,954	10,391	9,291	-	-	29,548
Balance at 31.12.2009 (As restated)	29,548	7,226,511	450,796	586,590	60,886	51,416	-	-	8,405,747
NET BOOK VALUE									
Balance at 31.12.2009 (As restated)	2,517,123	10,740,607	663,069	1,177,139	94,978	53,870	851,215	13,851,731	29,949,732

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4. PROPERTY, PLANT AND EQUIPMENT (continued)

2010 COMPANY COST	Balance at 1.1.2010 RM	Addition RM	Disposal RM	Balance at 31.12.2010 RM
Furniture, fittings and office equipment	-	102,628	-	102,628
Renovation	-	35,548	-	35,548
	-	138,176	-	138,176

ACCUMULATED DEPRECIATION	Balance at 1.1.2010 RM	Current Depreciation RM	Disposal RM	Balance at 31.12.2010 RM
Furniture, fittings and office equipment	-	10,217	-	10,217
Renovation	-	3,124	-	3,124
	-	13,341	-	13,341

NET BOOK VALUE	Balance at 31.12.2010 RM
Furniture, fittings and office equipment	92,411
Renovation	32,424
	124,835

Included in building under construction is interest expense capitalised during the financial year amounting to RM442,770 (2009 : RM672,676) as mentioned in Note 20 to the Financial Statements.

The long leasehold land and building of the Group have been pledged to a licensed financial institution for banking facilities granted to the Group as mentioned in Notes 26 and 28 to the Financial Statements.

Included in the Group's property, plant and equipment are assets acquired under hire purchase financing with a total net book value of RM470,016 (2009 : RM663,069).

5. GOODWILL ON CONSOLIDATION

	2010 RM	Group 2009 RM
At cost :		
At beginning of financial year	373,969	-
Acquisition of subsidiary companies (Note 15)	-	373,969
At end of financial year	373,969	373,969

5. GOODWILL ON CONSOLIDATION (continued)**Impairment tests for cash-generating unit ("CGU") containing goodwill**

The Group considers each subsidiary company as a single CGU and the carrying amount of goodwill is allocated to the respective subsidiary companies.

The recoverable amount of a CGU is determined based on value-in-use calculation. The value-in-use calculation is determined using cash flows projections, based on financial budgets approved by management, discounted at rates which reflects risks relating to the relevant CGU.

The discount rate applied to the cash flow projections is based on the cost of borrowings of the Group throughout the calculation period. The growth rate used is consistent with the projected growth rate of the CGU's industry and economy.

6. TRADE RECEIVABLES

	2010 RM	Group 2009 RM
Trade receivables	28,631,416	16,697,047
Retention sum	323,950	-
	28,955,366	16,697,047

The currency exposure profile of trade receivables is as follows :

- Ringgit Malaysia	26,280,902	16,697,047
- United States Dollar	2,669,709	-
- Singapore Dollar	4,755	-
	28,955,366	16,697,047

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days to 60 days (2009 : 30 days to 45 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	2010 RM	2009 RM
Neither past due nor impaired	14,712,196	11,747,003
1 to 30 days past due not impaired	3,286,289	1,339,175
31 to 120 days past due not impaired	10,647,747	3,610,869
More than 120 days past due not impaired	309,134	-
	28,955,366	16,697,047

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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6. TRADE RECEIVABLES (continued)

(a) Trade receivables (continued)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM 14,243,170 (2009 : RM4,950,044) that are past due at the reporting date but not impaired.

The receivables that are past due but not impaired are unsecured in nature. The management is confident that these receivables are recoverable as their accounts are still active.

(b) Retention sum

The retention sum is unsecured, non-interest bearing and expected to be collected within two years.

7. AMOUNT DUE BY/(TO) CUSTOMERS FOR CONTRACT WORKS

	2010 RM	Group 2009 RM
Aggregate cost incurred to date	13,072,470	1,250,860
Attributable profit	2,717,395	-
	15,789,865	1,250,860
Less : Progress billings	(16,834,628)	(281,514)
	(1,044,763)	969,346

The amount due by/(to) customers for contract works is presented as follows :

Amount due by customers for contract works	2,212,226	969,346
Amount due to customers for contract works	(3,256,989)	-
	(1,044,763)	969,346

8. SHORT TERM INVESTMENT

	Group and Company 2010 RM	2009 RM
At cost (Note 25)	20,123,435	8,538,068

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

The effective interest rate of the short term investment is 2.70% (2009 : 2.49%) per annum and is readily convertible to cash with insignificant risk of changes in value.

9. FIXED DEPOSITS WITH LICENSED BANKS

Included in the fixed deposits of the Group is an amount of RM11,806,980 (2009 : RM8,689,334) being deposits pledged to licensed banks as continuing security for banking facilities granted to the Group as mentioned in Notes 26 and 28 to the Financial Statements.

The fixed deposits of the Group have maturity periods ranging from one month to 12 months (2009 : seven days to 14 months). The effective interest rates of the deposits range from 1.90% to 3.10% (2009 : 1.90% to 3.50%) per annum.

10. SHARE CAPITAL

	Group and Company	
	2010	2009
	RM	RM
Share capital is represented by:		
<u>Authorised</u>		
100,000,000 ordinary shares of RM0.50 each		
At beginning of financial year	50,000,000	100,000
Created during the financial year	-	49,900,000
At end of financial year	50,000,000	50,000,000
<u>Issued and fully paid</u>		
90,000,000 ordinary shares of RM0.50 each		
At beginning of financial year	45,000,000	2
Issued during the financial year		
- Acquisition of a subsidiary company	-	35,749,998
- Public issue	-	9,250,000
At end of financial year	45,000,000	45,000,000

11. RESERVES

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Non-distributable reserve :				
Share premium	1,549,576	1,549,576	1,549,576	1,549,576
Distributable reserve :				
Retained earnings/(Accumulated loss)	23,836,460	10,015,502	4,675,644	(220,842)
	25,386,036	11,565,078	6,225,220	1,328,734

Share Premium

The share premium account arose from the public issue net of share issue expenses.

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.

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12. BORROWINGS

	Group	
	2010 RM	2009 RM
Secured :		
<u>Current</u>		
Hire purchase payables (Note 27)	97,188	127,863
Bank overdrafts (Note 26)	6,885,882	3,959,186
Bills payable (Note 26)	5,240,000	4,794,000
Term loans (Note 28)	4,820,687	420,687
Medium term notes (Note 29)	-	5,000,000
	17,043,757	14,301,736
<u>Non-Current</u>		
Hire purchase payables (Note 27)	248,601	345,789
Term loans (Note 28)	18,843,610	1,586,846
Medium term notes (Note 29)	-	15,000,000
	19,092,211	16,932,635
Total borrowings	36,135,968	31,234,371

13. DEFERRED TAXATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At beginning of year	1,143,700	-	-	-
Acquisition of subsidiary companies (Note 15)	-	473,491	-	-
Recognised in profit or loss (Note 21)	834,900	670,209	20,500	-
At end of year	1,978,600	1,143,700	20,500	-

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

Group		Accelerated Capital Allowances RM	Others RM	Total RM
At beginning of year		1,160,100	(16,400)	1,143,700
Recognised in profit or loss (Note 21)		777,100	57,800	834,900
At end of year		1,937,200	41,400	1,978,600
Company		Accelerated Capital Allowances RM		
At beginning of year				-
Recognised in profit or loss (Note 21)				20,500
At end of year				20,500

14. TRADE PAYABLES

	Group	
	2010 RM	2009 RM
The currency exposure profile of trade payables is as follows :		
- Ringgit Malaysia	6,444,179	4,678,850
- United States Dollar	4,104,619	2,747,239
- Euro	40,756	206,414
- Singapore Dollar	3,818	253,995
- Australia Dollar	-	862,259
	10,593,372	8,748,757

These amounts are non-interest bearing. The normal credit terms granted by trade payables range from 30 days to 90 days (2009 : 30 days to 90 days).

15. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2010 RM	2009 RM
Unquoted shares, at cost	36,967,998	36,677,998

Details of the subsidiary companies are as follows :

	Place of Incorporation	Equity 2010 (%)	Interest 2009 (%)	Principal Activities
Handal Offshore Services Sdn. Bhd.	Malaysia	100	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	100	Selling of industrial plant and equipment and telecommunication equipment
Handrill Sdn. Bhd.	Malaysia	90	90	Consultants in engineering project support services
Handscomms Sdn. Bhd.	Malaysia	100	-	Providing all kinds of telecommunication hardwares and softwares in relation to video conferencing systems, broadcasting systems and system maintaining for call centres.

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15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(a) Acquisition of subsidiary companies

In the previous financial year, the Company had,

- (i) On 6 May 2009, 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, 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, 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.

During the financial year, the Company had,

- (i) On 25 May 2010, 14 June 2010 and 13 August 2010, subscribed and acquired for 99,999 new ordinary shares of RM1 each and one ordinary share of RM1 respectively which represents 100% of the issued and fully paid-up share capital of Handscomms Sdn. Bhd., a newly incorporated company in Malaysia for a total purchase consideration of RM100,000. Following the acquisition and subscription, Handscomms Sdn. Bhd. became a wholly-owned subsidiary company of the Company.

(b) The effect of the acquisition of the subsidiary companies in the previous financial year on the financial results of the Group were 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.

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)**(c) The assets and liabilities arising from the acquisition in the previous financial year were as follows :**

	Fair value recognised on acquisition RM
Property, plant and equipment (Note 4)	19,435,335
Inventories	6,557,728
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 13)	(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 5)	373,969
	36,677,998
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)
	(15,479,479)
Effect of acquisition of subsidiary companies, net of cash acquired	(15,479,479)

(d) Additional investment in subsidiary companies

- (i) On 23 February 2010, the Company subscribed an additional 100,000 ordinary shares of RM1 each of Handal Engineering Sdn. Bhd. for a total consideration of RM100,000. Following the subscription, Handal Engineering Sdn. Bhd. remains a wholly owned subsidiary company of the Company.
- (ii) On 9 September 2010, the Company subscribed an additional 90,000 ordinary shares of RM1 each of Handrill Sdn. Bhd. for a total consideration of RM90,000. Following the subscription, the Company remains its 90% shareholding of the issued and fully paid-up share capital of Handrill Sdn. Bhd.

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16. AMOUNT DUE BY/(TO) SUBSIDIARY COMPANIES

	Company 2010 RM	2009 RM
Non-trade	(6,497,852)	38,475
Amount due by a subsidiary company	7,099	38,475
Amount due to subsidiary companies	(6,504,951)	-
	(6,497,852)	38,475

The amount due by/(to) subsidiary companies is unsecured, non-interest bearing and without fixed terms of repayment.

17. REVENUE

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Revenue of the Group and of the Company consist of the following :				
Integrated crane services	56,153,177	30,814,574	-	-
Fabrication of cranes	4,878,662	2,538,310	-	-
Workover projects listing solutions	15,194,550	9,134,329	-	-
Trading and projects services	22,556,302	6,471,010	-	-
Dividend income	-	-	7,400,000	-
	98,782,691	48,958,223	7,400,000	-

18. COST OF SALES

	Group 2010 RM	2009 RM
Cost of sales of the Group consist of the following :		
Integrated crane services rendered	32,326,587	18,605,210
Cost of fabrication of cranes	4,501,170	1,949,489
Cost of workover projects listing solutions	4,091,973	2,912,382
Cost of trading and projects services rendered	18,566,350	5,148,322
	59,486,080	28,615,403

19. PROFIT FROM OPERATIONS/PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(a) The profit from operations/profit/(loss) before taxation is arrived at after charging :				
Staff costs	8,181,189	3,639,177	134,747	-
Directors' remuneration :				
- Emoluments and allowance	5,238,993	1,244,092	3,000	30,000
- Fee	108,000	304,500	108,000	96,000
- Benefit-in-kind	252,480	84,492	-	-
Depreciation of property, plant and equipment	3,780,715	1,440,057	13,341	-
Rental of land	379,680	253,120	-	-
Rental of premises	225,395	95,335	555	-
Auditors' remuneration :				
- Statutory audit	76,200	59,200	25,000	20,000
- Other services	3,000	45,000	-	45,000
Rental of equipment	57,000	5,750	-	-
Rental of motor vehicles	11,400	1,935	-	-
Loss on foreign exchange	-	55,634	-	-
And crediting :				
Gain on foreign exchange	740,672	-	-	-
Commission received	567,015	-	-	-
Interest income	492,349	381,336	-	-
Income from short term investment	235,377	38,068	235,377	38,068
Excess of fair value over acquisition cost of subsidiary company	-	1,123,129	-	-
Dividend income	-	-	7,400,000	-
(b) Directors' Remuneration				
<u>Executive :</u>				
Emoluments and allowance	5,238,993	1,214,092	3,000	-
Benefit-in-kind	252,480	84,492	-	-
Fee	-	176,000	-	-
	5,491,473	1,474,584	3,000	-
<u>Non-Executive :</u>				
Fee	108,000	128,500	108,000	96,000
Emoluments and allowance	-	30,000	-	30,000
	108,000	158,500	108,000	126,000

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19. PROFIT FROM OPERATIONS/PROFIT/(LOSS) BEFORE TAXATION (continued)

(b) Directors' Remuneration (continued)

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

	Number of directors	
	2010	2009
Executive directors		
RM100,001 - RM150,000	-	1
RM400,001 - RM450,000	-	1
RM450,001 - RM500,000	-	2
RM1,250,001 - RM1,300,000	1	-
RM1,300,001 - RM1,350,000	2	-
RM1,600,001 - RM1,650,000	1	-
Non-Executive directors		
RM50,000 and below	3	4

(c) Staff costs

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Salaries, wages, bonuses and allowances	6,882,453	2,961,594	99,151	-
EPF and SOCSO	533,105	207,854	3,581	-
Other staff related expenses	765,631	469,729	32,015	-
	8,181,189	3,639,177	134,747	-

20. FINANCE COSTS

	Group	
	2010 RM	2009 RM
Interest on medium term notes	1,745,788	1,339,446
Bank overdrafts interest	331,499	134,020
Term loans interest	303,219	26,016
Bankers' acceptance interest and charges	240,717	131,839
Hire purchase interest	21,302	9,886
Sundry loan interest	-	81
	2,642,525	1,641,288
Less : Amount capitalised in building under construction (Note 4)	(442,770)	(672,676)
	2,199,755	968,612

21. INCOME TAX EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Tax expense for the year	3,923,900	3,092,336	-	-
Deferred tax expense relating to origination and reversal of temporary differences (Note 13)	834,900	670,209	20,500	-
	4,758,800	3,762,545	20,500	-
Under/(Over) provision in prior years	39,305	(12,892)	-	-
	4,798,105	3,749,653	20,500	-

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit/(Loss) before taxation	20,412,348	13,768,765	6,716,986	(215,417)
Taxation at Malaysian statutory rate @ 25%	5,103,100	3,442,200	1,679,200	(53,900)
Expenses not deductible for tax purposes	483,600	759,200	250,100	63,400
Under/(Over) provision in prior years	39,305	(12,892)	-	-
Adjustment of opening deferred tax liabilities	(784,300)	(11,291)	-	-
Income not subject to taxation	(58,800)	(411,064)	(1,908,800)	(9,500)
Non-recognition of deferred tax benefit	15,200	(16,500)	-	-
Income tax expense recognised in profit or loss	4,798,105	3,749,653	20,500	-

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.

On 7 July 2010, HOSSB has applied to Ministry of International Trade and Industry ("MITI") to surrender its Pioneer Status and it was approved by MITI via its letter dated 19 July 2010 on the surrendering of Pioneer Status with effective from 1 January 2010.

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22. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is calculated by dividing the consolidated profit for the year by the weighted average number of ordinary shares in issue during the financial year as follows :

	Group	
	2010 RM	2009 RM
Net profit attributable to ordinary equity holders of the Company	15,620,958	10,020,927
	2010 Units	2009 Units
Weighted average number of shares in issue as of 31 December	90,000,000	55,065,754
Basic earnings per share for the financial year (sen)	17.36	18.20

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

23. DIVIDEND

	Group and Company	
	2010 RM	2009 RM
Recognised during the financial year :		
Dividend on ordinary shares :		
- Single tier final dividend of RM0.02 per share for the financial year ended 31 December 2009	1,800,000	-

The directors recommend a single tier final dividend of 6% or RM0.03 per ordinary share for the financial year ended 31 December 2010, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

24. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Aggregate cost	5,532,845	11,954,454	138,176	-
Financed by hire purchase	-	(318,000)	-	-
Cash consideration	5,532,845	11,636,454	138,176	-

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short term investment (Note 8)	20,123,435	8,538,068	20,123,435	8,538,068
Fixed deposits with licensed banks	11,806,980	19,711,108	-	-
Cash on hand and at banks	7,333,169	3,199,333	477,799	1,233,288
Bank overdrafts (Note 12)	(6,885,882)	(3,959,186)	-	-
	32,377,702	27,489,323	20,601,234	9,771,356
Less : Fixed deposits pledged to licensed banks (Note 9)	(11,806,980)	(8,689,334)	-	-
	20,570,722	18,799,989	20,601,234	9,771,356

26. BANK OVERDRAFTS AND BILLS PAYABLE

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

- (i) Facilities agreement;
- (ii) Pledge of fixed deposits of a subsidiary company as mentioned in Note 9 to the Financial Statements;
- (iii) Irrevocable payment instruction to designated Paymaster(s) to remit proceeds from certain contracts of a subsidiary company into a designated Escrow Account;
- (iv) A first legal charge over the designated Escrow Account of a subsidiary company and all monies standing to the credit of the said amount;
- (v) A first party first fixed charge over the leasehold land and building of a subsidiary company held under HSD 3872, PT 7358, Mukim of Teluk Kalong, Kemaman, Terengganu as mentioned in Note 4 to the Financial Statements;
- (vi) Corporate Guarantee by the Company; and
- (vii) Jointly and severally guaranteed by certain directors of the Company.

The bank overdrafts bear interest charged ranging from 7.55% to 8.30% (2009 : 7.05% to 8.50%) per annum and are held on call by the licensed bank.

Bills payable have maturity periods ranging from 120 days to 165 days (2009 : 131 days to 163 days) and bear interest ranging from 4.43% to 5.54% (2009 : 3.65% to 4.68%) per annum.

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27. HIRE PURCHASE PAYABLES

	2010 RM	Group 2009 RM
Total hire purchase instalments due:		
Within one year	114,166	149,165
Between two to five years	295,382	357,070
After five years	-	52,478
	409,548	558,713
Unexpired term charges	(63,759)	(85,061)
Outstanding principal amount due	345,789	473,652
Within one year	(97,188)	(127,863)
Between two to five years	(248,601)	(301,658)
After five years	-	44,131

Hire purchase liabilities are subject to interest rates ranging from 2.51% to 3.80% (2009 : 2.51% to 3.80%) per annum.

28. TERM LOANS

	2010 RM	Group 2009 RM
Total repayable	23,664,297	2,007,533
Amount repayable within one year	(4,820,687)	(420,687)
Amount repayable between two to five years	18,843,610	1,586,846

During the financial year, an additional term loan facility of RM22 million was granted to a subsidiary company for the purpose of redeeming the Medium Term Notes.

The term loans are secured by the following :

- (i) Facilities agreement;
- (ii) Pledge of fixed deposits of a subsidiary company on lien as mentioned in Note 9 to the Financial Statements;
- (iii) Irrevocable payment instruction to designated Paymaster(s) to remit proceeds from certain contracts of a subsidiary company into a designated Escrow Account;
- (iv) A first legal charge over the designated Escrow Account and all monies standing to the credit of the said amount of a subsidiary company;
- (v) A first party first fixed charge over the leasehold land and building of a subsidiary company held under HSD 3872, PT 7358, Mukim of Teluk Kalong, Kemaman, Terengganu as mentioned in Note 4 to the Financial Statements; and
- (vi) Corporate Guarantee by the Company.

These loans are repayable over a period of five years and bear interest charged ranging from 6.30% to 7.30% (2009 : 6.55%) per annum.

29. Medium Term Notes ("MTNs")

	2010 RM	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.

During the financial year, HOSSB has fully redeemed the MTNs.

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 in the previous 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 in the previous financial year were 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 long leasehold land of the Group;
- (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.

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30. CAPITAL COMMITMENT

	Group	
	2010 RM	2009 RM
Contracted but not provided for construction of office and factory yard	-	955,635

31. CONTINGENT LIABILITY

	Company	
	2010 RM	2009 RM
Unsecured		
Corporate guarantee issued for credit facilities granted to certain subsidiaries		
- Limit	37,400,000	-
- Utilised as at reporting date	29,972,454	-

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Other than as disclosed elsewhere in the financial statements, the significant events during the financial year are as follows :

- (a) On 21 September 2009, on behalf of the Company, OSK Investment Bank Berhad announced that the Company proposed to undertake the following proposals :
 - (i) Proposed renounceable rights issue of 60,000,000 new ordinary shares of RM0.50 each in the Company ("Rights Share(s)") at an issue price of RM0.52 per Rights Share together with 60,000,000 new free detachable warrants ("Warrant(s)") on the basis of two (2) Rights Shares and two (2) free Warrants for every three (3) existing ordinary shares of RM0.50 each held in the Company; and
 - (ii) Proposed bonus issue of 10,000,000 Company's shares on the basis of one (1) bonus issue for every six (6) Rights Shares subscribed by the existing shareholders of the Company and/or their renounees pursuant to the Rights Issue.
- (b) On 29 November 2010, Handal Offshore Services Sdn. Bhd. ("HOSSB"), a wholly-owned subsidiary of the Company, entered into a Joint Venture Agreement with PT Encona Inti Industri and PT Cakra Daya Energy, both companies incorporated in the Republic of Indonesia to undertake the project awarded by Pertamina Hulu Energi ONWJ Ltd. for providing technical services for crane and lifting equipments operations and crane maintenance services.

33. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

- (a) On 14 February 2011, the Company announced that the Company's proposed acquisition of the use of the Intellectual Property Rights of the "SEACRANE" Offshore Pedestal Crane Product Line (which includes the "SEACRANE" trademark) by one of its wholly-owned subsidiary company, Handal Offshore Services Sdn. Bhd., for a cash consideration of USD3,750,000. The proposed acquisition is subject to the approval of :
 - (i) Shareholders in an Extraordinary General Meeting to be convened; and
 - (ii) Relevant authorities

33. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD (continued)

- (b) On 21 February 2011, an Extraordinary General Meeting ("EGM") was held to approve the proposals as mentioned in (a) of the significant events during the financial year. At the EGM, all the proposals were approved by the shareholders.
- (c) On 23 March 2011, the Company announced that the incorporation of a wholly-owned subsidiary company, Handal E & P Sdn. Bhd. on 9 March 2011 with an issued and paid-up share capital of RM2.

34. 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		Balance at 31 December	
		2010 RM	2009 RM	2010 RM	2009 RM
Offshore Machine Services Sdn. Bhd. (formerly known as Handal Fabrications Sdn. Bhd.)	Manpower and material supply for fabrication and machining job	3,492,920	3,868,768	-	1,387,977
Excell Crane & Hydraulic	Supply of raw material	7,191,514	3,508,850	2,749,601	1,743,216

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.

- (b) Compensation of Key Management Personnel

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Emoluments and allowance	5,238,993	1,642,123	3,000	30,000
Fee	108,000	304,500	108,000	96,000
Benefit-in-kind	252,480	84,492	-	-
	5,599,473	2,031,115	111,000	126,000

Included in the total key management personnel are :

Directors' remuneration (Note 19)	5,599,473	1,633,084	111,000	126,000
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35. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The overall financial risk management objective of the Group and the Company is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group's and Company's exposure to credit risk arises principally from trade receivables and financial guarantees given.

(a) Trade receivables

The Group typically gives the existing customers credit terms that range between 30 days to 60 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In addition, debt monitoring procedures are performed on an on-going basis with the result that Group's exposure to bad debts is not significant.

(b) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiary companies.

The maximum exposure to credit risk is as disclosed in Note 31 representing the outstanding banking facilities of the companies as at the reporting date.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows :

	2010 RM	% of total	2009 RM	% of total
By industry sector :				
Integrated crane services	19,003,527	66	7,156,749	43
Fabrication of cranes	2,029,964	7	188,630	1
Workover projects lifting solutions	5,487,077	19	7,995,097	48
Supply, fabrication and servicing industrial equipments and tank systems	1,994,785	7	-	0
Supply of telecommunication and broadcasting system	440,013	1	1,356,571	8
	28,955,366	100	16,697,047	100

35. FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's and Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

2010 Group	Total RM	Within one year RM	Between two to five years RM
Financial liabilities			
Trade payables	10,593,372	10,593,372	-
Other payables	3,024,790	3,024,790	-
Hire purchase payables	345,789	97,188	248,601
Bank overdrafts	6,885,882	6,885,882	-
Amount due to customers for contract works	3,256,989	3,256,989	-
Bills payable	5,240,000	5,240,000	-
Term loans	23,664,297	4,820,687	18,843,610
	53,011,119	33,918,908	19,092,211

2010 Company	Total RM	Within one year RM	Between two to five years RM
Financial liabilities			
Other payable	180,435	180,435	-
Amount due to subsidiary companies	6,504,951	6,504,951	-
	6,685,386	6,685,386	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Group. The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD"), Australian Dollar ("AUD"), Singapore Dollar ("SGD") and EURO.

Exposure to foreign currency risk

2010 Group	USD	SGD	Denominated in AUD	EURO	Total
In RM					
Trade receivables	2,669,709	4,755	-	-	2,674,464
Trade payables	(4,104,619)	(3,818)	-	(40,756)	(4,149,193)
	(1,434,910)	937	-	(40,756)	(1,474,729)

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35. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

2009

Group

In RM

Trade receivables	-	-	-	-	-
Trade payables	(2,747,239)	(253,995)	(862,259)	(206,414)	(4,069,907)
	(2,747,239)	(253,995)	(862,259)	(206,414)	(4,069,907)

The Group enters into foreign currency forward contracts to help to reduce the risk of exposure to fluctuations on foreign currency trade payables. These foreign currency forward contracts are recognised in the financial statements as financial derivatives.

At the balance sheet date, the outstanding forward contract has a nominal value of RM210,546 that hedges purchases denominated as USD for which firm commitments existed at the reporting date and will mature less than one year after the reporting date. The outstanding forward instrument has a fair value loss of RM3,472.

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, SGD and EURO exchange rate against the functional currency of the Group, with all other variables held constant.

	2010 RM
Impact on profit net of tax	
USD - strengthened by 5%	(52,295)
- weakened by 5%	52,295
SGD - strengthened by 5%	35
- weakened by 5%	(35)
EURO - strengthened by 5%	(1,519)
- weakened by 5%	1,519

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their deposits, short term investment and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

35. FINANCIAL RISK MANAGEMENT (continued)**Foreign currency risk (continued)****Interest rate risk (continued)**

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on the carrying amount as at the reporting date is as follows:

Group	Effective Interest rate %	2010 RM	2009 RM
Fixed rate instruments			
Financial asset			
Fixed deposits with licensed banks	1.90 to 3.10	11,806,980	19,711,108
Financial liabilities			
Hire purchase payables	2.51 to 3.80	345,789	473,652
Bills payable	4.43 to 5.54	5,240,000	4,794,000
Term loans	6.30	22,178,848	-
Medium term notes	7.15 to 7.45	-	20,000,000
		27,764,637	25,267,652
Floating rate instruments			
Financial asset			
Short term investment	2.70	20,123,435	8,538,068
Financial liabilities			
Bank overdrafts	7.55 to 8.30	6,885,882	3,959,186
Term loans	7.30	1,485,449	2,007,533
		8,371,331	5,966,719
Company			
Floating rate instruments			
Financial asset			
Short term investment	2.70	20,123,435	8,538,068

Sensitivity analysis for interest rate risk

No sensitivity analysis being prepared as the Group's and the Company's loans and borrowings are accounted at amortised cost. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss or on equity.

notes to the financial statements

31 DECEMBER 2010

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36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

Financial instruments that are not carried at fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade receivables and retention sum	6
Other receivables	
Amount due by / (to) subsidiary companies	16
Borrowings	12
Trade payables	14
Other payables	

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair value of loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue in operation as a going concern so as to provide fair returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

For capital management purposes, the Group considers shareholders' equity, minority interests and total debt to be the key components in the Group's capital structure. The Group monitors capital on the basis of the net gearing ratio. The ratio is calculated as the total debt net of cash and cash equivalents to total equity. Total equity is the sum of total equity attributable to shareholders and minority interests. The net gearing ratio as at 31 December 2010 and 31 December 2009, which are within the Group's objectives for capital management, are as follows :

	Note	2010 RM	Group 2009 RM
Cash and cash Equivalents	25	(32,377,702)	(27,489,323)
Total borrowings	12	36,135,968	31,234,371
Net debt		3,758,266	3,745,048
Total equity		70,389,321	56,565,078
Debt to equity ratios		0.053	0.066

38. 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.

notes to the financial statements

31 DECEMBER 2010

38. SEGMENTAL REPORTING (continued)

(a) Business segments

The main business segments of the Group comprise the following :

2010	Investment Holding RM	Integrated Crane Services RM	Fabrica- tion of Cranes RM	Workover Projects Lifting Solutions RM	Supply, Fabrication and Servicing Industrial Equipments and Tank Systems RM	Telecommunication and Broadcasting System RM	Consultants in Engineering Project Support Services RM	Elimina- tions RM	Consoli- dated RM
Revenue									
Revenue from external parties	-	56,153,177	4,878,662	15,194,550	18,969,165	3,587,137	-	-	98,782,691
Inter-segment revenue	7,400,000	-	-	-	-	-	112,896	(7,512,896)	-
Total revenue	7,400,000	56,153,177	4,878,662	15,194,550	18,969,165	3,587,137	112,896	(7,512,896)	98,782,691
Results									
Segment result	6,716,986	12,875,732	(573,933)	8,139,372	1,626,797	797,024	(62,224)	(7,400,000)	22,119,754
Interest income									492,349
Interest expenses									(2,199,755)
Profit before taxation									20,412,348
Income tax expense									(4,798,105)
Net profit after taxation									15,614,243
Minority interest									6,715
Profit attributable to equity holders of the Company									15,620,958
2010									
Assets									
Segment assets	21,329,978	70,599,717	6,133,796	19,103,655	7,165,085	1,373,832	39,713	-	125,745,776
Liabilities									
Segment liabilities	200,935	36,605,262	3,180,313	9,905,058	4,831,511	622,563	10,813	-	55,356,455
Other information									
Depreciation									3,780,715

notes to the financial statements

31 DECEMBER 2010

38. SEGMENTAL REPORTING (continued)

(a) Business segments (continued)

2009	Investment Holding RM	Integrated Crane Services RM	Fabrication of Cranes RM	Workover Projects Lifting Solutions RM	Other Business Segments RM	Eliminations RM	Consolidated RM
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

2009

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.

39. REALISED AND UNREALISED PROFITS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group 2010 RM	Company 2010 RM
Total retained earnings of the Group and the Company :		
- realised	57,716,540	4,696,144
- unrealised	(1,812,766)	(20,500)
	55,903,774	4,675,644
Add : Consolidation adjustments	(32,067,314)	-
Total retained earnings as at 31 December	23,836,460	4,675,644

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Particulars Of Group Properties

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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
Net Book Value at 31.12.2010:	Land – RM2,472,801 Building – RM15,592,233 Total – RM18,065,034.

Analysis Of Shareholdings

As at 15 April 2011

Authorised share capital	: RM250,000,000
Issued and fully paid-up capital	: RM80,000,000
Class of shares	: Ordinary shares of RM0.50 each
Voting rights	: One vote per ordinary share

**DISTRIBUTION OF SHAREHOLDINGS
AS AT 15 APRIL 2011**

CATEGORY	SHAREHOLDERS	%	SHAREHOLDINGS	%
Less than 100	25	1.08	813	0.00
100 to 1,000	148	6.41	88,305	0.06
1,001 to 10,000	1,025	44.41	6,063,451	3.79
10,001 to 100,000	972	42.11	29,679,749	18.55
100,001 to less than 5% of issued shares	133	5.76	61,995,749	38.75
5% and above of issued shares	5	0.23	62,171,933	38.85
TOTAL	2,308	100.00	160,000,000	100.00

**DIRECTORS' SHAREHOLDINGS
AS AT 15 APRIL 2011**

NO.	DIRECTORS	DIRECT INTEREST	%	INDIRECT INTEREST	%
1	DATO' MOHSIN ABDUL HALIM	25,138,887	15.71	*12,485,596	7.80
2	MALLEK RIZAL BIN MOHSIN	12,485,596	7.80	^25,138,887	15.71
3	JOEL EMANUEL HEANEY	11,708,700	7.32		
4	ZAHARI BIN HAMZAH	15,797,166	9.87		
5	LOKMAN RAZANI BIN ABDUL RAZAK	69,366	0.04		
6	CHAU SIK CHEONG	-	-		
7	MUHAMMAD 'ASRI BIN MOHD RAFA'I	-	-		

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
AS AT 15 APRIL 2011**

NO	NAME	NO OF SHARES	%
1	OSK NOMINEES (TEMPATAN) SDN BERHAD	21,138,887	13.21
	MOHSIN ABDUL HALIM		
2	HEANEY JOEL EMANUEL	11,708,700	7.32
3	OSK CAPITAL PARTNERS SDN. BHD.	10,724,183	6.70
4	ZAHARI BIN HAMZAH	10,281,233	6.43
5	OSK NOMINEES (TEMPATAN) SDN BERHAD	8,318,930	5.20
	MALLEK RIZAL BIN MOHSIN		
6	LD REKA SDN. BHD.	5,362,500	3.35

analysis of shareholdings

As at 15 April 2011

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LIST OF THIRTY LARGEST SHAREHOLDERS (continued) AS AT 15 APRIL 2011

NO	NAME	NO OF SHARES	%
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZAHARI BIN HAMZAH (001565267)	5,333,333	3.33
8	MOHSIN ABDUL HALIM	4,000,000	2.50
9	HOW CHENG KONG	3,523,000	2.20
10	J B PROPERTIES SDN BHD	3,449,650	2.16
11	OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR MALLEK RIZAL BIN MOHSIN	2,666,666	1.67
12	SIVA KUMAR A/L M JEYAPALAN	2,631,200	1.64
13	OSK NOMINEES (TEMPATAN) SDN BERHAD OSK CAPITAL SDN BHD FOR AZMAN BIN SUTAN AMAN	1,958,388	1.22
14	MALLEK RIZAL BIN MOHSIN	1,500,000	0.94
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	1,467,733	0.92
16	VOON CHONG KIAN	1,100,000	0.69
17	AIBB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SIEW BOOY (D18)	1,031,021	0.64
18	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB TRUSTEE BERHAD FOR RHB MUDHARABAH FUND	939,100	0.59
19	CHEE SAU FOONG	842,000	0.53
20	TAN GIM HOE	704,000	0.44
21	NOORAIHAN BINTI MOHD RADZUAN	625,683	0.39
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG YEU MING (KUCHING-CL)	611,555	0.38
23	MOHAMED IZANI BIN MOHAMED JAKEL	595,555	0.37
24	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD AZLAN BIN MOHAMMED	576,177	0.36
25	JULUNG PRESTASI SDN BHD	533,333	0.33
26	RHB NOMINEES (TEMPATAN) SDN BHD RHB INVESTMENT MANAGEMENT SDN BHD FOR LEE YUEN CHAK (EPF)	502,316	0.31
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-BTR)	500,000	0.31
28	ENG GEL BERT	470,000	0.29
29	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR HAN AIK SIEW	466,666	0.29
30	LEE YUEN CHAK	450,066	0.28

SUBSTANTIAL SHAREHOLDERS AS AT 15 APRIL 2011

NO.	DIRECTORS	DIRECT INTEREST	%	INDIRECT INTEREST	%
1	DATO' MOHSIN ABDUL HALIM	25,138,887	15.71	*12,485,596	7.80
2	ZAHARI BIN HAMZAH	15,797,166	9.87		
3	MALLEK RIZAL BIN MOHSIN	12,485,596	7.80	^25,138,887	15.71
4	JOEL EMANUEL HEANEY	11,708,700	7.32		
5	OSK CAPITAL PARTNERS SDN BHD	10,724,183	6.70		

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.

Analysis Of Warrantholdings

As at 15 April 2011

No of Warrants in issue	: 60,000,000
Exercise Price of Warrants	: RM0.86
Expiry Date of Warrants	: 2016
Voting rights	: One vote for each warrant held for voting at the meeting of the warrant holders only.

**DISTRIBUTION OF WARRANTHOLDINGS
AS AT 15 APRIL 2011**

CATEGORY	WARRANT HOLDERS	%	WARRANTHOLDINGS	%
Less than 100	19	1.45	1,406	0.00
100 to 1,000	123	9.39	62,761	0.10
1,001 to 10,000	732	55.88	3,540,632	5.90
10,001 to 100,000	379	28.93	10,935,942	18.23
100,001 to less than 5% of issued Warrants	52	3.97	19,316,697	32.19
5% and above of issued Warrants	5	0.38	26,142,562	43.58
TOTAL	1,310	100.00	60,000,000	100.00

**DIRECTORS' WARRANT HOLDINGS
AS AT 15 APRIL 2011**

NO.	DIRECTORS	DIRECT INTEREST	%	INDIRECT INTEREST	%
1	Dato' Mohsin Abdul Halim	9,333,332	15.56	*4,701,530	7.84
2	Mallek Rizal Bin Mohsin	4,701,530	7.84	^9,333,332	15.56
3	Joel Emanuel Heaney	5,176,200	8.63		
4	Zahari Bin Hamzah	5,882,200	9.80		
5	Lokman Razani Bin Abdul Razak	26,200	0.04		
6	Chau Sik Cheong	-	-		
7	Muhammad 'Asri Bin Mohd Rafa'i	-	-		

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.

**LIST OF THIRTY LARGEST WARRANT HOLDERS
AS AT 15 APRIL 2011**

NO	NAME	NO OF WARRANTS	%
1	OSK Nominees (Tempatan) Sdn Berhad Mohsin Abdul Halim	9,333,332	15.56
2	Heaney Joel Emanuel	5,176,200	8.63
3	OSK Capital Partners Sdn Bhd	4,049,300	6.75
4	Zahari Bin Hamzah	3,882,200	6.47
5	OSK Nominees (Tempatan) Sdn Berhad Mallek Rizal Bin Mohsin	3,701,530	6.17
6	LD Reka Sdn Bhd	2,025,000	3.38
7	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Zahari Bin Hamzah (001565267)	2,000,000	3.33
8	J B Properties Sdn Bhd	1,687,500	2.81
9	OSK Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Azman Bin Sultan Aman	1,384,333	2.31
10	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Kam Chee (002)	1,150,400	1.92

analysis of warrant holdings

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As at 15 April 2011

LIST OF THIRTY LARGEST WARRANT HOLDERS (continued) AS AT 15 APRIL 2011

NO	NAME	NO OF WARRANTS	%
11	OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Mallek Rizal Bin Mohsin	1,000,000	1.67
12	Siva Kumar A/L M Jeyapalan	886,800	1.48
13	Fong Jong Han	400,000	0.67
14	Chaang Kok Leong	400,000	0.67
15	Lim Cheng Ten	400,000	0.67
16	Gan Siew Lay	339,000	0.56
17	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Siew Booy (D18)	338,333	0.56
18	Tan Kok Keat	325,000	0.54
19	Lyncher Wung Wei Fong	325,000	0.54
20	Ong Chin Hong	300,000	0.50
21	Sie Tiing Tiing	300,000	0.50
22	Kenanga Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Client Account)	297,900	0.50
23	Liew Moi Fah	280,000	0.47
24	Tan Gim Hoe	264,000	0.44
25	Tan Kean Hock	250,000	0.42
26	Nooraihan Binti Mohd Radzuan	236,300	0.39
27	Mohamed Izani Bin Mohamed Jakel	223,333	0.37
28	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Mohd Azlan Bin Mohammed	216,066	0.36
29	RHB Nominees (Tempatan) Sdn Bhd RHB Investment Management Sdn Bhd For Lee Yuen Chak (Epfi)	207,700	0.35
30	Ting Heng Mee	200,000	0.33

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at the Awana Grand Ballroom, Awana Kijal Golf, Beach & Spa Resort, KM 28, Jalan Kemaman-Dungun, 24100 Kijal, Kemaman, Terengganu Darul Iman on Monday, 30 May 2011 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 2010 and the Reports of Directors and Auditors thereon. | Resolution 1 |
| 2. To declare a single tier first and final dividend of RM0.03 per share in respect of the financial year ended 31 December 2010. | Resolution 2 |
| 3. To re-elect En. Mallek Rizal Bin Mohsin retiring by rotation pursuant to Article 63 of the Company's Articles of Association. | Resolution 3 |
| 4. To re-elect Mr. Chau Sik Cheong retiring by rotation pursuant to Article 63 of the Company's Articles of Association. | Resolution 4 |
| 5. To re-elect En. Muhammad 'Asri Bin Mohd Rafa'i retiring pursuant to Article 68 of the Company's Articles of Association. | Resolution 5 |
| 6. To approve payment of the Directors' Fees. | Resolution 6 |
| 7. To re-appoint Messrs. GEP Associate as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | Resolution 7 |

AS SPECIAL BUSINESS:-

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

- | | |
|--|--|
| <p>8. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965</p> <p>"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."</p> | <p>Resolution 8
[Please refer
Explanatory Note]</p> |
| <p>9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Renewal of Shareholders' Mandate")</p> <p>"THAT approval be and is hereby given to the Company's subsidiary, Handal Offshore Services Sdn Bhd ("HOSSB") to enter into recurrent related party transactions of a revenue and trading nature and to give effect to the specific recurrent related party transactions with the related party Excell Crane & Hydraulics Inc, as set out in Section 2.2.2 of the Circular to Shareholders dated 6 May 2011, which are necessary for the day to day operations of HOSSB, provided that the transactions are 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; and disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year;</p> | <p>Resolution 9
[Please refer
Explanatory Note]</p> |

notice of annual general meeting

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AND THAT such approval shall continue to be in force until:

- a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed; or
- b) the expiration of the period within the next AGM of the Company 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
- c) 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 authorized to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate".

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the members at the Third Annual General Meeting to be held on Monday, 30 May 2011 a single tier first and final dividend of RM0.03 per share in respect of the financial year ended 31 December 2010, will be paid on **15 July 2011**.

The entitlement date for the dividend payment is **15 June 2011**.

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 **15 June 2011** 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
6 May 2011

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, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan 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 8****Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965**

Ordinary Resolution No. 8 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 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.

This General Mandate is a renewal and was not utilised earlier.

Resolution 9

Please refer to the Circular dated 6 May 2011 for further information.



HANDAL RESOURCES BERHAD

(816839-X)

Form Of Proxy

Number of shares held	
CDS account No.	

I/We _____ NRIC/Co. No. _____
of _____
Tel No. _____ being a Member of HANDAL RESOURCES BERHAD, hereby appoint
_____ NRIC No. _____
of _____
or failing him, _____ NRIC No. _____
of _____
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 Third Annual General Meeting of the Company to be held at the Awana Grand Ballroom, Awana Kijal Golf, Beach & Spa Resort, KM 28, Jalan Kemaman-Dungun, 24100 Kijal, Kemaman, Terengganu Darul Iman], on Monday, 30 May 2011 at 10.00 a.m. or any adjournment thereof.

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

I/We _____ NRIC/Co. No. _____
of _____
Tel No. _____ being a Member of HANDAL RESOURCES BERHAD, hereby appoint
_____ NRIC No. _____
of _____
or failing him, _____ NRIC No. _____
of _____
or failing him, the CHAIRMAN OF THE MEETING as my/our "second proxy to attend and vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at the Awana Grand Ballroom Awana Kijal Golf, Beach & Spa Resort, KM 28, Jalan Kemaman-Dungun, 24100 Kijal, Kemaman, Terengganu Darul Iman], on Monday, 30 May 2011 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 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		

Signed this _____ day of _____ 2011

Signature of Shareholder/Common Seal

* Delete if inapplicable

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, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan 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 (24) 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 Depositors) 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.

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SYMPHONY SHARE REGISTRARS SDN BHD

Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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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
Website: www.handalresources.com

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