HANDAL

ALIGNING OUR STRENGTHS

ANNUAL REPORT 2016

ALIGNING OUR **STRENGTHS**

In line with our in-depth experience of our leadership and in our human resource management, we are focusing our strengths on sustainability and, enhancement of future growth in our business. These qualities are instrumental in our march towards being a world-class organisation.

We are constantly looking for opportunities in this borderless world whilst pinning our strengths on synergy within the group core businesses to evolve. The cover message signifies Handal abilities in aligning its business values to move ahead towards greater height.

9TH ANNUAL GENERAL MEETING

of **HANDAL RESOURCES BERHAD**

Lot PT 7358,
Kawasan Perindustrian Teluk Kalong,
Mukim Teluk Kalong,
24007 Kemaman,
Terengganu Darul Iman, on
Thursday, 25 May 2017
at **10.00 a.m**

INSIDE CONTENTS

CORPORATE STRUCTURE

HANDAL

Handal Resources Berhad
(816839-X)

100%
Handal Offshore Services Sdn Bhd
(556861-H)

100%
Handal Offshore East Malaysia Sdn Bhd
(960671-U)

100%
Handal Engineering Sdn Bhd
(134854-K)

99.78%
Handrill Sdn Bhd
(802490-W)
(Since December 2016)

100%
Handal E&P Sdn Bhd
(935611-U)

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' MOHSIN ABDUL HALIM
Executive Chairman

MALLEK RIZAL BIN MOHSIN
Group Managing Director and Chief Executive Officer

JOEL EMANUEL HEANEY
Group Advisor 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

DATO' MOHAMMAD MEDAN ABDULLAH
Independent Non-Executive Director
(Appointed w.e.f 19 December 2016)

AUDIT COMMITTEE

CHAU SIK CHEONG (Chairman)
LOKMAN RAZANI BIN ABDUL RAZAK
MUHAMMAD 'ASRI BIN MOHD RAFA'I
DATO' MOHAMMAD MEDAN ABDULLAH

NOMINATION COMMITTEE

LOKMAN RAZANI BIN ABDUL RAZAK (Chairman)
CHAU SIK CHEONG
MUHAMMAD 'ASRI BIN MOHD RAFA'I
DATO' MOHAMMAD MEDAN ABDULLAH

REMUNERATION COMMITTEE

CHAU SIK CHEONG (Chairman)
MUHAMMAD 'ASRI BIN MOHD RAFA'I
LOKMAN RAZANI BIN ABDUL RAZAK
MALLEK RIZAL BIN MOHSIN
JOEL EMANUEL HEANEY

RISK MANAGEMENT COMMITTEE

MUHAMMAD 'ASRI BIN MOHD RAFA'I (Chairman)
DATO' MOHAMMAD MEDAN ABDULLAH
MALLEK RIZAL BIN MOHSIN
JOEL EMANUEL HEANEY
RAZMI YAACOB

COMPANY SECRETARIES

PAULINE LYE YOKE YING
(MAICSA 0798723)
LEONG OI WAH
(MAICSA 7023802)

REGISTERED OFFICE

25-6, Jalan PJU 1/42A
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7803 8216 / 8185
Fax : 03-7803 3502

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8151 / 8152

CORPORATE OFFICE

No. 16C, Jalan 51A/225
46100 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7875 0139 / 0150
Fax : 03-7876 6394

AUDITORS

MESSRS FOLKS DFK & CO
(Firm No. AF 0502)
12th Floor,
Wisma Tun Sambanthan,
No. 2, Jalan Sultan Sulaiman,
50000 Kuala Lumpur

ADVOCATES & SOLICITORS

Ainul Azam & Co

PRINCIPAL BANKERS

AmBank (M) Berhad
RHB Bank Berhad
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

BOARD OF DIRECTORS

Mallek Rizal bin Mohsin
Group Managing Director and Chief Executive Officer

Joel Emanuel Heaney
Group Advisor 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

Dato' Mohammad Medan Abdullah
Independent Non-Executive Director

Dato' Mohsin Abdul Halim
Executive Chairman

BOARD OF DIRECTOR'S PROFILE

DATO' MOHSIN ABDUL HALIM

Executive Chairman, aged 74, Malaysian

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

Dato' Mohsin is a Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and Handal Offshore East Malaysia Sdn Bhd.

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

Group Managing Director and Chief Executive Officer, aged 51, Malaysian

Encik Mallek Rizal bin Mohsin was appointed to the Board on 7 May 2009.

He is also a Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and Handal Offshore East Malaysia Sdn Bhd and a member of Remuneration Committee and Risk Management Committee of Handal Resources Berhad.

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 extensive working experience at major corporations prior to joining Handal include being an Auditor for PricewaterhouseCoopers (formerly known as Price Waterhouse), Assistant Manager of Corporate Finance at Amanah Merchant Bank Berhad, Corporate Services Manager for MTD ACPI Engineering Berhad (formerly known as 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.

BOARD OF DIRECTOR'S PROFILE

JOEL EMANUEL HEANEY

Group Advisor and Deputy Managing Director, aged 54, American

Mr Joel Emanuel Heaney was appointed to the Board on 7 May 2009. He is also a Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and Handal Offshore East Malaysia Sdn Bhd and a member of Remuneration Committee and Risk Management Committee of Handal Resources Berhad.

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 crane 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, leading 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 22 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 leading Handal Group's operations and performance.

.

ZAHARI BIN HAMZAH

Chief Operating Officer and Executive Director, aged 55, Malaysian

Encik Zahari bin Hamzah was appointed to the Board on 7 May 2009. He is also a Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and Handal Offshore East Malaysia Sdn Bhd.

He graduated with a Diploma in Mechanical Engineering from Universiti Teknologi Mara in 1984. He began his career at Matsushita Electric Company (M) Sdn Bhd as one of the pioneer batch of Technical Management Executives. Subsequently, he was employed by George Kent (M) Bhd, as Technical/Sales Executive where his responsibilities included tendering, executing and managing, commissioning and servicing of various oil and gas, petrochemical, oleo and water supply projects. In 1988, he joined Handal as Sales Manager and progressed to become General Sales Manager of the Oil and Gas Division. His duties, amongst others, included managing projects/tenders of offshore cranes, watermakers, heaters, process system, tankage system, heat exchangers, flares, process system and material handling activities of Handal Engineering Sdn Bhd. Subsequently, in 2001, he was promoted to the General Manager of the Company and was offered equity stake in Handal.

He was responsible for the restructuring of the Crane Division into an integrated crane services company under Handal Offshore Services Sdn Bhd, as well as managing its overall business and operations of the company as a one-stop crane manufacturing and service centre.

MUHAMMAD 'ASRI MOHD RAFA'I

Senior Independent Non-Executive Director, aged 51, Malaysian

Encik Muhammad 'Asri bin Mohd Rafa'i was appointed to the Board on 24 August 2010 as Senior Independent Non-Executive Director. He is a member of the Audit Committee, Nomination Committee, Remuneration Committee and the Chairman of Risk Management Committee of Handal Resources Berhad.

He is a Chartered Accountant and a member of the Malaysian Institute of Accountant (MIA), The Chartered Institute of Management Accountants (CIMA) and Chartered Global Management Accountant (CGMA). He holds a BSc (Hons) in Finance and Accounting from University of Salford, United Kingdom. His working experience is in various industries including hospitality, IT, defence, manufacturing, pharmaceuticals and bio fertiliser.

BOARD OF DIRECTOR'S PROFILE

CHAU SIK CHEONG

Independent Non-Executive Director, aged 64, Malaysian

Mr Chau Sik Cheong was appointed to the Board on 11 May 2009 as Independent Non-Executive Director. He is the Chairman of the Audit Committee and the Remuneration Committee of Handal Resources Berhad and also a member of the Nomination Committee of the Company.

He is a Chartered Accountant and a member of the Malaysian Institute of Certified Public Accountant (MICPA) and the Malaysian Institute of Accountants (MIA).

He began his career with Coopers & Lybrand (now known as PricewaterhouseCoopers) in April 1974 and subsequently joined SCM Perunding Sdn Bhd as Finance Manager in 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.

LOKMAN RAZANI BIN ABDUL RAZAK

Independent Non-Executive Director, aged 51, Malaysian

Encik Lokman Razani bin Abdul Razak was appointed to the Board on 11 May 2009 as Independent Non-Executive Director. He is the Chairman of the Nomination Committee of Handal Resources Berhad and also a member of the Audit Committee and Remuneration Committee of the Company.

He graduated with a degree in Law (LL.B (Hons)) from the University of Sheffield, United Kingdom in 1990.

He started his career in the financial industry as a Legal Counsel to a leading merchant bank in Malaysia. He has more than twenty (20) years experience in the area of management, strategic planning and mergers and acquisitions. His current involvement includes the area of information & communications technology with the provision of telecommunication services to a major telecommunications group, the marine and property sectors.

DATO' MOHAMMAD MEDAN ABDULLAH

Independent Non-Executive Director, aged 59, Malaysian

Dato' Mohammad Medan bin Abdullah was appointed to the Board on 19 December 2016 as Independent Non-Executive Director. He is a member of Audit Committee, Nomination Committee and Risk Management Committee of Handal Resources Berhad.

Dato' Medan has more than 30 years of well-rounded hands on experience spanning the oil and gas industry value chain, from the upstream, downstream and marketing & trading, both at national and global level.

He started his career as a Trainee legal Officer in 1982 and rose through the ranks to the top management positions in the industry.

For more than three decades, he was with Petroliam Nasional Berhad (PETRONAS) and had contributed tirelessly towards upholding PETRONAS' overall profitability and growth. He was among the top personnel at PETRONAS, Malaysia's only global Fortune 500 Corporation.

Dato' Medan was a pioneer in the globalisation of PETRONAS' operations in the early 1990s, realising higher efficiency and profitability. His last role in PETRONAS was Group Head of Corporate Affairs/Communication/Branding where he championed the re-branding of the company and introduced a new Corporate Positioning: 'PETRONAS – Reimagining Energy'.

In 2013 he was appointed as the Managing Director/President (Asia Pacific) of Gazprom Marketing & Trading Pte Ltd (Singapore), a wholly owned subsidiary of the largest gas Company in the world.

Notes:

(i) Dato' Mohsin Abdul Halim is the father of Encik 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 27 of the Financial Statements and the Circular to Shareholders dated 27 April 2017, none of the Directors has conflict of interest with the Company.

(iv) The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

LEE SWEE ANN

CHIEF FINANCIAL OFFICER

He holds a professional accountancy qualification from the Association of Chartered Certified Accountants and is a member of the Malaysian Institute of Accountants.

Prior to joining Handal, he worked, amongst others, as an Accountant with DK Leather Corporations Bhd, as a Finance Manager of a subsidiary of DRB Hicom Bhd and as a Financial Controller of Yokohama Industries Bhd. He joined Handal as a Senior Manager of Finance and Administration in April 2009. He is responsible for all finance and accounts matters of Handal Group of Companies.

RAZMI YAACOB

GROUP SENIOR MANAGER
CONTRACT & COMMERCIAL

Razmi Yaacob is a Quantity Surveyor by training. He graduated with a BSc Degree from Robert Gordon University in Aberdeen, Scotland and immediately after completing his studies, begins his career with a PQS firm in Kent, England.

Upon returning to Malaysia he worked as a Senior Quantity Surveyor with BiWater Shellabear, undertaking the Malaysian Rural Water Supply Scheme Project. Following the project completion, Razmi joined a leading PQS firm in Petaling Jaya where he eventually became one of the associates.

Subsequent years saw his involvement in major infrastructure works, i.e. the Sprint Highway and Ampang-Kuala Lumpur Elevated Highway with the likes of Gamuda and Percon-Leighton-MMC JV.

He then briefly joined MRCB as the Senior Manager (Contracts) and before joining Handal in January 2010, was the Group Senior Manager (Contracts and Commercial) as well as a General Manager of one of the operating subsidiaries of Putera Capital Berhad.

ISMAIL ABDUL HAMID

GROUP SENIOR MANAGER
BUSINESS DEVELOPMENT

Ismail Abdul Hamid is a graduate of Universiti Tenaga Nasional where he obtained his bachelor degree in Mechanical Engineering. Ismail started his career in Oil and Gas when he joined Handal Offshore Services Sdn Bhd as a Service Engineer in 2005.

Following years saw him realising his potential and rising up to be the Contract Coordinator and later, Sales and Marketing Manager. His 12 years of vast and varied experience in the Oil and Gas industry has put him in good stead to be the current Group Business Development Manager of the Handal Group of Companies.

HARTINI MAHAMOOD

GROUP SENIOR MANAGER
HUMAN RESOURCE & CORPORATE SERVICES

Hartini Mahamood holds a Bachelor of Economics Degree from University of Malaya. She began her career with United Malayan Banking Corporation Berhad (now known as RHB Bank Berhad) in 1984 as a Bank Executive.

Thereafter, she joined ACP Industries Berhad (now known as MTD ACPI Engineering Berhad) as the Manager, Human Resource and Administration. In January 2009, prior to the listing of Handal Resources Berhad, Hartini joined Handal Offshore Services Sdn Bhd as Senior Manager of Human Resource. Currently, she is the Group Senior Manager, Human Resource and Corporate Services of the Handal Group of Companies.

PROFILE OF KEY SENIOR MANAGEMENT

STEVEN MATTHEW PELLEGAL SR.

GENERAL MANAGER
HANDAL OFFSHORE SERVICES SDN BHD

After successfully completing his education in Marrero, Louisiana, USA with machinist certificate, he started out his career in the Oil and Gas industry as a Machinist.

In 1998, he started working in the electrical sector, during which, he passed the Louisiana Electrical Board examination and earns his Louisiana Electrical License.

Thereafter, he returned to the Oil and Gas sector as the Rig Mechanic/Electrician. In 2008, Handal Offshore Services Sdn Bhd (HOSSB) offered him the position as Crane Specialist/Crane Inspector.

During his tenure with Handal, he received several promotions i.e as Project Manager and subsequently as Senior Manager in charge of several departments namely; Project, New Cranes and Engineering. His vast experience of more than 20 years in the Oil and Gas industry, supported by his sound technical expertise and commendable performance throughout his career has put him in his current position as the General Manager of HOSSB.

TERMAN WEE ENG SENG

GENERAL MANAGER
HANDAL ENGINEERING SDN BHD

Terman Wee earns his BSc Hons Degree in Mechanical Engineering from University College of Swansea. After graduation, he worked at Malaysia Shipyard and Engineering Pasir Gudang for 8 years in ship repair, yard facilities, ship building and platform construction before joining Jebsen and Jessen Engineering Oil and Gas division in June 1988.

Subsequently in June 2001, he was reassigned to Handal Engineering Sdn Bhd (HESB) Oil and Gas Division as a Manager. The following 20 years saw him covering both upstream and downstream trading and services of the company.

In 2009, he was re-designated as Senior Manager to head the Oil and Gas Division of Handal Engineering Sdn Bhd. He is currently the General Manager of the company, focus mainly on downstream activities.

FINANCIAL HIGHLIGHTS

	2014 RM	2015 RM	**2016 RM**
Revenue	123,027,724	114,619,664	**83,109,391**
Net profit/(loss) for the year	6,220,125	5,542,463	**(13,567,428)**
Basic earnings/(loss) per share (sen)	3.93	3.47	**(8.45)**
Total equity	106,849,447	112,391,910	**98,777,882**
Total assets	170,174,285	176,287,098	**137,140,757**

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present to you, on behalf of the Board of Directors, the audited financial statements and Annual Report of Handal Resources Berhad (Handal or the Group) for the financial year ended 31 December 2016 (FY2016).

The unfavourable circumstances in the general global economy, and in the oil and gas sector specifically, has adversely impacted the Group's financial performance in the year under review. FY2016 total revenue stood at RM83.0 million; however, the tight-fisted expenditure by the oil and gas majors, intensely-competitive environment and recognition of asset impairments in line with our prudent financial policy resulted in the Group slipping into the red with net loss of RM13.6 million, for the first time.

2016 ECONOMIC AND SECTOR REVIEW

The year under review proved to be extremely challenging on a global scale, marked by muted or negative growth across developed and developing countries, including the United States of America, the Eurozone, Japan and China.

It is little wonder that this bleak scenario triggered a series of multiple events, among them the sharp decline of crude oil prices to a 10-year low of USD30-per-barrel levels, and only posted a shaky recovery to the USD50-per-barrel levels towards the end of the year. The surrounding uncertainty on global oversupply also cast a pall on the overall sector.

The fluctuations in global commodity prices including crude oil and precious metals prompted currency volatility amongst emerging economies.

As an oil-rich country with significant receipts dependent on global oil prices, Malaysia was not spared from the arduous global economic environment.

The Malaysian Ringgit slid against the US Dollar to a level not seen since 1998 Asian financial crisis.

DATO' MOHSIN ABDUL HALIM
Executive Chairman

EXECUTIVE CHAIRMAN'S STATEMENT

In the wake of these challenges, Malaysia cited slower Gross Domestic Product (GDP) growth of just 4.2% in 2016 compared to 5.0% growth in 2015, as the manufacturing sector in Malaysia was weighed down by lower production due to slowdown in new orders. Household spending was correspondingly muted in view of the murky prospects and higher-cost environment.

2017 OUTLOOK

Following the moderated growth pace in 2016, the International Monetary Fund has projected for global economy to regain its momentum in 2017, on the back of encouraging indicators in advanced economies in terms of reduced inventories and recovering manufacturing output.

Still, global trade projections stand to be greatly impacted by ramifications of possible policy changes by the incoming U.S. administration, which could potentially derail global economic recovery.

Within the oil and gas sector, analysts hold vastly differing views on the direction of the crude oil prices in 2017, with predictions spanning a wide range from USD50 per barrel to USD69 per barrel. These wild swings in assumptions are highly correlated to the emergence of two major downside catalysts: the uncertainty of Organization of Petroleum Exporting Countries (OPEC) member countries adhering to agreements, and the incoming production of shale gas.

While OPEC members had in 2016 agreed to curb total crude oil output as a market stabilization measure, it remains to be seen whether all member countries would indeed follow through on the agreed curtailments. Furthermore, there is impending risk of producers ramping up production once more upon expiration of the agreement in mid-2017; adding to the jittery market expectations.

At the same time, the supply of crude oil would be counterbalanced by the viable substitute of the shale gas, where higher oil prices could incentivize shale producers to increase output. Additionally, technical innovations in shale gas could enable it report stronger efficiency gains, hence potentially boosting its growth uptake further.

APPRECIATION

On behalf of the Board, I wish to extend my appreciation to my fellow Directors, key management team and staff for your ceaseless efforts in navigating the tough circumstances of the year just past. Under such trying circumstances, it is vital that the team remains united; being steadfast and aligned in our single-minded focus to perform in the best interests of the Group for the mutual benefit of all the stakeholders.

As the saying goes, a chain is only as strong as its weakest link. Therefore, it is imperative that each member of the Group resolve to collaborate hand-in-glove to achieve our collective goals in weathering the anticipated storms ahead.

My thanks also go to our shareholders, business associates and customers for your enduring support.

DATO' MOHSIN ABDUL HALIM
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL ANALYSIS

The core business of Handal Resources Berhad (Handal, or the Group) is primarily in providing maintenance and services for the oil and gas sector, which constitutes operating expenditure (OPEX) for customers' ongoing business, and also having some exposure to capital expenditure (CAPEX) activities for new exploration and production ventures.

Due to that, Handal was not spared the vagaries of the sector in the year under review, as the slowdown in overall activities impacted all sectors of the Group's business.

- ***Integrated crane services***

  The Group's integrated crane services, undertaken by wholly-owned subsidiary Handal Offshore Services Sdn Bhd (HOSSB), entails the servicing, overhaul and maintenance of all models of API 2C-monogrammed cranes. HOSSB has two API 2C accredited fabrication yards in Malaysia, which are counted among the 38 accredited yards worldwide to date.

  HOSSB also owns and leases a fleet of 16 API 2C-monogrammed offshore pedestal cranes for deployment at oil rigs of multinational O&G players.

  The sombre outlook of the oil and gas sector in 2016 resulted in customers scaling down the scope of their operations, hence maintaining minimal fleet size in accordance with their reduced requirements. This led to the integrated crane services segment posting lower revenue of RM66.5 million for the financial year ended 31 December 2016 (FY2016), compared to RM81.0 million previously.

  Nonetheless, the Group's strict adherence to efficiency enhancement and cost containment enabled us to improve gross profit margins from 40% in FY2015 to 44% in FY2016.

MANAGEMENT DISCUSSION AND ANALYSIS

- ***Fabrication of cranes***

  As a CAPEX component for oil and gas customers, the crane fabrication segment bore the full brunt of the sector slowdown in the year under review, on account of the customers adopting a wait-and-see approach in its expenditure. Therefore the crane fabrication division noted lower revenue of RM11.9 million in FY2016, from RM20.7 million a year ago. Gross margins for this segment reduced to -1% from 35% previously, due to less favourable product mix and higher costs.

  Still, HOSSB remained committed to delivering its crane fabrication projects in hand, successfully handing over five cranes to domestic customers in FY2016.

- ***Workover projects business***

  This business segment, comprising lifting solutions for drilling workover projects, had received fewer projects in the year as a result of reduced activities across the oil and gas sector, which led to revenue decreasing from RM7.6 million to RM3.7 million in year under review. Gross margins improved from 70% to 75% year-on-year, on the back of better operational efficiency.

- ***Supply, fabrication and servicing industrial equipment and tank systems***

  The segment noted lower revenue of RM1.0 million in FY2016 compared to RM5.4 million a year ago, in line with customers' streamlining of CAPEX activities. Conversely, the segment's gross margins effectively doubled from 11% in FY2015 to 25% in FY2016, due to enhanced operational efficiency.

Overall, despite the intensely competitive environment brought about by the challenging circumstances, we are pleased to note that Handal continues to secure new contract wins from oil and gas majors; testifying our keen advantage amongst peers.

Currently, HOSSB has an outstanding order book of RM52.8 million as at 31 December 2016 which would be recognised over the next one year. The Group is also in the process of tendering various new contracts including crane fabrication and crane maintenance contracts in order to replenish our order book for the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is also continuously monitoring the development in Pengerang for its downstream oil and gas activities. This is more so with the recent announcement by Petronas of the investment by Saudi Aramco amounting to USD7 billion in the Refinery and Petrochemical Intergrated Development Project (Rapid) in Johor.

FINANCIAL REVIEW

Handal reported total revenue of RM83.1 million in FY2016, compared to RM114.6 million previously, due to lower contributions from all business segments.

In line with adopting a prudent financial policy, the Group has made a provision for impairment loss for the modular workover rig amounting to RM14.7 million and impairment loss for intangible assets amounting to RM0.7 million.

These impairments, together with the declined revenue, led to the Group reporting loss before tax of RM11.4 million and net loss of RM13.6 million in FY2016, versus profit before tax of RM11.4 million and net profit of RM5.5 million a year ago. Basic loss per share amounted to 8.45 sen in FY2016, compared to earnings per share of 3.47 sen previously.

In view of this, the Board of Directors has not proposed the payment of dividends in respect of FY2016, in line with the Group's cash containment stance. It is hoped that the Group's implementation of strategies in the coming years would enable it to project a turnaround

and resume its dividend practice to reward shareholders. Amidst these arduous circumstances, we maintained a sturdy balance sheet which has been the bedrock of the Group's continued sustainability.

Although shareholders' equity dipped to RM98.8 million as at end-FY2016 compared to RM112.4 million a year ago, the Group pared down total borrowings to RM27.6 million from RM36.4 million within the same timeframe. Therefore, the Group's net gearing reduced to 0.28x in end-FY2016 compared to 0.32x previously.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

While the Group's trade receivables and payables are primarily transacted in MYR, we may from time to time conduct business in other currencies such as USD, EUR, AUD and SGD to cater to requirements of customers or local businesses. As such, the Group may hold a moderate amount of cash and cash equivalents in foreign currencies for working capital purposes.

As our exposure to these foreign currencies and their potential fluctuations may pose risks of translation losses, we employ the use of forward contracts to help mitigate these risks, which are recognised in our financial statements as financial derivatives.

FORWARD STRATEGIES

Mindful of this tough operating environment, the Group intends to place full emphasis on turning around its various business segments to catalyse positive results in the near future.

Handal has amassed a wealth of experience over the past three decades, and adapted its business model and operations in response to numerous economic cycles. We are determined to do the same in these current circumstances, to ensure business sustainability in the long term.

To this end, our forward strategies are based on these key principles:

- ***Aggressively growing our order book***

  With potential order book stands at RM124.3 million, the Group recognises the need for continuous replenishments to sustain our performance and reaffirm our competitiveness in the marketplace.

  For this purpose, we intend to aggressively grow our order book by participating in more tender activities for crane maintenance services and crane fabrication, and other business activities within the Group be they on our own merit or jointly with partners. We believe that our track record and expertise in supporting oil and gas majors would position us favourably.

MANAGEMENT DISCUSSION AND ANALYSIS

- ***Undertaking continuous operational improvements and efficiencies***

  Handal has always believed in undertaking operations enhancements not just at a strategic level but also on a day-to-day basis, so as to inculcate the mindsets of the team to constantly strive for excellence in service delivery. Therefore, the management has wilfully implemented systems to harness all-round feedback with a view towards greater quality control and attainment of higher service levels to clients. For example, sharing of operational KPIs with the clients is one way towards achieving this.

  At the same time, the Group has allocated RM0.4 million in CAPEX in the financial year ending 31 December 2017 for maintenance and upkeep of machinery, as well as purchases of additional equipment. It is hoped that this CAPEX would strengthen our business operations to better serve customers in the future.

- ***Expanding into the international arena***

  Supporting the requirements of global oil and gas players has been the mainstay of Handal's operations from the onset, and we are keen to take this to the next level going forward.

  Based on our track record of providing products and services to customers in Thailand and Indonesia, we are hopeful of adding more countries to the list, in light of our comprehensive scope of services, cost competitiveness and strategic location in the heart of Southeast Asia.

All said, we at Handal are committed to establishing a stronger business in the near future, and to position ourselves to capture the eventual upturn in the oil and gas sector.

SUSTAINABILITY REPORT

This report outlines key initiatives undertaken by the Group with a view towards achieving sustainable business growth and greater accountability towards our stakeholders, namely employees, shareholders, customers, business partners and associates, as well as the community at large.

The report encompasses the following aspects:

- Business Sustainability and Operational Efficiency
- Workplace Health, Safety, and the Environment
- Employees Engagement and Development
- Stakeholder Relations
- Community Development and Charitable Contributions

BUSINESS SUSTAINABILITY AND OPERATIONAL EFFICIENCY

Annual Business Summit 2016

The Board of Directors, together with the key management and division heads across the Group's business units, attended Handal's Sixth (6^{th}) Annual Business Summit ABS) during the year.

In the two-day programme, each team presented the situation analysis and business performance of each unit, followed by the collective establishment of strategic goals for the upcoming financial year. The management also put in place regular monitoring systems in order to ensure progress of milestones ahead of achieving the said objectives.

The ABS has proven crucial in the development of open channels of communication to ensure the alignment in understanding and motives amongst the top management. We are confident that the ABS plays a vital role towards enhanced decision making, improved productivity and as well as greater congruity between various business units and departments.

Delivering Sustainable Growth

Handal intends to imbue a greater degree of sustainability in our business, by strengthening our core competencies, competitive edge and industry recognition, in order to stand out as one of the leading players in our field.

Meanwhile, we also continue to engage actively with industry peers to explore strategic partnerships and solutions to better address the needs of O&G majors and other related industry players.

At the same time, the Group would continue seeking opportunities to diversify our earnings stream through securing more jobs from regional countries such as Thailand, Indonesia and Vietnam.

Improving Operational Efficiency

The Group conducts periodical review of all internal work flow and processes to enhance efficiency levels in our operations. This would allow the Group to improve the timeliness of project completion, increase productivity of our personnel and achieve optimal cost structure.

Better Risk Management

The Group has set in place a Risk Management Committee (RMC), which enforces policies and procedures to ensure that all business functions have clear lines of responsibility and traceability. We employ on a Control Self-Assessment (CSA) for all subsidiaries and operating units that comprises a formal risk management process.

In this regard, the key management of our subsidiaries are tasked to update the RMC on their risk profiles on a yearly basis, with a review on the implementation of action plans to strengthen the Group's mitigation of key operational risks.

The Group also outsources our internal audit function to a professional consultancy for an independent assessment of the adequacy and effectiveness of our internal control systems. This may include a review of our policies for our project management, purchasing cycle, inventory management, billing and credit control, human resource

management and payroll, and recurrent related party transactions, amongst others.

Findings and reported weaknesses by the professional consultancy are reviewed and the corrective measures are set in place to address the said issues.

WORKPLACE HEALTH, SAFETY, AND THE ENVIRONMENT

We, at Handal are committed towards upholding the highest standards of occupational health and safety of our employees. We also strive to ensure that our operational safety standards are aligned to the best interests of our customers, contractors, as well as in line with environmental best practices. Our employees are guided by strict standards formalised in the Company's Code of Conduct.

The Group strives to ensure that our employees are working in conducive environments, be it onshore or offshore, as we recognise that happy employees are crucial to our successes. The Group has set in place comprehensive protocols to support our employees who become injured or ill at work, with a view towards enabling them to return to work safely and confidently.

We actively promote and educate our employees on safe practices and behaviours through in-house safety trainings. Also included is a periodical Safety Stand Down, where employees engage with key management together with clients, to obtain better insight into various occupational hazards. To date, we have achieved zero Loss Time Injury (LTI) / Loss Time Accident (LTA) on all our offshore activities.

Furthermore, environmental friendliness is a key focus of the Group. We have established policies for facilities and operational management in order to avoid resource wastage. Additionally, we implemented electronic archiving of documents to reduce paper usage, as well as a data and information storage system recommended by our Internal Auditors. The use of teleconferencing tools among employees are also widely encouraged to reduce carbon emissions from commuting.

SUSTAINABILITY REPORT

EMPLOYEES ENGAGEMENT AND DEVELOPMENT

Handal believes in empowering our employees to achieve their career goals. We strive to facilitate our employees' professional development and provide both challenging and rewarding opportunities for professional growth within the Group.

We also emphasise on ongoing skills enhancement of our employees through regular in-house and external training programmes, to keep them abreast of latest industry practices alongside the relevant competencies.

Furthermore, the Group has established a dedicated career transition support programme to assist employees to effectively manage their career paths. This includes initiatives such as education assistance, training support, performance feedback and reviews, amongst others.

Additionally, a whistle blowing policy has been set in place, along with a safe communication channel that protects employees who report breaches of the law or improper practices within the Group. The Company's Whistle-blowing Policy is available on the Company's website, www.handalresources.com.

STAKEHOLDER RELATIONS

The Group is committed towards maintaining effective communication between the Board, our shareholders, and the investing community. We strive to inform all parties on key corporate developments, financial performance, and other important highlights in a timely manner. These material information, contained within our Annual Report, Annual Financial Report, and communications from the Board, are disseminated on a timely basis to Bursa Malaysia Securities Berhad.

COMMUNITY DEVELOPMENT AND CHARITABLE CONTRIBUTIONS

Handal recognises that our day-to-day operations have social, economic, and environmental impacts, and are readily committed towards improving the lives of the communities around us. We also strive to play an active role in ensuring long term growth in economic welfare and livelihood of the communities that are we actively engage within our business.

Through our dedicated Tabung Kebajikan Handal (Handal Charity Fund), the Group has a long history of providing monetary donations and contributions in kind to charitable bodies, schools and non-profit organisations.

In 2016, the Handal Charity fund donated worth RM61,000 for education assistance, orphanages, schools, charitable bodies as well as non-profit organisations.

Furthermore, we take to heart the importance of knowledge development among the younger generation, and continued to award scholarships to deserving students. During the year, we awarded scholarships to nine (9) students of secondary school amounting to RM11,700.

The Group has been actively involved in supporting the flood relief initiatives in Kemaman and surrounding area including Kelantan. We have our own in-house team suitably equipped with boats and equipment to work with the NGOs and government agencies to support the flood relief programmes. We also provide our own premise as flood relief centre together with provision of basic needs including food, sanitation, amenities etc.

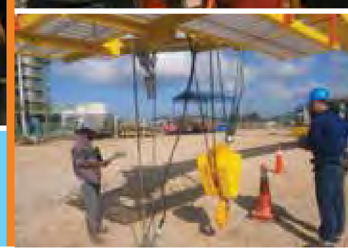
The Group is also earnestly engaged in improving the economic welfare of the local population in Kemaman where our operations are sited. We aim to achieve this through providing more employment and training opportunities to talents originating from the local districts near to our operations, as well as providing support to local businesses and community groups.

CALENDAR OF EVENTS 2016

In-house training.

- Safety Award Presentation.
- Safety Stand Down of offshore crew members with participation by client's senior management team.

Emergency Drill organized by HSE Department.



Factory Acceptance Test conducted by clients.

CALENDAR OF EVENTS 2016

8th Annual General Meeting.

Health Screening Programme.

Donation to flood victims in Kelantan.

Business Plan Summit.

- Majlis Berbuka Puasa with anak-anak yatim.
- Majlis Berbuka with Handal's clients, guests and employees.

STATEMENT ON CORPORATE GOVERNANCE

In line with the principles and best practices as recommended by the Malaysian Code of Corporate Governance 2012 ("MCCG 2012" or "the Code") the Board of Directors ("the Board") of Handal Resources Berhad supports the principles of good corporate governance and is committed to the establishment and implementation of a proper framework and controls to protect and enhance shareholders' and stakeholders' value and financial performance of the Group.

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board reports herein the manner in which the Company has applied the Principles and Recommendations under the MCCG 2012 during the financial year ended 31 December 2016 and any non-observation of the recommendations of MCCG 2012, including the reasons thereof, in discharging its regulatory role and commitment in building a long-term sustainable business.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board is responsible for establishing the policies and implementing decisions of the Board, overseeing the operations and performance of the Management and developing the business strategies towards the corporate objectives of the Group.

To ensure effectiveness in discharging its roles and responsibilities, there is a clear division of functions between the Board and the Management. The Board focuses on the Group's overall performance and governance while the Management is responsible in implementation of business strategies and company policies established by the Board in accordance with the direction and delegation of the Board.

The Board assumes the following core responsibilities:

- ensuring that strategic plans are in place for achieving the Company's goals while promoting sustainability;
- establishing policies for strengthening the performance of the Company including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- monitoring the performance of Management and the conduct of business of the Company;
- deciding on whatever steps are necessary to protect the Company's financial position;
- ensuring that the Company's financial statements are true and fair in conformity with applicable law and regulations;
- ensuring that there is in place an appropriate succession plan for members of the Board and Senior Management.
- identifying principal risks and ensuring that the Company has appropriate risk management and internal control policies and systems to review and manage these risks effectively;
- ensuring regulatory compliances policies are in place for compliance with applicable law and regulations.

Key matters reserved for Board's decision comprise, amongst others, financial results, dividend policy, major acquisition and disposal of assets, related party transactions of a material nature, ventures and investments, policy and strategy setting, remuneration review and authority levels.

Apart from the core responsibilities, the Board delegates certain authorities and discretion to the Executive Directors, Board Committees and the Management. The Board Committees established, namely Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, to assist the Board with specific responsibilities in accordance with their respective terms of reference which are available on the Company's website at www.handalresources.com.my. All matters deliberated in the Board Committees meetings are reported to the Board by the respective Committees' Chairman for Board's notation and approval.

STATEMENT ON CORPORATE GOVERNANCE

Day to day management of the Company is in the hands of Management and under the stewardship of the Group Managing Director (GMD) & Chief Executive Officer (CEO), while keeping the Board informed of any material issues that may significantly affect the Company's policies, strategies or performance.

All Board authority conferred on Management is delegated through the GMD & CEO so that the authority and accountability of Management is considered to be the authority and accountability of the GMD & CEO insofar as the Board is concerned, subject to approved authority limits granted to the Management.

Only decisions of the Board acting as a body are binding on the GMD & CEO. Decisions or instructions of individual Directors, officers or committees are not binding except in those instances where specific authorization is given by the Board.

1.2 Clear Roles and Responsibilities

Reviewing and adopting a strategic plan for the Company

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to add long-term value to the Company's shares by ensuring that strategies are in place for achieving Company's goals and promoting sustainability.

The Executive Board members regularly conduct meetings with the Management to engage and review the Company's ongoing business operational plan to ensure that the Company is moving towards achieving the Company's goals as an efficient and profitable investment holding company.

Overseeing the conduct of the Company's business

Having regard to its role, the Board will provide its leadership in enhancing its effectiveness through strengthening its composition and reinforcing independence. It will direct and supervise the management of the business and affairs of the Company. The GMD & CEO is responsible for the implementation of the Board's decisions and overall responsibilities on the day to day management of the Company, with the assistance of the Executive Directors. Thereafter, the GMD & CEO shall report to the Board on all important matters pertaining to the daily operations of the Company.

The Independent Non-Executive Directors participate actively on the Board and Board Committees by providing unbiased and independent views, advice and judgment in areas such as performance monitoring, corporate governance and internal controls, taking into account the interest, of not only the Group but also of shareholders, employees, communities and other stakeholders in which the Group conducts business.

Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

Risk management, as a continuous process, plays an essential role in the Group's business operations. The Board recognizes that risk management is an integral part of the Group's business operations and as such, has in place the tools for identifying, evaluating and managing the significant risks faced by the Group on an ongoing basis through the Risk Management Committee. Details of the Group's implementation of risk management are set out in the Group's Statement on Risk Management and Internal Control on pages 43 to 46.

STATEMENT ON CORPORATE GOVERNANCE

Succession planning

The Board recognizes the importance of succession planning in maintaining long-term sustainable performance excellence. Through the Nomination Committee, the Board ensures that an appropriate succession plan is in place for members of the Board and to identify and groom Senior Management to maintain continuity of key positions in day to day management of the Company.

In the succession planning program, the Nomination Committee will take into consideration the skills and depth of experience required for the Board to continue to function effectively. During the Nomination Committee Meeting, the Nomination Committee will discuss with Human Resources Department to identify key senior management position vacancies and high calibre internal candidates, including identifying the gaps in employees' competency levels and training needs.

Overseeing the development and implementation of Shareholder Communication Policy

The Group recognizes the importance of effective communication and proactive engagement with its shareholders and investors to keep them informed of the performance, corporate governance, business and corporate developments and other matters affecting their interests. The Board has therefore, within the legal and regulatory framework governing the release of material and price sensitive information, provided easy access to corporate and financial information of the Group, as guided by the Group's Shareholder Communication Policy established in 2014 to promote effective communication with shareholders and stakeholders, through the following channels:-

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

The Board will uphold its commitment to effective communication with shareholders by adopting the practice of timely and continuing disclosure of information to its shareholders as well as the general investing public via the established communication channels through announcements and press releases as well as the Company's website. Additionally the Board will use its best endeavours to familiarize itself with issues of concern to Shareholders and promote timely and balanced disclosure. It will also encourage shareholder participation in general meetings.

Reviewing the adequacy and the integrity of the management information and internal control systems of the company

The Board also monitors the performance of the Group and ensures that a proper internal control system is in place. The Group's Statement on Risk Management and Internal Control is set out on pages 43 to 46 which is in compliance with Paragraph 15.26(b) of the MMLR of Bursa Securities.

1.3 Formalized Ethical Standards through Code of Conduct

The Board is guided by ethical standards formalized in the Company's Code of Conduct in discharging its oversight role effectively. The Code of Conduct requires the Board to observe and display high ethical business standards and corporate behaviour and to apply these values to all aspects of the Group's business and professional practice. The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders and Stakeholders. The Board will be disciplined in carrying out its role, with emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities and decision-making process. The abridged version of the Company's Code of Conduct is available on the Company's website, www.handalresources.com.my.

STATEMENT ON CORPORATE GOVERNANCE

1.4 Company's Strategies Promoting Sustainability

With the objective of achieving greater efficiency and better performance for the Group, the Board takes into consideration the environment, social and governance aspects of the Company's business activities when implementing business policies and sustainable strategies.

Through the Company's corporate social responsibility (CSR) programmes the Board has given attention to three key aspects: Employee Wellbeing, Community Initiatives and Safety, Health and Environment.

Details on the Company's sustainable strategies and CSR activities can be found in the Group's Sustainability Report on pages 18 to 20.

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As provided in the Board Charter, the Board members have full and unrestricted access to Management and all information concerning the Group's affairs for the purpose of discharging their responsibilities. They also have access to the advice and services of the external auditors or company secretaries. Directors may also seek external independent professional advice and/or on specialised issues to enable the Board to discharge its duties with adequate knowledge on the matters being deliberated at the Company's expense, so far as the cost is reasonable, on a case to case basis, to be agreed by the Chairman and/or Board as a whole.

The Board may engage the services of any of the Board members having special expertise in the particular field for the purpose of a special assignment or engage the services of a party related to the Board members' organisation, so long as the terms of engagement are competitive, clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

The Board meets on a quarterly basis and additionally as and when required. Prior to the Board meetings, all Board members are provided with the notice and agenda of the meetings at least ten (10) days in advance as guided by the Board Charter. Board papers containing information relevant to the business of the meeting are circulated to them in a timely manner (at least 7 days prior to the meetings) to enable them to obtain further explanations, where necessary, from the Management, or seek consultation from the Company Secretary or independent advisors, in order to be properly briefed before the meetings to enable constructive and effective deliberation during meetings.

1.6 Qualified and Competent Company Secretary

The Board is regularly updated by the Company Secretary, who is qualified to advise on the requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities. The Company Secretary briefs the Board on the proposed contents and timing of material announcements to be made to Bursa Securities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of the MMLR of Bursa Securities.

The Company Secretary attends and ensures that all Board and Committee meetings are properly convened. Records of the deliberation, issues discussed and conclusion are recorded by the Company Secretaries who attend all the meetings. The minutes will then be circulated to all Directors for their confirmation before it is signed by the Chairman of the meeting and kept at the Company's registered office. In ensuring adherence to board policies and procedures, the Company Secretary advises the Board on procedural requirements in relation to their duties, responsibilities and the regulatory requirements and their implications on the Company.

STATEMENT ON CORPORATE GOVERNANCE

1.7 Board Charter

The Board Charter which establishes the role and responsibilities of the Board and those functions delegated to Management continues to assist the Board and Management to discharge their respective roles, authority and duties and functions effectively and efficiently. The Board Charter will be reviewed and updated periodically whenever the need arises and guidelines on Corporate Governance whenever issued by the relevant regulatory authorities are incorporated in the Charter. The Board Charter was last reviewed in August 2015 and the abridged version of the Company's Board Charter is currently available on the Company's website, www.handalresources.com.my.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

The Board of Directors consists of eight (8) members comprising four (4) Executive Directors, and four (4) Independent Non-Executive Directors. The Board has complied with Paragraph 15.02 of the MMLR of Bursa Securities that at least two or one-third of the Board, whichever is the higher are independent directors. All Independent Non-Executive Directors discharge the duties required of them independently of the Board and Management. They are not involved in any other relationship with the Group that may impair their independent judgment and decision-making.

Board Committees are established to assist the Board in discharging its duties and responsibilities. The Board delegates specific responsibilities to four committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee. Each Committee operates within its respective written terms of references governing the discharge of their responsibilities and the Board receives reports on their activities, proceedings and deliberations periodically from the Chairman of the respective Committees, which are minuted and recorded accordingly.

Given the existing scope and nature of the Group's business operations, the current composition of the Board has facilitated a balanced opinion in order to fairly reflect, through board representation, the interests of the minority shareholders of the Company. The Board is led by an Executive Chairman whose role and responsibilities is clearly divided from those reserved for the Executive Directors as stated in the Board Charter.

2.1 Nomination Committee should comprise exclusively of Non-Executive Directors, a majority of whom must be Independent

The Nomination Committee comprises of four (4) members, all of whom are Independent Non-Executive Directors are as follows:-

Members	Designation
Lokman Razani Bin Abdul Razak (Chairman of Nomination Committee)	Independent Non-Executive Director
Muhammad 'Asri Bin Mohd Rafa'i	Senior Independent Non-Executive Director
Chau Sik Cheong	Independent Non-Executive Director
Dato' Mohammad Medan Abdullah (*appointed w.e.f 19 December 2016*)	Independent Non-Executive Director

STATEMENT ON CORPORATE GOVERNANCE

The Board has identified En. Muhammad 'Asri Bin Mohd Rafa'i as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed in accordance with the Shareholder Communication Policy established in 2014.

The Chairman of the Nomination Committee is not the Senior Independent Non-Executive Director as the Board is of the view that the current Chairman has the necessary skills and experience to lead the Nomination Committee to carry out the functions effectively.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nomination Committee held two (2) meetings during the financial year ended 31 December 2016.

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 through proper selection process meeting criteria such as the relevant skills, qualities and experience of potential candidates which will enhance the Board composition. The decision on new appointments shall be the prerogative of the Board after considering the recommendation of the Nomination Committee. The Board is supported by a suitably qualified and competent Company Secretary who would ensure that all appointments are properly carried out in accordance to the Companies Act and MMLR of Bursa Securities upon obtaining all necessary information from the Directors.

During the financial year 2016, as part of the necessary steps taken by the Company to be in compliance with Recommendation 3.5 of the MCCG 2012 whereby the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director, the Management identified a candidate, Dato' Mohammad Medan Abdullah and proposed to the Nomination Committee for consideration as additional Independent Non-Executive Director. In considering the suitability of the proposed appointment, the Nomination Committee looked into the size of the Board, existing Board's strengths and weaknesses, its skills and experience, the age group of directors and gender composition, and its aspirations for the future of the Company. The Nomination Committee also placed emphasis on Dato' Mohammad Medan Abdullah's extensive industry experience in the oil and gas industry as in-depth industry knowledge would encourage a more robust exchange of ideas and viewpoints on the board, especially with regard to the Company's short-term and long-term strategies. Nomination Committee also took into account Dato' Mohammad Medan Abdullah's experiences in the chairmanships, directorships and memberships of various committees on his ability to discharge such responsibilities as expected from an independent non-executive director.

The Nomination Committee also noted Dato' Mohammad Medan Abdullah's declaration of independence as defined under Para 1.01 of Bursa Securities Main Market Listing Requirements, confirmation of compliance under Para 15.06(1) of the MMLR on directorship and Section 131, 135 and 141 of Companies Act, 1965 on disclosure of interests.

After due consideration, the Nomination Committee recommended to the Board for approval to appoint Dato' Mohammad Medan Abdullah as Independent Non-Executive Director and Committees Member of the Audit Committee, Nomination Committee and Risk Management Committee. The Board deliberated on the nomination of Dato' Mohammad Medan Abdullah and viewed that he is a welcome addition to the Board and approved his appointment.

The Nomination Committee carries out annual assessments and performance evaluations on the following areas:-
(i) The Board's effectiveness as a whole;
(ii) The performance of the Board Committees;
(iii) The performance assessment of each individual Director;
(iv) The performance assessment of each Key Officer;

In its assessments, the Nomination Committee (guided by Bursa Malaysian Corporate Governance Guide) uses the Assessments Checklists and Evaluation Forms as well as Board Skills Matrix Form.

STATEMENT ON CORPORATE GOVERNANCE

The performance of Nomination Committee itself, however, was evaluated by the Chairman of the Board. All the assessments and performance evaluations are summarized and tabled at the Nomination Committee meeting. The Nomination Committee Chairman will then report to the Board on the findings of the assessment and evaluation to assist the Board in identifying gaps (if any) and to help the Board to effectively discharge its duties and functions.

The annual assessments and performance evaluations carried out by the Nomination Committee are aligned with the recommendations of MCCG 2012 and the Corporate Governance Guide 2nd Edition issued by Bursa Securities. The assessments and evaluations are based on key areas including but not limited to, the board composition, character, experience, integrity, competence and performance of each Director and Key Officer. These assessments and evaluations are properly documented by the Company Secretary, as recommended by MCCG 2012.

Through the annual assessments of each Director, the Nomination Committee identifies the appropriate training needs and continuing education programmes, together with the Human Resources Department for its board members to assist them in discharging their fiduciary and leadership functions more effectively.

Following the annual assessments and evaluation carried out for financial year ended 2016, the Nomination Committee considers that the overall performance of the Board and the Board Committees, current mix of skills, relevant qualities and experience of its members are adequate for the discharge of its duties and responsibilities effectively.

Re-election and Re-appointment of Directors

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"). Article 64(1) also provides that all Directors shall retire once in every three (3) years. Directors who are appointed before the next AGM will retire and be subject to re-election by shareholders at the next AGM.

The Nomination Committee had on 23 February 2017 conducted its meeting and has made their recommendation to the Board for re-electing the directors who are retiring by rotation; namely En. Mallek Rizal Bin Mohsin, Mr. Chau Sik Cheong and Dato' Mohammad Medan Abdullah. Being eligible, these directors have offered themselves for re-election; for approval of the Shareholders at the forthcoming AGM set on 25 May 2017.

With the coming into force of the Companies Act 2016 on 31 January 2017, there is no age limit for directors. The Nomination Committee has recommended the re-appointment of Dato' Mohsin Abdul Halim who will retire pursuant to Section 129(2) of the Companies Act 1965. Dato' Mohsin Abdul Halim being eligible has offered himself for re-appointment for shareholders' approval at the forthcoming AGM set on 25 May 2017.

The profiles of the Directors who are due for re-election and re-appointment are set out on pages 5 to 7 of this Annual Report. The Board has considered the assessment of the Directors standing for re-election and re-appointment and collectively agrees that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective responsibilities as Directors. There was no assessment conducted for Dato' Mohammad Medan Abdullah who was appointed on 19 December 2016. He is due for re-election pursuant to Article 68 of the Company's Articles of Association.

Boardroom Diversity Policy

The Board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills. As part of the Board's routine considerations regarding Board renewal, it will continue its focus on diversity as it has in recent years, to ensure that there is an appropriate mix of diversity, skills, experience and expertise represented on the Board.

STATEMENT ON CORPORATE GOVERNANCE

The Board acknowledges the recommendation of the MCCG 2012 on gender diversity. It was advocated that the Board should ensure participation of women on the Board to reach 30% by year 2017. In its efforts to implement a gender diversity policy or target, the Nomination Committee is also mindful of its responsibilities to conduct all Board appointment processes in a manner that promotes gender diversity while taking into consideration that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment and integrity in order to enhance the composition of the Board. The Board is also mindful and does not practice gender discrimination and will give equal opportunity to suitably qualified persons to be appointed to the board irrespective of their gender. The Nomination Committee will consider suitably qualified candidates when such potential candidates have been identified.

The Nomination Committee is cognizant and will put in place policies that will support potential women candidates in senior management to achieve professional and career development for directorship positions by providing relevant training opportunities and building business networks.

2.3 Establish Formal and Transparent Remuneration Policies and Procedures to attract and retain Directors

The Board is assisted by the Remuneration Committee in implementation of remuneration policies and procedures of the Company.

The members of Remuneration Committee are as follows:-

Members	Designation
CHAU SIK CHEONG (Chairman of Remuneration Committee)	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	Group Managing Director and Chief Executive Officer
JOEL EMANUEL HEANEY	Group Advisor and Deputy Managing Director

The Remuneration Committee held two (2) meetings during the financial year ended 31 December 2016.

The Remuneration Committee shall ensure that the remuneration policies are sufficient to attract and retain Directors. 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 annually 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 and the Non-Executive Directors abstain in the discussion of their own 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 aggregate remuneration of the Directors for the financial year ended ("FYE") 31st December 2016 is as follows:-

	Executive Directors	Non-Executive Directors	Total (RM)
Directors' Remuneration	5,726,123	55,500	5,781,623
Employees' Provident Fund	294,012	-	294,012
Fees	-	198,000	198,000
Total	6,020,135	253,500	6,273,635

Remuneration Band (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	1
50,001 – 100,000	-	3
1,200,001 – 1,250,000	1	-
1,350,001 – 1,400,000	1	-
1,500,001 – 1,550,000	1	-
1,850,001 – 1,900,000	1	-

PRINCIPLE 3 – REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independent Directors

The presence of Independent Non-Executive Directors is to provide independent and unbiased views of financial and business inputs for the interest of the Group and shareholders. The Board recognizes that Independent Directors bring independent and objective judgment to the Board's deliberation and decision making process. With the new addition to the Independent Non-Executive Directors in December 2016, the Board opines that the presence of the four (4) professional Independent Non-Executive Directors will further enhance the check-and-balance process on the functioning of the Group.

The Board has undertaken an assessment of the independence of its Independent Directors as guided by the Company's Policy on Independence of Directors which was established in 2013 and will continue as part of the Policy adopted to do this on an annual basis. The same assessment criteria were adopted by the Nomination Committee and the Board in considering the appointment of Dato' Mohammad Medan Abdullah and will continue to be used if new independent directors are appointed to the Board.

The Nomination Committee and the Board have upon their annual assessment which was based on the criteria as prescribed by the MMLR and the Code, concluded that each of the three Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfill the definition of independence as set out in the MMLR of Bursa Securities.

STATEMENT ON CORPORATE GOVERNANCE

Based on the assessment, the Nomination Committee and the Board are of the unanimous opinion that the independence of Mr. Chau Sik Cheong, En. Lokman Razani Bin Abdul Razak and En. Muhammad 'Asri Bin Mohd Rafa'i has not been compromised or impaired in any way.

Each of the three Independent Non-Executive Directors has provided their annual declaration of their independence to the Nomination Committee and the Board while Dato' Mohammad Medan Abdullah declared his independence prior to his appointment as Independent Non-Executive Director in December 2016.

3.2 Tenure of Independent Directors

The Group adopts the recommendation in the Code that an Independent Director will hold office for a term not exceeding a total of nine (9) years unless duly approved by the shareholders at a general meeting or redesignated as a Non-Independent Director. As at end of the financial year at 31 December 2016, none of the independent directors have served in the position of independent directors for more than nine (9) years.

3.3 Justification and Shareholders' Approval to retain an Independent Director who has served more than nine years

The tenure of our Independent Directors is below nine years and justification is not required as of now.

3.4 Separation of Position of the Chairman and Group Managing Director & Chief Executive Director (GMD & CEO)

The positions of Chairman and GMD & CEO are separately held by Dato' Mohsin Abdul Halim as the Executive Chairman and En Mallek Rizal Mohsin as the GMD & CEO to ensure appropriate balance of power and authority with accountability and clear division of roles and responsibilities.

Whilst the Code recommends that the Chairman must be a non-executive member of the Board, the Executive Chairman's position has been perceived as appropriate and of benefit to the Group and the Board given his extensive experience, knowledge, network, leadership and familiarity with the Group's business, industry and products. The Chairman also consults with the Independent Non-Executive Directors for their independent advice, opinion and views.

The Chairman in overseeing and executing his executive functions ensures that the Company achieves the financial performance for each financial year, and more importantly delivers long-term and sustainable value to stakeholders.

The Chairman also maintains an informal link between the Board and the GMD & CEO and is available to provide counsel and advice where appropriate. The GMD & CEO is expected to keep the Chairman and the Board informed on important matters.

3.5 The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director

Whilst the Code also recommends that the Board must comprise a majority of independent directors where the Chairman of the Board is not an Independent Director, the Board considers its current size adequate given the existing scope and nature of the Group's business operations and represents fairly the interest of the shareholders. Furthermore, the Independent Non- Executive Directors express their concerns whenever necessary to ensure proper checks and balance are in place in the Board's decision-making process and implementation of policies.

PRINCIPLE 4 – FOSTER COMMITMENT

4.1 Board Meetings and Time Commitment

During the financial year review, eight (8) Board Meetings were held and the Directors' attendances at the Board Meetings were as follows:-

	Attendance
DATO' MOHSIN ABDUL HALIM	8/8
MALLEK RIZAL BIN MOHSIN	8/8
JOEL EMANUEL HEANEY	6/8
ZAHARI BIN HAMZAH	8/8
LOKMAN RAZANI BIN ABDUL RAZAK	8/8
CHAU SIK CHEONG	8/8
MUHAMMAD 'ASRI BIN MOHD RAFA'I	8/8
DATO' MOHAMMAD MEDAN ABDULLAH (*appointed w.e.f 19 December 2016*)	Not Applicable

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2016.

All Directors have thus adequately complied with the minimum requirements on attendance at Board meetings as stipulated in the MMLR of Bursa Securities.

The Board of Directors note the Code's recommendation to notify the Chairman before any of the Directors accept any new directorship, including the indication of time that will be spent on new appointment. This requirement has been incorporated into the Board Charter to serve as a reference for the Board.

4.2 Access to Continuing Education Programmes

All Directors have attended various training programmes, conferences, seminars and briefings during the financial year 2016 as recommended by the Nomination Committee and Human Resources Department as well as those conducted by Bursa Securities from time to time, to keep abreast of the dynamic environment in which the Group operates, enhance their knowledge with the latest development in the industry and better themselves to fulfil their responsibilities.

The Directors are also being updated on a continuous basis by the Company Secretaries on new and amended MMLR by Bursa Securities as and when the same are advised by Bursa Securities.

STATEMENT ON CORPORATE GOVERNANCE

The Directors will continue to undergo relevant training programmes and seminars to further enhance their skills and knowledge as well as awareness of the industry and market place practices in order to contribute effectively to the Group.

All the Directors had completed the Mandatory Accreditation Programme as specified by Bursa Securities. During the financial year, the training programmes, seminars and briefing attended by the Directors are as follows:

DATO' MOHSIN ABDUL HALIM	1. Handal Business Summit
MALLEK RIZAL BIN MOHSIN	1. Bursa - Advocacy Session on Management Discussion & Analysis For CEO & CFO 2. Handal Business Summit
JOEL EMANUEL HEANEY	1. COMTRAC SSM - Corporate Tea Talk : Delivery Business Value From Integrity 2. Handal Business Summit 3. MAICSA : The Company Act 2016 : The Significant Changes & How They Affect You 4. Corporate Governance Breakfast Series with Directors : Anti Corruption & Integrity - Foundation of Corporate
ZAHARI BIN HAMZAH	1. COMTRAC SSM - Corporate Tea Talk : Delivery Business Value From Integrity 2. BURSA CG Breakfast Series with Directors : The strategy, The Leadership, The Stakeholders & The Board 3. Handal Business Summit 4. Corporate Governance Breakfast Series with Directors : Anti Corruption & Integrity - Foundation of Corporate
CHAU SIK CHEONG	1. Bursa - Board Chairman Series Part 2 : Leadership Excellence From the Chair 2. Handal Business Summit
LOKMAN RAZANI BIN ABDUL RAZAK	1. BURSA CG Breakfast Series with Directors : The strategy, The Leadership, The Stakeholders & The Board 2. Handal Business Summit
MUHAMMAD 'ASRI BIN MOHD RAFA'I	1. Bursa - Independent Directors Programme - The Essence of Independence 2. Handal Business Summit 3. Bursa - CG Breakfast Series with Directors : The Cybersecurity Threat & How Board Should Mitigate The Risk

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board is responsible for presenting 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 has 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.

STATEMENT ON CORPORATE GOVERNANCE

Statement of Directors' Responsibility in Relation to the Financial Statements

In compliance with the Companies Act 1965, the Directors are responsible for the preparation of the financial statements for each financial year, which gives 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 2016, the Directors have:-
- adopted the appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements; and
- ensured that 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. This 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.

5.1 Audit Committee Should Ensure Financial Statements Comply with Applicable Financial Reporting Standards

In presenting the financial statements, the Board has reviewed and ensured that appropriate accounting policies have been consistently applied and supported by reasonable judgments and estimates. The Board is assisted by the Audit Committee in reviewing these financial statements with Management and the External Auditors.

Further elaboration on the composition and activities of the Audit Committee is stated in the Audit Committee Report on pages 40 to 42.

5.2 Assessment of Suitability and Independence of External Auditors

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

The External Auditor Appointment & Independence Policy has been developed and adopted by the Board. The annual assessment on the suitability and independence of the External Auditors is carried out by the Audit Committee. The Audit Committee Chairman will then report to the Board on the performance and their independent evaluation of the External Auditors. The re-appointment of the External Auditors is subject to Board deliberation and shareholders' approval in the next Annual General Meeting.

Further elaboration on the composition and activities of the Audit Committee is stated in the Audit Committee Report on pages 40 to 42.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risk

The Board recognizes the importance of maintaining the effectiveness of the Group's system of risk management processes and internal control within the Group. The Risk Management Committee was established to assist the Board's functions in identifying principal risks, ensuring the policy put in place is adequate and procedures and recommendations with regards to the management of risks and internal control are being followed through by the various business/operating units.

The Risk Management Committee has been established to assist the Board in recognizing and managing risks and the members are:-

Members	Designation
MUHAMMAD 'ASRI BIN MOHD RAFA'I (Chairman of Risk Management Committee)	Senior Independent Non-Executive Director
MALLEK RIZAL BIN MOHSIN	Group Managing Director and Chief Executive Officer
JOEL EMANUEL HEANEY	Group Advisor and Deputy Managing Director
DATO' MOHAMMAD MEDAN ABDULLAH	Independent Non-Executive Director
RAZMI YAACOB	Chief Risk Officer

The Statement on Risk Management and Internal Control as set out in pages 43 to 46 provides an overview of the management of risks and state of internal controls within the Group.

6.2 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 Head of Internal Audit 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 and recommendations are adhered to in ensuring proper internal control systems are in place.

The Group had incurred RM 55,393 during the financial year for its outsourced internal audit function.

Details of the Group's internal control processes are set out in the Statement on Risk Management and Internal Control in pages 43 to 46 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy and Procedures

The Board is guided by the Company's Corporate Disclosure Policy in ensuring the disclosure of material information pertaining to the Group's performance and operations to the public is in accordance with the disclosure requirements under the MMLR of Bursa Securities and other applicable laws.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board has established dedicated sections for corporate information on the Company's website to encourage effective communication with its shareholders and stakeholders. Information on the Company's announcements, financial information, corporate governance, Company's policies, share prices and analysts' reports can be accessed at http://www.handalresources.com.my/.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meeting

The main forum for dialogue with shareholders remains at the Annual General Meeting ("AGM") which encourages the shareholders to raise questions pertaining to the operations and financials of the Group. Whilst the Company endeavours to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information, and adherence to the Company's Corporate Disclosure Policy.

8.2 Encourage Poll Voting

During the AGMs in previous years, all resolutions tabled were decided on a show of hands as no poll was demanded. The shareholders were informed by the Chairman of their right to demand a poll vote for all resolutions. All resolutions put forth to the shareholders' for approval at the Eighth AGM held on 25 May 2016 were duly passed by a show of hands. With the implementation of Para 8.29A of the MMLR, all resolutions set out in the Notice of the forthcoming AGM will be voted by poll.

8.3 Effective Communication and Proactive Engagement

In upholding its commitment to effective communication with shareholders, the Group adopts the practice of timely and continuing disclosure of information to its shareholders as well as the general investing public. The Group believes that such practice is vital in allowing the shareholders and investors in making informed investment decisions.

The Board has established a Shareholder Section on the Company's website where information on the Shareholder Communication Policy can be assessed at www.handalresources.com.my.

STATEMENT ON CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE

The Board of Directors consider the Group is substantially in compliance with the Principles and Recommendations of the MCCG 2012 throughout the financial year ended 31 December 2016. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial period under review, the non-compliance has been explained in this Statement.

The Board is committed and will continue to enhance compliance with the Malaysian Code of Corporate Governance 2012 within the Company and the Group.

This Statement on Corporate Governance is made in accordance with the resolution passed at the Board of Directors' meeting held on 20 March 2017.

OTHER COMPLIANCE INFORMATION

1. Utilisation Of Proceeds

During the financial year ended 31 December 2016, the Company did not raise funds through any corporate proposals.

2. Audit and Non-Audit Fees

	Group RM	Company RM
Audit fees paid and payable to the External Auditors for the financial year ended 31 December 2016	113,000	35,000

There were no non-audit services rendered by the external auditors to the Group for the financial year ended 31 December 2016.

3. Material Contracts with related parties

There were no material contracts involving Directors' or Major Shareholders' interests entered by Handal Resources Berhad with related parties for the financial year ended 31 December 2016.

4. Recurrent Related Party Transactions ("RRPT")

The breakdown of the aggregate value of transactions conducted during the financial year ended 31 December 2016 is as follows:

Subsidiary Company of HRB	Name of Related Party	Relationship	Nature of Transaction	Amount of Transaction (RM'000)	Amount of Transactions refered to circular to shareholders in relation to Proposed Shareholders ratification for RRPT (RM) From 25 May 2016 to 30 June 2017 (RM'000)
Handal Offshore Services Sdn Bhd ("HOSSB")	Excell Crane & Hydraulics Inc ("ECHI")	Joel Emanuel Heaney is a shareholder of ECHI	Material and spare parts supply	5,248	30,000

AUDIT COMMITTEE REPORT

COMPOSITION OF MEMBERS

Chau Sik Cheong - Chairman, Independent Non-Executive Director

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

Muhammad 'Asri Bin Mohd Rafa'i - Member, Senior Independent Non-Executive Director

Dato' Mohammad Medan Abdullah (*appointed w.e.f 19. 12. 2016*) - Member, Senior Independent Non-Executive Director

The Terms of Reference (including the duties and responsibilities) of the Audit Committee is available on the Group's website at www.handalresources.com.my.

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2016, five (5) Audit Committee meetings were held and the details of attendance of each member are as follows:-

Members	No. of meetings Attended
Chau Sik Cheong	5/5
Lokman Razani Bin Abdul Razak	5/5
Muhammad 'Asri Bin Mohd Rafa'i	5/5
Dato' Mohammad Medan Abdullah (*appointed w.e.f 19. 12. 2016*)	Not Applicable

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2016, the Audit Committee had engaged with the management, Internal Auditors and the External Auditors to keep abreast of matters affecting the Group. The Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board.

AUDIT COMMITTEE REPORT

In discharging its functions, the Audit Committee carried out the following activities during the financial year ended 31 December 2016:-

Financial Reporting

- Reviewed the quarterly unaudited financial statements, annual report and the audited financial statements of the Company and the Group including accounting policies adopted by the Group prior to submission to the Board of Directors for their consideration and approval for announcement to Bursa Malaysia Securities Berhad ("Bursa Securities") and Securities Commission ("SC"). During the review, the Audit Committee focused on:-

  (i) Any changes in accounting policies and practices;
  (ii) Significant adjustments arising from the audit;
  (iii) The going concern assumption;
  (iv) Compliance with accounting standards and other legal requirements;

  The review was to ensure that all financial statements were drawn up in compliance with the provisions of the Companies Act, 1965, the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the applicable approved accounting standards.

- Discussed and noted the amendments to Malaysian financial Reporting Standards ("MRFSs") issued by the Malaysia Accounting Standards Board ("MASB") which are effective for accounting period on or after January 2016.

External Audit

During the year, the Audit Committee met twice with the External Auditors on 17 February 2016 and 21 November 2016.

- On 17 February 2016, the Audit Committee 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. Additionally in accordance with the Malaysian Code on Corporate Governance [without the presence of the Management] the Audit Committee also noted the pertinent issues raised during the course of the audit that needed to be brought to the attention of the Audit Committee.

- On 21 November 2016, the Audit Committee reviewed and discussed with the External Auditors' on their scope of work and audit plan for financial year ended 31 December 2016. The Audit Committee also noted the disclosure of key audit matters requirement and additional auditor's responsibilities on other information under the amendments to the MMLR, responsibilities of Management and those charged with governance for the consolidated financial statements (including going concern consideration) and Auditors' Responsibilities for the audit of the Consolidated Financial Statements, Report on Other Legal and Regulatory Requirements and information other than Financial Statements and Auditor's Report.

- Significant key audit matters discussed included the following:-

  (i) the valuation of the oil rig, which had been written down to its fair value less cost to sell based on the valuation report prepared by a professional valuer;
  (ii) the impairment loss in respect of goodwill attributable to one of its subsidiaries;
  (iii) material uncertainty related to going concern of one of its subsidiaries with a net capital deficit;
  (iv) accrued revenue; and
  (v) the recognition of contract revenue and expenses in accordance with MFRS 111, Construction Contracts

AUDIT COMMITTEE REPORT

In accordance with the MCCG, the Audit Committee met a second time with the External Auditors [without the presence of the Management] to discuss on pertinent issues.

- The Audit Committee also reviewed the independence and objectivity of the External Auditors during the year. The Committee also received written confirmation from the External Auditors regarding their independence. Likewise the Audit Committee discussed and confirmed that they were not aware of any breaches or non-compliance with the provisions of the Companies Act, and Capital Market Securities Act and listing requirements of Bursa Malaysia Securities Berhad. The Audit Committee also confirmed that they were not aware of any actual, suspected or alleged fraud affecting the Company and its subsidiaries.

- The Audit Committee had considered the suitability of the External Auditors through discussion with the management on the service level of the External Auditors and has provided results of their assessment to the Board. The assessment was carried out via a checklist detailing the calibre of the external audit firm, the quality processes/ performance of the external audit firm, for example the External Auditors' understanding of the key issues of the Group and External Auditors' working relationship with internal audit and key officers of the Group. The Audit Committee also rated the audit team (audit engagement partner and the individuals assigned to the external audit team) in respect of the requisite skills, and expertise, including industry knowledge to effectively audit the Company and was satisfied with the External Auditors' performance and competency in completing the audit. The audit fees paid are comparable to similarly sized companies in the same industry.

Internal Audit

- Reviewed on the scope of work and thereafter approved the internal audit plans presented by the outsourced Internal Auditors engaged by the Group.

- During the year, the Audit Committee met the Internal Auditors four (4) times at the Audit Committee meetings to review the internal audit function and the soundness of internal control system of the Group. The Audit Committee reviewed the internal audit reports which were tabled during the meetings, the audit recommendations made and Management's response to these recommendations. Where appropriate, the Committee has directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

- Monitored the corrective actions taken on the outstanding audit issues to ensure all the key risks and control lapses have been addressed through the internal audit follow-up reports tabled by the Internal Auditors.

Other Activities

- 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 Company has outsourced its internal audit function to an independent professional firm entrusted with the role of providing independent and systematic review on the systems of internal control of the Group.

Details on the internal audit function are set out in the Statement of Risk Management and Internal Control on pages 43 to 46.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board acknowledges the importance of, and remains committed to maintaining a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets.

In compliance with Paragraph 15.26 (b) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Control (the "Statement") which outlines the nature and scope of risk management and internal control of the Group during the financial period under review and up to the date of this statement for inclusion in the annual report.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of risk management and internal control, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such system of risk management and internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Group's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. The system of risk management and internal control covers risk management, financial, organisational, operational and compliance controls.

The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. The process has been put in place and is reviewed as and when required by the Board during board meetings.

The Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model and structure established by the Group.

RISK MANAGEMENT

A company's business activities and the strategies employed involve risks. With the increasingly dynamic economic environment, proactive management of overall business risk is imperative in ensuring the company achieves its strategic objectives. The Board has implemented explicit processes for the management of risk and for ensuring that any decision-making takes risk information into consideration.

The management of risks is aimed at achieving an appropriate balance between realising opportunities for profits whilst at the same time avoiding or at least minimizing the impact of risks to the Company.

ROLES OF THE MANAGEMENT TEAM

The implementation of the risk management process for the Group is the responsibility of the Group Managing Director and the Business/Operations Heads of the Group's operating units. The Group's Risk Management Committee ("RMC"), which is chaired by the Senior Independent Non-Executive Director, comprises of two Executive Directors, one Independent Non-Executive Director and Chief Risk Officer, is formed and is tasked to:-

- review and recommend risk management strategies, policies and risk tolerance for the Board's approval;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

- ensure adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities; and

- review the Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Acknowledging the differences in the operational set up of the Group's principal subsidiary companies, the RMC has taken into account the representations made by its principal subsidiary companies in respect of their state of risk management process.

THE RISK MANAGEMENT PROCESS

The risk management process goes through the complete five stages, started with identifying any possible risk that may harm the organization. The identifying process is usually carried out at subsidiaries or operating units level (risks owner). The listed risks are then analysed and graded accoding to their likelihood of happening and the consequences when happened. With the involment of the Risk Officer, the identified risk items are then further evaluated and classified according to severity of impact. Detemination of ways to counteract the effects and the treatment of risks happened next. At this juncture, a proper risks profile and reporting is developed for review by the RMC and updated accordingly.

All the above processes are described in detail in our Risk Management Guideline.

In relation to the above also, the Group employs the Control Self-Assessment ("CSA") on an ongoing basis to formalise the risk management process for all the business units. With the CSA, subsidiaries and operating units within the Group are required to identify risks and evaluate controls within key functions/activities of their business processes. The risks relating to the strategic objectives of the Group are assessed at the Group and subsidiaries/operating unit levels. The Board recognises the need to formalise a structured risk management framework to be adopted and deployed across the Group for consistency in its risk management initiatives and activities.

The key aspects of the risk management process are:-

- Subsidiaries/Operating Units Heads are required to update their risk profiles at least on a yearly basis and at the end of each review periods.

- Confirm that they have reviewed the risk profiles, risk reports and related business processes and are also monitoring the implementation of action plans.

- Reviews of the risk profiles, the control procedures and status of the action plans are carried out on a regular basis by the Business/Operations Heads and the Head of Risk Management.

- Management of the respective subsidiary companies are provided with reports to enable them to review, discuss and monitor the risk profiles and implementation of action plans.

- On a half-yearly basis, a risk report detailing significant risk issues and control measures implemented or to be implemented to deal with the risks will be reviewed by the RMC prior to being tabled to the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- The reports representing the principal subsidiaries are consolidated for review by the Board.
- On a half-yearly basis, a risk management report summarising the significant risks and/or the status of action plans are presented to the Board for review, deliberation, endorsement and approval.

RISK MANAGEMENT ACTIVITIES

During the year under review and up to the date of this Statement, the Group has been proactive in its management of risks and control issues as demonstrated by the existence of policies, procedures and strategies as illustrated below:

(i) The Group has established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;

(ii) Relevant Executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;

(iii) Annual business plans and budgets of the Group are reviewed and approved by the Board. The Group senior management meet at least on a half-yearly basis with operating company management to review their business and financial performance against the business plans and approved budgets. Significant business risks relevant to each operating company are reviewed in these meetings;

(iv) Explanations on significant variances from budgets are provided to the Board at least on a half-yearly basis. This helps the Board and senior management monitor the Group's business operations and plans on a timely basis;

(v) Each operating company's management is responsible for its own identification and evaluation of key business risks applicable to their parts of business and manages these risks by ensuring they are reduced, transferred to third parties or insured;

(vi) Each operating company maintains internal controls and procedures appropriate to its structure and business environment whilst complying with Group's policies, standards and guidelines;

(vii) The internal audit function conducts a systematic review on the Group's financial and business processes in order to provide independent assurance to the Board and the Management on the adequacy and effectiveness of the Group's internal controls. Where weaknesses are identified in the Group's system of internal controls, management will take necessary measures to ensure that improvements are implemented;

(viii) The Group maintains an appropriate insurance programme in order to provide sufficient insurance coverage on major assets and libel suits that could result in material loss. The insurance brokers assist management in conducting a risk assessment on a yearly basis on the Group's operations, which helps the Group in assessing the adequacy of intended cover;

(ix) Human Resource Department is developing a system and is committed to talent development in order to groom and retain capable and high potential employees in all business units;

(x) The Board reviews all areas of significant financial risk and approves all significant capital projects and investments after a careful corporate review has been conducted;

(xi) With the primary aim of ensuring continuity of business operations, the Group has put into practice, a data recovery and backup system to handle potential service interruptions and to minimize data loss.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 risk-based 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 on a quarterly basis. The Management is responsible for ensuring that corrective actions are taken on reported weaknesses and the Internal Audit function will carry out subsequent follow-up review to ensure the highlighted areas are rectified for control improvement.

During the financial year ended 31 December 2016, the internal audit function had performed the following internal audit review:-

(i) Handal Offshore Services Sdn Bhd – Inventory Management and Physical Control of Stocks;

(ii) Handal Engineering Sdn Bhd – Project Management and Billing & Credit Control Function;

(iii) Finance Management and General Accounting Function of Handal Group;

(iv) Corporate Governance Compliance and Risk Management Practices for Handal Group;

(v) Annual review of recurrent related party transactions; and

(vi) Follow-up review of previous audit reports

The Group had incurred RM 55,393 during the financial year for its outsourced Internal Audit function.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board has reviewed the adequacy and effectiveness of the Group's risk management activities and internal control framework and ensured that necessary actions have been or are being taken to rectify weaknesses identified during the year.

The Board had received a Letter of Assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects during the financial year under review and up to the date of this Statement as per the guideline in the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines").

In this connection, the Board concludes that an effective system of risk management and internal control is in place to safeguard the shareholders' investment and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Group's Annual Report for the financial year ended 31 December 2016. Their review was carried out in accordance with the Recommended Practice Guide 5 ("RPG 5") (Revised) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 20th March 2017.

LIST OF PROPERTIES
AS AT 31 DECEMBER 2016

(a) 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 meters/10 acres Building / Workshop – 5,955.75 square meters
Description / Existing Use	Industrial Lot / Fabrication yard / Workshop
Net Carrying amount at 31.12.2016	Land – RM2,206,873 Building – RM13,728,759 Total – RM15,935,632

(b) The following property is held by **HANDAL RESOURCES BERHAD**.

Location	Lot 60739, Kawasan Perindustrian Teluk Kalong, Kemaman, Terengganu Darul Iman
Tenure	Leasehold for 60 Years expiring on 30.04.2076
Land/Built-Up area	Land – 50,000 square meters/12.36 acres
Description / Existing Use	The land must be utilised only for the purpose of civil and mechanical engineering services for the petrochemical, oil and gas industries and the construction and completion of building related thereto.
Net Carrying amount at 31.12.2016	Land – RM2,083,714

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the year	(13,567,428)	(21,343,565)
Attributable to :-		
- Owners of the Company	(13,525,076)	(21,343,565)
- Non-controlling interests	(42,352)	-
	(13,567,428)	(21,343,565)

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2016.

TREASURY SHARES

During the year, the Company repurchased 210,200 of its ordinary shares from the open market on the Main Market of Bursa Malaysia Securities Berhad at an average price of RM0.22 per share. The total consideration paid including transaction costs was RM46,600 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act, 2016. None of the treasury shares were resold or cancelled during the financial year.

As at 31 December 2016, the Company held a total of 210,200 treasury shares out of the total 160,000,000 issued ordinary shares. Details of the treasury shares are set out on Note 13 to the financial statements.

DIRECTORS' REPORT

SUBSIDIARIES

Details of subsidiaries are set out in Note 6 to the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are :-

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'i
Dato Mohamad Medan Abdullah (Appointed on 19 December 2016)

DIRECTORS' INTERESTS

Particulars of directors' interests in ordinary shares in the Company and in subsidiaries recorded in the Register of Directors' Shareholdings as at the end of the financial year are as follows :-

	Number of Ordinary Shares of RM0.50 each			
	Balance at 01.01.2016	**During the year Acquired**	**Disposed**	**Balance at 31.12.2016**
The Company				
Dato' Mohsin Abdul Halim				
- Direct	25,288,887	-	-	25,288,887
- Indirect	7,500,896	51,800	-	7,552,696
Zahari Bin Hamzah				
- Direct	15,135,466	160,000	-	15,295,466
Joel Emanuel Heaney				
- Direct	10,292,200	-	-	10,292,200
Mallek Rizal Bin Mohsin				
- Direct	7,500,896	51,800	-	7,552,696
- Indirect	25,288,887	-	-	25,288,887
Lokman Razani Bin Abdul Razak				
- Direct	134,166	-	-	134,166

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

	Number of warrants with an exercise price of RM0.86 per ordinary share		
	Balance at 01.01.2016	**Lapsed on 6 April 2016**	**Balance at 31.12.2016**
Dato' Mohsin Abdul Halim			
- Direct	4,841,232	(4,841,232)	-
Zahari Bin Hamzah			
- Direct	3,282,200	(3,282,200)	-
Mallek Rizal Bin Mohsin			
- Indirect	4,841,232	(4,841,232)	-
Lokman Razani Bin Abdul Razak			
- Direct	26,200	(26,200)	-

By virtue of their substantial interests in shares in the Company, Dato' Mohsin Abdul Halim and Encik Mallek Rizal Bin Mohsin are also deemed to be interested in shares of its subsidiaries to the extent of interests held by the Company.

Other than as disclosed above, none of the other Directors in office at the end of the financial year held any interests, direct or indirect, in shares and warrants of the Company and shares in its related companies during the financial year.

DIRECTORS' REMUNERATION

The details of directors' remuneration are set out in Note 21 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business as disclosed in Note 27 to the financial statements.

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the Directors or their nominees might acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 21 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps :-

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

(b) As at the date of this report, the Directors are not aware of any circumstances :-

   (i) which would render the amount written off for bad debts and the amount of allowance made for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

   (ii) which would render the values of current assets in the financial statements of the Group and of the Company misleading;

   (iii) 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; and

   (iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist :-

   (i) 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 liabilities of any other person; and

   (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

(d) In the opinion of the Directors :-

(i) 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 will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;

(ii) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) 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 operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Messrs. Folks DFK & Co., have expressed their willingness to continue in office.

This report is made pursuant to the directors' resolution passed on 20 March 2017.

On behalf of the Board of Directors,

Joel Emanuel Heaney
Director

Zahari Bin Hamzah
Director

Date : 20 March 2017

STATEMENT BY DIRECTORS

We, **Joel Emanuel Heaney** and **Zahari Bin Hamzah**, being two of the Directors of **HANDAL RESOURCES BERHAD**, do hereby state that in the opinion of the Directors, the financial statements set out on pages 55 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of 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 2016 and of the financial performance and cash flows of the Group and of the Company for the year ended 31 December 2016.

The information set out in Note 35 to the financial statements on page 133 have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed in accordance with a resolution of the directors,

Joel Emanuel Heaney
Director

Zahari Bin Hamzah
Director

Date : 20 March 2017

STATUTORY DECRALATION

I, **Mallek Rizal Bin Mohsin**, being the Director primarily responsible for the financial management of **HANDAL RESOURCES BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 55 to 132 are 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 the abovenamed)
Mallek Rizal Bin Mohsin at Kuala Lumpur in the Federal)
Territory this 20 March 2017)

Mallek Rizal Bin Mohsin

Before me,

Commissioner for Oath

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**31,471,065**	59,461,170	**2,135,434**	2,188,190
Intangible assets	5	**11,304,567**	12,033,870	**-**	-
Investment in subsidiary companies	6	**-**	-	**47,016,306**	62,562,937
		42,775,632	71,495,040	**49,151,740**	64,751,127
Current Assets					
Inventories	7	**11,937,567**	12,149,400	**-**	-
Work-in-progress		**4,620,224**	5,265,451	**-**	-
Trade and other receivables	8	**29,265,338**	52,354,035	**4,254,618**	16,731,621
Other current assets	9	**5,224,976**	10,999,023	**5,837**	2,860
Other investment	10	**8,687,134**	2,977,161	**8,687,134**	2,977,161
Tax recoverable		**261,124**	222,107	**31,610**	31,610
Fixed deposits, cash and bank balances	11	**22,062,739**	20,824,881	**539,298**	110,175
		82,059,102	104,792,058	**13,518,497**	19,853,427
Non-Current Assets Held For Sale	12	**12,306,023**	-	**-**	-
Total Assets		**137,140,757**	176,287,098	**62,670,237**	84,604,554

The annexed notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	**80,000,000**	80,000,000	**80,000,000**	80,000,000
Treasury shares	13	(46,600)	-	**(46,600)**	-
Reserves	14	18,846,676	32,389,613	**(17,572,050)**	3,771,515
		98,800,076	112,389,613	**62,381,350**	83,771,515
Non-controlling interests		(22,194)	2,297	**-**	-
Total Equity		**98,777,882**	112,391,910	**62,381,350**	83,771,515
Non-Current Liabilities					
Loans and borrowings	15	**1,851,002**	5,700,628	-	-
Deferred tax liabilities	16	**3,997,366**	4,177,466	**20,966**	20,966
		5,848,368	9,878,094	**20,966**	20,966
Current Liabilities					
Trade and other payables	17	**4,637,659**	18,498,167	**267,921**	812,073
Other current liabilities	18	**-**	326,968	**-**	-
Loans and borrowings	15				
- Bank overdrafts		**16,267,512**	14,116,928	**-**	-
- Loans and other borrowings		**9,475,236**	16,663,930	**-**	-
Taxation		**2,134,100**	4,411,101	**-**	-
		32,514,507	54,017,094	**267,921**	812,073
Total Liabilities		**38,362,875**	63,895,188	**288,887**	833,039
Total Equity and Liabilities		**137,140,757**	176,287,098	**62,670,237**	84,604,554

The annexed notes form an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Continuing operations					
Revenue	19	**83,109,391**	114,619,664	**1,500,000**	13,000,000
Cost of sales	20	**(50,862,731)**	(68,944,554)	**-**	-
Gross profit		**32,246,660**	45,675,110	**1,500,000**	13,000,000
Other income		**754,756**	3,131,244	**132,223**	114,105
Administrative expenses		**(24,033,745)**	(26,156,746)	**(2,519,296)**	(3,177,296)
Selling and distribution expenses		**(125,978)**	(233,409)	**-**	-
Other expenses		**(18,192,813)**	(8,561,980)	**(20,456,492)**	(7,968,939)
(Loss)/Profit from operations		**(9,351,120)**	13,854,219	**(21,343,565)**	1,967,870
Finance costs		**(2,051,596)**	(2,425,941)	**-**	-
(Loss)/Profit before taxation	21	**(11,402,716)**	11,428,278	**(21,343,565)**	1,967,870
Taxation	22	**(2,164,712)**	(5,403,727)	**-**	-
(Loss)/Profit from continuing operations		**(13,567,428)**	6,024,551	**(21,343,565)**	1,967,870
Discontinued operation					
Loss from discontinued operation	23	**-**	(482,088)	**-**	-
(Loss)/Profit for the year and total comprehensive income/(loss)		**(13,567,428)**	5,542,463	**(21,343,565)**	1,967,870
(Loss)/Profit for the year and total comprehensive income/(loss) attributable to :					
Owners of the Company		**(13,525,076)**	5,556,833	**(21,343,565)**	1,967,870
Non-controlling interests		**(42,352)**	(14,370)	**-**	-
		(13,567,428)	5,542,463	**(21,343,565)**	**1,967,870**

The annexed notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company							
	Non - distributable				Distributable			
	Share capital RM	Share premium RM	Treasury shares RM	Warrant reserve RM	Retained profits RM	Total RM	Non-controlling interests RM	Total RM
Group								
At 1 January 2016	**80,000,000**	**28,992**	**-**	**2,660,465**	**29,700,156**	**112,389,613**	**2,297**	**112,391,910**
Total comprehensive income for the year								
- Loss for the year	**-**	**-**	**-**	**-**	**(13,525,076)**	**(13,525,076)**	**(42,352)**	**(13,567,428)**
Transferred to retained profits upon expiry of warrants (Note 13(a))	**-**	**-**	**-**	**(2,660,465)**	**2,660,465**	**-**	**-**	**-**
Shares repurchased (Note 13(b))	**-**	**-**	**(46,600)**	**-**	**-**	**(46,600)**	**-**	**(46,600)**
Effect of subscription of additional shares in subsidiary	**-**	**-**	**-**	**-**	**(17,861)**	**(17,861)**	**17,861**	**-**
Balance at 31 December 2016	**80,000,000**	**28,992**	**(46,600)**	**-**	**18,817,684**	**98,800,076**	**(22,194)**	**98,777,882**
At 1 January 2015	80,000,000	28,992	-	2,660,465	24,223,370	106,912,827	(63,380)	106,849,447
Total comprehensive income for the year								
- Profit for the year	-	-	-	-	5,556,833	5,556,833	(14,370)	5,542,463
Effect of subscription of additional shares in subsidiary	-	-	-	-	(80,047)	(80,047)	80,047	-
Balance at 31 December 2015	80,000,000	28,992	-	2,660,465	29,700,156	112,389,613	2,297	112,391,910

The annexed notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company					
	Non - distributable				Distributable	
	Share capital RM	Treasury Shares RM	Share premium RM	Warrant reserve RM	Retained profits RM	Total RM
Company						
At 1 January 2016	**80,000,000**	**-**	**28,992**	**2,660,465**	**1,082,058**	**83,771,515**
Total comprehensive loss for the year						
- Loss for the year	**-**	**-**	**-**	**-**	**(21,343,565)**	**(21,343,565)**
Transferred to retained profits upon expiry of warrants (Note 13(a))	**-**	**-**	**-**	**(2,660,465)**	**2,660,465**	**-**
Shares repurchased (Note 13(b))	**-**	**(46,600)**	**-**	**-**	**-**	**(46,600)**
Balance at 31 December 2016	**80,000,000**	**(46,600)**	**28,992**	**-**	**(17,601,042)**	**62,381,350**
At 1 January 2015	80,000,000	-	28,992	2,660,465	(885,812)	81,803,645
Total comprehensive income for the year						
- Profit for the year	-	-	-	-	1,967,870	1,967,870
At 31 December 2015	80,000,000	-	28,992	2,660,465	1,082,058	83,771,515

The annexed notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from operating activities				
(Loss)/Profit before taxation				
- Continuing operations	**(11,402,716)**	11,428,278	**(21,343,565)**	1,967,870
- Discontinued operation	**-**	(485,774)	**-**	-
Adjustments for :-				
Depreciation of property, plant and equipment	**3,248,762**	3,191,900	**46,531**	22,643
Dividend income	**(14)**	(13)	**(1,500,014)**	(13,000,013)
Net fair value gain on financial asset held for trading	**(130,294)**	(109,506)	**(130,294)**	(109,506)
Gain on disposal of quoted non-equity investments	**(838)**	(3,606)	**(838)**	(3,606)
Interest income	**(405,641)**	(401,415)	**(1,077)**	(980)
Interest expense	**2,051,596**	2,425,941	**-**	-
Impairment of :				
- investment in subsidiary companies	**-**	-	**20,446,631**	7,939,002
- amount owing by subsidiary companies	**-**	-	**9,861**	29,937
- goodwill on consolidation	**75,303**	-	**-**	-
- property, plant and equipment	**-**	5,404,235	**-**	-
- intangible asset	**654,000**	-	**-**	-
- non current asset held for sale	**14,699,637**	-	**-**	-
- trade receivables	**105,443**	25,080	**-**	-
Writeback of impairment loss on receivables	**(203,296)**	(144,009)	**-**	-
Loss/(Gain) on disposal of property, plant and equipment	**6,082**	(2,123,391)	**6,082**	136
Loss on disposal of subsidiary	**-**	149,554	**-**	481,788
Written off :				
- property, plant and equipment	**8,286**	13,227	**8,151**	-
Net unrealised gain on foreign exchange	**(597)**	(28,305)	**-**	-
Operating profit/(loss) before working capital changes	**8,705,713**	19,342,196	**(2,458,532)**	(2,672,729)
(Increase)/Decrease in inventories	**211,833**	(2,715,907)	**-**	-
Decrease in work-in-progress	**645,227**	2,834,885	**-**	-
(Increase)/Decrease in receivables	**18,319,108**	(457,017)	**9,064,165**	7,369,002
Decrease/(Increase) in amount due from contract customers	**5,764,204**	(6,541,341)	**-**	-
(Decrease)/Increase in payables	**(8,983,223)**	(1,746,983)	**(544,152)**	235,929
(Decrease)/Increase in amount due to contract customers	**(326,968)**	(3,919,329)	**-**	-
Cash generated from/(used in) operations carried forward	**24,335,894**	6,796,504	**6,061,481**	4,932,202

The annexed notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Cash flows from operating activities				
Cash generated from/(used in) operations brought forward	**24,335,894**	6,796,504	**6,061,481**	4,932,202
Tax paid	**(4,701,327)**	(3,409,778)	**-**	(31,610)
Tax refunded	**40,497**	52,380	**-**	37,943
Net cash from/(used in) operating activities	**19,675,064**	3,439,106	**6,061,481**	4,938,535
Cash flows from investing activities				
Dividend received	**14**	13	**14**	13
Interest received	**405,641**	401,415	**1,077**	980
Acquisition of quoted non-equity investments	**(5,578,841)**	(2,848,843)	**(5,578,841)**	(2,848,843)
Placement of fixed deposits	**(404,564)**	(393,470)	**-**	-
Proceeds from disposal of property, plant and equipment	**2,783**	4,545,529	**2,783**	1
Disposal of subsidiary company (Note 23)	**-**	(48)	**-**	2
Purchase of property, plant and equipment (Note 4)	**(1,478,468)**	(5,823,267)	**(10,791)**	(2,132,052)
Share repurchased	**(46,600)**	-	**(46,600)**	-
Net cash used in investing activities	**(7,100,035)**	(4,118,671)	**(5,632,358)**	(4,979,899)
Cash flows from financing activities				
Interest paid	**(2,051,596)**	(2,425,941)	**-**	-
Net (repayment)/drawdown of bankers' acceptances and other banking facilities	**(7,554,149)**	2,735,917	**-**	-
Repayment of hire purchase	**(418,247)**	(120,152)	**-**	-
Repayment of term loan	**(3,868,924)**	(8,034,128)	**-**	-
Net cash used in financing activities	**(13,892,916)**	(7,844,304)	**-**	-
Net (decrease)/increase in cash and cash equivalents	**(1,317,887)**	(8,523,869)	**429,123**	(41,364)
Currency translation difference	**597**	28,305	**-**	-
Cash and cash equivalents at beginning of year	**(5,439,752)**	3,055,812	**110,175**	151,539
Cash and cash equivalents at end of year (Note 11)	**(6,757,042)**	(5,439,752)	**539,298**	110,175

The annexed notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

1. GENERAL INFORMATION

Handal Resources Berhad is a public company limited by shares, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

Its registered office is located at No. 25-6, Jalan PJU7/42A, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan and principal places of business are located at Lot PT7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu Darul Iman, Malaysia and No. 16C, Jalan 51A/225, 46100 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of directors on 20 March 2017.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of the amendments to MFRSs as disclosed in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Application of Amendments to MFRSs

During the financial year, the Group and the Company have applied the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period beginning on or after 1 January 2016 :-

Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
Amendments to MFRS 11 - Accounting for Acquisition of Interest in Joint Operations
Amendments to MFRS 101 - Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127 - Equity Method in Separate Financial Statements
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle"

The application of the Amendments has no impact on the Group's and on the Company's financial statements.

2.3 New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group and the Company have not early adopted the following new MFRSs and IC Interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective :-

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 107 - Disclosure Initiative
Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle"
- Amendments to MFRS 12, Disclosure of Interests in Other Entities

Effective for annual periods beginning on or after 1 January 2018

MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
MFRS 15, Revenue from Contracts with Customers
Clarifications to MFRS 15, Revenue from Contracts with Customers
Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts
Amendments to MFRS 140 - Transfers of Investment Property
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to MFRS 128, Investments in Associates and Joint Ventures
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases

Effective for annual periods beginning on or after a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The Group and the Company will apply the above new MFRSs, IC Interpretation and amendments to MFRSs that are applicable once they become effective. Their main features are summarised below.

2.3.1 Effective for annual periods beginning on or after 1 January 2017

(a) Amendments to MFRS 107 - Disclosure Initiative

The Amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

(b) Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses

The Amendments to MFRS 112 Income Taxes clarify that :-

(i) decreases in value of a debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

(ii) deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

(c) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" - Amendments to MFRS 12, Disclosure of Interests in Other Entities

The Amendments clarify the scope of the Standard by specifying that the disclosure requirements in the Standard apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with MFRS 5.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

2.3.1 Effective for annual periods beginning on or after 1 January 2017

(c) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" - Amendments to MFRS 12, Disclosure of Interests in Other Entities (Cont'd)

The Amendments also clarify that an entity is not required to disclose summarised financial information when its subsidiary, joint venture or associate is classified as held for sale in accordance with MFRS 5.

The initial application of the above Amendments is not expected to have any significant impact on the financial statements of the Group and of the Company.

2.3.2 Effective for annual periods beginning on or after 1 January 2018

(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward- looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The key enhancements of MFRS 9 are :

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets under MFRS 139 had been replaced.

- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

2.3.2 Effective for annual periods beginning on or after 1 January 2018 (cont'd)

(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014) (Cont'd)

- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139 i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

(b) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps :-

Step 1 Identify the contract(s) with a customer
Step 2 Identify the performance obligations in the contract
Step 3 Determine the transaction price
Step 4 Allocate the transaction price to the performance obligations in the contract
Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

2.3.2 Effective for annual periods beginning on or after 1 January 2018 (cont'd)

(c) Clarification to MFRS 15, Revenue from Contracts with Customers

The Amendments clarifies how certain principles should be applied in :-

(i) identifying whether performance obligations are distinct;
(ii) determining whether an entity is a principal or an agent; and
(iii) assessing whether revenue from a license of intellectual property is recognised over time or at a point in time.

(d) Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions

The Amendments to MFRS 2 *Share-based Payment* provides specific guidance on how to account for the following situations :-

(i) the effects of vesting and non-vesting conditions on the measurement of cash- settled share-based payments;
(ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and
(iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(e) Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts

The Amendments to MFRS 4 *Insurance Contracts* address concerns arising from implementing the new MFRS 9 *Financial Instruments* before the new Standard on insurance contracts i.e. the forthcoming IFRS 17 which the International Accounting Standards Board ("IASB") plans to issue in 2017. These concerns include temporary volatility in reported results.

The IASB has introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts.

The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

2.3.2 Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

(f) Amendments to MFRS 140 - Transfers of Investment Property

The Amendments to MFRS 140 *Investment Property* clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

(g) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"

The *Annual Improvements* to *MFRS Standards 2014 - 2016 Cycle* include amendments to the following MFRSs :-

(i) The Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* have removed certain provisions that have served their intended purposes.

(ii) The Amendments to MFRS 128 *Investments in Associates and Joint Ventures* clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

(h) IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The IC Interpretation addresses which exchange rate to use in reporting foreign currency transactions that involve advance consideration paid or received.

The initial application of MFRS 9 and MFRS 15 may have an impact on the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. The initial application of other new MFRSs and IC Interpretation and amendments to MFRSs for reporting periods beginning on or after 1 January 2018 is not expected to have any significant impact on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and IC Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

2.3.3 Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases

MFRS 16 will supersede the existing MFRS 117 *Leases* , IC Interpretation *4 Determining whether an Arrangement contains a Lease* , IC Interpretation *115 Operating Leases – Incentives* and IC Interpretation *127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from operating leases. The right- of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the profit or loss.

The financial effects arising from the application of this Standard are still being assessed by the management.

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group :
- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of Consolidation (Cont'd)

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

(i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of Consolidation (Cont'd)

(ii) Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.8. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investments is recognised as a gain or loss on disposal in the Company's profit or loss.

2.5 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 are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts or property, plant and equipment are required to be replaced in intervals, the Group recognised 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.

Capital work-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets concerned. The principal annual rates are :

Long leasehold land	1.67%
Buildings	2%
Crane and machineries	20%
Motor vehicles	20%
Furniture, fittings and office equipment	10% - 25%
Workshop equipment	10%
Renovation	15%

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, Plant and Equipment and Depreciation (Cont'd)

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.8.

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 value is recognised in the profit or loss in the year the asset is derecognised.

2.6 Intangible Assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The impairment policy is disclosed in Note 2.8.

An item of intangible asset 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 amounts is recognised in the profit or loss in the year the asset is derecognised.

2.7 Goodwill

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of non- financial assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that 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 values of the operation and the portion of the CGU retained.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits and non-current assets or disposal groups held for sale) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill recognised in a business combination and that has an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill arising from a business combination allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss in the period in which it arises.

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

2.9 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned. Trade date accounting refers to :-

- the recognition of an asset to be received and the liability to pay for it on the trade date i.e. the date the Group commits itself to purchase or sell an asset; and
- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial Assets (Cont'd)

2.9.1 Classification and measurement

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

Financial assets are classified into the following specified categories depending on the nature and purpose of the financial assets and are determined at the time of initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial assets are either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if :-

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The net gains or losses do not include any exchange differences, dividend or interest earned on the financial asset. Exchange differences, dividend and interest earned on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment losses.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment losses. A gain or loss is recognised in profit or loss when the held-to-maturity investment is derecognised or impaired, and through the amortisation process.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial Assets (Cont'd)

2.9.1 Classification and measurement (Cont'd)

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, loans and other receivables are classified as loans and receivables.

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

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or at fair value through profit or loss. Available-for-sale financial assets comprise quoted and unquoted equity and debt instruments that are not held for trading.

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. A gain or loss from changes in fair value is recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

2.9.2 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, is impaired. Financial assets are considered to be impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For quoted equity instrument, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost 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 i.e. the effective rate computed at initial recognition. The carrying amount of the asset is reduced through an allowance account. The amount of loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial Assets (Cont'd)

2.9.2 Impairment of financial assets (Cont'd)

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

When an available-for-sale financial asset is impaired, the cumulative loss in relation to decline in fair value previously recognised in other comprehensive income is reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified is the difference between the acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, is recognised in other comprehensive income.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

An amount of impairment loss in respect of financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.9.3 Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

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.

2.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Inventories (Cont'd)

Cost is determined on the weighted average cost basis. Cost of raw materials, consumable and crane components comprise all costs of purchase plus incidentals in bringing these inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

2.11 Work-in-progress

Work-in-progress is valued at cost less provision for foreseeable loss. Cost represents material, labours and other direct cost incurred on incomplete service and maintenance works up to the reporting date.

2.12 Amount Due From/(To) Contract Customers

Amount due from/(to) customers for contract work is the net amount of cost incurred for contract work plus profit recognised to date less foreseeable losses, if any, and progress billings. Contract costs incurred to-date include costs directly related to the contract or attributable to contract activities in general and costs specifically chargeable to the customers under the terms of the contract.

2.13 Cash and Cash Equivalents

Cash and cash equivalents consist of cash at banks and on hand, fixed deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value used by the Group in the management of its short term funding requirements, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method. Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy set out in Note 2.9.1 (c).

2.14 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

2.14.1 Classification and measurement

Financial liabilities are initially measured at fair value plus, in the case of other financial liabilities, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial Liabilities (Cont'd)

2.14.1 Classification and measurement (Cont'd)

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if :-

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost.

(b) Other financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Other financial liabilities of the Group include trade and other payables, loans and borrowings.

A gain or loss on other financial liabilities is recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

2.14.2 Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial Liabilities (Cont'd)

2.14.3 Offsetting financial instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.15 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are amortised in profit or loss using the straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made in accordance with MFRS 137, Provisions, Contingent Liabilities and Contingent Assets. If the carrying amount of the financial guarantee is lower than the obligation estimated, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.16 Leases

(i) Finance lease

Asset acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Group is recognised initially at amounts equal to the fair value of the leased asset or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset.

Property, plant and equipment acquired under finance lease are capitalised in the financial statements and are depreciated in accordance with the depreciation policy set out in Note 2.5. The corresponding outstanding obligations due under finance lease after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are allocated to the profit or loss so as produce a constant periodic rate of charge on the remaining recognised as an asset.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Leases (Cont'd)

(ii) Operating lease - the Group as lessee

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line-basis over the lease term. The aggregate benefits of incentives provided by the lessor are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(iii) Operating lease - the Group as lessor

Lease where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(iii).

2.17 Share Capital and Treasury Shares

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

Shares repurchased by the Company are held as treasury shares and are measured and carried at the cost of purchase. Treasury shares are presented in the financial statements as a set-off against equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. Should such shares be re-issued by re-sale in the open market, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity. Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable retained profits or both.

2.18 Non Current Asset Held For Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Non Current Asset Held For Sale (Cont'd)

On initial classification as held for sale, non-current assets or disposal groups (other than investment properties that are accounted for in accordance with fair value model, deferred tax assets, assets arising from employee benefits, financial assets and inventories) are measured at the lower of their carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.19 Income Taxes

Tax expense is the aggregate amount of current and deferred taxes. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax assets and liabilities is the expected tax payable on the taxable profit for the year or tax recoverable from the taxation authorities and is calculated using tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax is recognised, using the liability method, on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.20 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates. Revenue is recognised to the extent that is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured. The Group assess its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met for each of the Group's activities before revenue is recognised:

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue Recognition (Cont'd)

(i) Workover projects lifting solutions, goods sold and services rendered

Revenue associated with performance milestones are recognised based on completion of the deliverables as defined in the respective agreements as accrued revenue. Revenue are recognised only when the deliverables are completed and accepted by the customers. Cost incurred for work performed for which performance milestones have yet to be achieved is initially recorded as work-in-progress and recognised as cost of sales only when the deliverables are completed and accepted by customers.

Revenue from services rendered are recognised based on achievement of the deliverables as defined in the respective agreements as accrued revenue and are recognised as revenue only when the deliverables are completed and accepted by the customers. Cost incurred for work performed for which performance milestones have yet to be achieved is initially recorded as work- in-progress and recognised as cost of sales only when the deliverables are completed and accepted by customers.

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.

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 is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue Recognition (Cont'd)

(v) Dividend income

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

(vi) Commission received

Commission received is recognised on receipt basis.

2.21 Employee Benefits

(i) Short term employee benefits

Wages, salaries, social security contribution, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees of the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

2.22 Foreign Currency

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ["the functional currency"]. The consolidated financial statements are presented in Ringgit Malaysia ["RM"], which is also the Group's functional currency.

(ii) Foreign currency transactions and translations

In preparing the financial statements of the individual entities, transactions in foreign currencies are measured in the respective functional currencies at the exchange rates approximating those ruling at the transaction dates. At each year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. 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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Foreign Currency (Cont'd)

(ii) Foreign currency transactions and translations (cont'd)

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the year end are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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 in other comprehensive income. Exchange differences arising from such non-monetary items are recognised to other comprehensive income.

2.23 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.

2.24 Earnings per Share

The Group presents basic and diluted (where applicable) earnings per share ["EPS"] data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year excluding ordinary shares purchased by the Company and held as treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

2.25 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors that makes strategic decisions, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Contingencies

A contingent liability or asset is a possible obligation or benefit that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group and of the Company.

2.27 Fair Value Measurements

The fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurements takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1 : Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

2.28 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the MFRSs requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Significant judgements in applying the Group's accounting policies

The following judgement, which may have a significant effect on the amounts recognised in the financial statements, has been made by the management in applying the Group's accounting policies:

Accrued Revenue

As disclosed in the Note 8 to the financial statements, the Group has recognised the accrued revenue for those contract jobs which have been completed and yet to be invoiced due to the due process of approval of claims by customers. The claims may be revised and resubmitted upon the due process of approval by customers. The costs related to the accrued revenue have been charged to the Statement of Profit or Loss and Other Comprehensive Income. The management had made a significant judgement that it is probable that the economic benefits associated with the accrued revenue will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the relevant transactions have been reliably measured. The accrued revenue recognised during the year amounted to RM13,717,990 (2015: RM25,509,171).

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of Intellectual property

The Group reviews its intellectual property at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. The Group carried out impairment test based on a variety of estimation including the value-in-use of the CGUs to which the intellectual property is allocated to. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intellectual property as at the reporting date is disclosed in Note 5 to the financial statements.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty (Cont'd)

(ii) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the estimation of the provision for income taxes is made and 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, where applicable, in the period in which such determination is made.

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over its estimated useful lives. The management estimates the useful lives of these property, plant and equipment to be between 4 to 60 years. These are common life expectancies applied in the industry. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2016 are stated in Note 4 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

(iv) 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 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 determining the extent of the contract costs incurred, the estimation of total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. Where the actual total contract costs is different from the estimated total contract costs, such difference will impact the contract profits or losses recognised. In making the judgement, the Group evaluate based on past experience.

(v) Impairment of receivables

The Group makes an allowance for impairment losses based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables. The carrying amounts of receivables and the cumulative allowances for impairment losses are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty (Cont'd)

(vi) Impairment of capital work-in-progress

In the previous financial year, the cumulative impairment loss of RM8,804,235 recognised as at 31 December 2015 in respect of the oil rig included under capital work-in-progress as disclosed in Note 4, was determined by reference to the asset's estimated value-in-use and which was computed using discounted cash flow projections. A deviation in any of the assumptions made in preparing the projections will have an impact on the carrying value of the oil rig.

The oil rig has been reclassified as non-current asset held for sale during the current financial year based on the Group's commitment to dispose the oil rig in the next 12 months and plan was initiated to secure a buyer.

(vii) Valuation of non-current asset held for sale

The Group carries the oil rig as referred to in Note 3(b)(vi) and Note 12 at fair value less cost to sell which requires extensive use of estimates and judgement. The amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value would affect profit or loss.

4. PROPERTY, PLANT AND EQUIPMENT

Group

2016

	Long term 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	Total RM
Cost									
Balance at 1 January 2016	4,769,380	15,749,761	25,510,197	1,799,580	2,836,527	2,107,325	1,324,448	38,847,540	92,944,758
Additions	-	-	240,923	657,136	96,177	59,634	64,500	1,163,098	2,281,468
Disposal	-	-	-	-	(23,158)	-	-	-	(23,158)
Written off	-	-	-	-	(13,270)	-	(18,308)	-	(31,578)
Reclassification	-	-	-	-	-	-	46,420	(46,420)	-
Transfer to non-current asset held for sale (Note 12)	-	-	(1,881,470)	-	-	-	-	(34,461,140)	(36,342,610)
Balance at 31 December 2016	4,769,380	15,749,761	23,869,650	2,456,716	2,896,276	2,166,959	1,417,060	5,503,078	58,828,880
Accumulated depreciation									
Balance at 1 January 2016	408,095	1,706,006	18,638,735	1,227,233	1,637,912	493,923	567,449	-	24,679,353
Charge for the year	70,698	314,996	1,877,632	250,191	329,665	207,733	197,847	-	3,248,762
Disposal	-	-	-	-	(14,293)	-	-	-	(14,293)
Written off	-	-	-	-	(8,415)	-	(14,877)	-	(23,292)
Transfer to non-current asset held for sale (Note 12)	-	-	(532,715)	-	-	-	-	-	(532,715)
Balance at 31 December 2016	478,793	2,021,002	19,983,652	1,477,424	1,944,869	701,656	750,419	-	27,357,815
Accumulated impairment losses									
At 1 January 2016	-	-	-	-	-	-	-	8,804,235	8,804,235
Transfer to non-current asset held for sale (Note 12)	-	-	-	-	-	-	-	(8,804,235)	(8,804,235)
Balance at 31 December 2016	-	-	-	-	-	-	-	8,804,235	8,804,235
Net book value as at 31 December 2016	4,290,587	13,728,759	3,885,998	979,292	951,407	1,465,303	666,641	5,503,078	31,471,065

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group

2015

	Long term 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	Total RM
Cost									
Balance at 1 January 2015	2,659,290	15,749,761	23,431,035	1,410,653	2,801,326	1,348,434	1,102,580	42,426,720	90,929,799
Additions	2,110,090	-	6,200	544,877	284,651	125,541	171,802	2,580,106	5,823,267
Disposals	-	-	(3,367,370)	(155,950)	(13,082)	-	-	-	(3,536,402)
Reclassification	-	-	5,444,887	-	22,460	633,350	50,066	(6,150,763)	-
Written off	-	-	(4,555)	-	(257,302)	-	-	-	(261,857)
Transfer to maintenance work-in-progress	-	-	-	-	-	-	-	(8,523)	(8,523)
Disposal of subsidiary company	-	-	-	-	(1,526)	-	-	-	(1,526)
Balance at 31 December 2015	4,769,380	15,749,761	25,510,197	1,799,580	2,836,527	2,107,325	1,324,448	38,847,540	92,944,758
Accumulated depreciation									
Balance at 1 January 2015	363,776	1,391,011	17,524,647	1,287,502	1,556,266	335,743	400,513	-	22,859,458
Charge for the year	44,319	314,995	2,070,314	95,682	341,474	158,180	166,936	-	3,191,900
Disposals	-	-	(954,018)	(155,951)	(4,295)	-	-	-	(1,114,264)
Written off	-	-	(2,208)	-	(254,945)	-	-	-	(257,153)
Disposal of subsidiary company	-	-	-	-	(588)	-	-	-	(588)
Balance at 31 December 2015	408,095	1,706,006	18,638,735	1,227,233	1,637,912	493,923	567,449	-	24,679,353
Accumulated impairment losses									
At 1 January 2015	-	-	-	-	-	-	-	3,400,000	3,400,000
Charge for the year (Note 4(e))	-	-	-	-	-	-	-	5,404,235	5,404,235
Balance at 31 December 2015	-	-	-	-	-	-	-	8,804,235	8,804,235
Net book value as at 31 December 2015	4,361,285	14,043,755	6,871,462	572,347	1,198,615	1,613,402	756,999	30,043,305	59,461,170

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	**Long term leasehold land RM**	**Renovation RM**	**Furniture, fittings and office equipment RM**	**Total RM**
2016				
Cost :				
At 1 January 2016	**2,110,090**	**31,548**	**173,082**	**2,314,720**
Additions	**-**	**-**	**10,791**	**10,791**
Disposal/Written-off	**-**	**(18,308)**	**(34,958)**	**(53,266)**
At 31 December 2016	**2,110,090**	**13,240**	**148,915**	**2,272,245**
Accumulated depreciation:				
At 1 January 2016	**-**	**25,086**	**101,444**	**126,530**
Charge for the year	**26,376**	**2,701**	**17,454**	**46,531**
Disposal/Written-off	**-**	**(14,877)**	**(21,373)**	**(36,250)**
At 31 December 2016	**26,376**	**12,910**	**97,525**	**136,811**
Net carrying amount at 31 December 2016	**2,083,714**	**330**	**51,390**	**2,135,434**
2015				
Cost :				
At 1 January 2015	-	31,548	154,669	186,217
Additions	2,110,090	-	21,962	2,132,052
Disposal/Written-off	-	-	(3,549)	(3,549)
At 31 December 2015	2,110,090	31,548	173,082	2,314,720
Accumulated depreciation:				
At 1 January 2015	-	20,954	86,345	107,299
Charge for the year	-	4,132	18,511	22,643
Disposal/Written-off	-	-	(3,412)	(3,412)
At 31 December 2015	-	25,086	101,444	126,530
Net carrying amount at 31 December 2015	2,110,090	6,462	71,638	2,188,190

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

At the reporting date:

(a) The long term leasehold land and building of the Company have been charged to a licensed financial institution for banking facilities granted to the Company as disclosed in Note 15 to the financial statements.

(b) Included in the capital work-in-progress of the Group are the following items capitalised during the year:

	2016 RM	2015 RM
Equipment rental	-	23,394
Staff cost:		
Salaries, employees' provident fund and other benefits	-	3,518
	-	29,912

(c) The carrying amount of the Group's property, plant and equipment acquired under hire purchase arrangements (Note 26) in respect of which instalments are outstanding are as follows:

	2016 RM	2015 RM
Machinery	-	53,625
Motor vehicles	**966,294**	508,522
	966,294	562,147

(d) Purchase of property, plant and equipment during the year:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Cash consideration	**1,478,468**	5,423,267	**10,791**	2,132,052
Finance lease liabilities	**803,000**	400,000	**-**	-
Total	**2,281,468**	5,823,267	**10,791**	2,132,052

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(e) Impairment assessment for capital work-in-progress

In the previous financial year, an impairment assessment was undertaken for the oil rig under construction included in Group's capital work-in-progress at a total cost of RM34,241,235 due to the prevailing low crude oil prices.

The impairment test was performed by comparing the asset's carrying amount with its recoverable amount. The recoverable amount of the asset was based on its value-in-use which was determined by discounting the probability weighted future cash flows expected to be generated from continuing use of the asset using the following assumptions:

		2015
(i)	Expected completion of the construction work of oil rig	Year 2018 to Year 2022
(ii)	Expected lease of oil rig and generating revenue stream	Year 2018 to Year 2022
(iii)	Expected daily charter rate	USD37,487 to USD39,460
(iv)	Discount rate used	8.65%

Based on the above impairment assessment, the Directors had recognised impairment loss of RM5,404,235 on the oil rig for the financial year ended 31 December 2015 and the impairment loss was included under other expenses in the statements of profit or loss and other comprehensive income.

During the year, the Directors resolved to dispose the oil rig under construction. Accordingly, the oil rig under construction has been reclassified to non-current asset held for sale as disclosed in Note 12 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

5. INTANGIBLE ASSETS

Group

	Goodwill on consolidation RM	Intellectual property RM	Total RM
Cost:			
At beginning and at the end of the year	373,969	11,958,567	12,332,536
Accumulated impairment losses:			
At beginning of the year	(298,666)	-	(298,666)
Impairment loss for the year	(75,303)	(654,000)	(729,303)
At end of the year	(373,969)	(654,000)	(1,027,969)
Carrying amount at 31 December 2016	**-**	**11,304,567**	**11,304,567**
Carrying amount at 31 December 2015	75,303	11,958,567	12,033,870

(a) Goodwill on consolidation

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

The management carries out an annual review of recoverable amounts of its goodwill each financial year.

The recoverable amount of a CGU is determined based on value-in-use calculation. The value-in-use calculation is determined using discounted cash flows projections. The impairment loss provided for the current financial year is attributable to the subsidiary company in the segment of supply, fabrication, and servicing industrial equipment and tank systems whereas the impairment loss provided for in prior year is attributable to subsidiary company that owns the non-current asset held for sale that has been impaired as described in Note 12.

(b) Intellectual property

Intellectual property represents the costs of acquiring the ownership of the intellectual property rights of the “SEACRANE” offshore pedestal crane product line (which includes the “SEACRANE” Trademark) in Asia, Africa, Australia, Europe and other countries (apart from those located in North America and South America) for an indefinite period.

During the financial year, an impairment loss of RM654,000 was recognised to write down the carrying amount of the intellectual property.

The recoverable amount of cash-generating unit is determined based on value-in-use calculations using probability weighted discounted cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in value-in-use calculations are based on past experience and the discount rate applied to the cash flow projections is 7.65% (2015 : 8.10%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

6. INVESTMENT IN SUBSIDIARY COMPANIES

Company

	2016 RM	2015 RM
Unquoted equity shares, at cost	**60,113,939**	55,213,939
Unquoted irredeemable convertible preference shares	**15,288,000**	15,288,000
	75,401,939	70,501,939
Less: Accumulated impairment losses		
At 1 January	**(7,939,002)**	(498,212)
Impairment loss for the year (Note 21)	**(20,446,631)**	(7,939,002)
Disposal of subsidiary company	**-**	498,212
At 31 December	**(28,385,633)**	(7,939,002)
	47,016,306	62,562,937

The details of the subsidiary companies are as follows:

Name of company	Principal activities	Principal place of business and country of incorporation	Effective interest 2016 %	Effective interest 2015 %
<u>Direct subsidiary companies of the Company</u>				
Handal Offshore Services Sdn. Bhd. ["HOSSB"]	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.	Malaysia	**100**	100
Handal Engineering Sdn Bhd ["HESB"]	Selling of industrial plant and equipment and telecommunication equipment.	Malaysia	**100**	100
Handrill Sdn Bhd ["HSB"]	Consultants in engineering project support services.	Malaysia	**99.78**	99.72
Handal E & P Sdn Bhd ["HEPSB"]	Exploration and production in the oil and gas fields and farm in activities in small field developments for the oil and gas industry; however, it has not commenced operations.	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of company	Principal activities	Principal place of business and country of incorporation	Effective interest 2016 %	Effective interest 2015 %
Subsidiary company of Handal Offshore Services Sdn Bhd				
Handal Offshore East Malaysia Sdn Bhd ["HOEM"]	Consultant in engineering project support services relating to the manufacturing, construction and oil and gas industries; however, it has not commenced operations.	Malaysia	**100**	100

All subsidiary companies are audited by FOLKS DFK & Co.

Additional investment in subsidiary companies

During the year, the Company:

(i) subscribed for an additional 4,900,000 ordinary shares of RM1 each of HSB by way of capitalisation of debt, thereby increasing its equity interest from 99.72% to 99.78%. This transaction resulted in an increase in non-controlling interest and a decrease in retained profits of RM3,160, respectively.

In the previous financial year, the Company:

(i) subscribed for an additional 13,315,923 ordinary shares of RM1 each of HSB by way of capitalisation of debt, thereby increasing its equity interest from 98.88% to 99.72%. This transaction resulted in an increase in non-controlling interest and a decrease in retained profits of RM80,047, respectively.

Material non-controlling interests

The Group does not have any subsidiary company that has non-controlling interests which is individually material to the Group as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

7. INVENTORIES

	Group	
	2016 RM	**2015 RM**
At cost:		
Raw materials, consumables and crane components	**11,937,567**	12,149,400
Recognised in profit or loss:		
Inventories recognised as expense	**25,155,893**	33,108,424

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Trade receivables	**11,021,837**	23,835,089	**-**	-
Accrued revenue	**18,018,382**	28,468,618	**-**	-
Less: Impairment losses	**(130,524)**	(228,376)	**-**	-
	28,909,695	52,075,331	**-**	-
Other receivables:				
Other receivables	**81,357**	14,766	**-**	-
Deposits	**161,588**	146,908	**15,085**	**15,085**
Advances	**112,698**	117,030	**-**	-
Amount owing by subsidiary companies	**-**	-	**4,239,533**	16,716,536
	29,265,338	52,354,035	**4,254,618**	16,731,621

Accrued revenue consists of contract jobs which have been completed and yet to be invoiced due to the due process of approval of claims by customers.

The amount owing by subsidiary companies is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

Trade receivables are non-interest bearing. The Group's normal credit term ranges from 30 days to 45 days (2015: 30 days to 60 days) from the date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivable

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

	Group	
	2016 RM	**2015 RM**
Neither past due nor impaired	**22,703,307**	41,533,265
1 to 30 days past due not impaired	**2,143,075**	866,929
31 to 60 days past due not impaired	**759,851**	3,494,518
61 to 90 days past due not impaired	**-**	-
More than 90 days past due not impaired	**3,303,462**	6,180,619
	6,206,388	10,542,066
Past due and impaired	**130,524**	228,376
	29,040,219	52,303,707
Less: Impairment losses	**(130,524)**	(228,376)
	28,909,695	52,075,331

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,206,388 (2015: RM10,542,066) that are past due at the reporting date but not impaired. These are unsecured in nature.

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (Cont'd)

<u>Receivables that are impaired</u>

	Group	
	2016 **RM**	**2015** **RM**
Movement in impairment loss accounts:		
Individually impaired:		
At 1 January	**228,376**	347,305
Charge for the year	**105,444**	25,080
Less : Write back	**(203,296)**	(144,009)
At 31 December	**130,524**	228,376

9. OTHER CURRENT ASSETS

	Group		Company	
	2016 **RM**	**2015** **RM**	**2016** **RM**	**2015** **RM**
Prepayments	**249,538**	259,381	**5,837**	2,860
Amount due from contract customers (Note 25)	**4,975,438**	10,739,642	**-**	-
	5,224,976	10,999,023	**5,837**	2,860

10. OTHER INVESTMENTS

	Group/Company	
	2016 **RM**	**2015** **RM**
Quoted non-equity investments	**8,687,134**	2,977,161

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

11. FIXED DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Fixed deposits with licensed banks	**12,552,269**	12,147,705	**-**	-
Deposits with a fund management corporation	**33,097**	32,067	**33,097**	32,067
Placement in money market funds	**44,522**	33,303	**44,522**	33,303
Cash and bank balances	**9,432,851**	8,611,806	**461,679**	44,805
Total deposits, cash and bank balances	**22,062,739**	20,824,881	**539,298**	110,175
Less:				
Bank overdraft (Note 15)	**(16,267,512)**	(14,116,928)	**-**	-
Fixed deposits pledged as collateral*	**(12,552,269)**	(12,147,705)	**-**	-
Cash and cash equivalents	**(6,757,042)**	(5,439,752)	**539,298**	**110,175**

* The fixed deposits have been pledged to licensed banks as security for banking facilities granted to certain subsidiary companies as disclosed in Note 15 to the financial statements.

Information on financial risks of cash and cash equivalents are disclosed in Note 30 to the financial statements.

12. NON CURRENT ASSETS HELD FOR SALE

	2016 RM	**2015 RM**
Carrying amount	**12,306,023**	-

Non current assets held for sale comprise the oil rig, Handal 1 and an offshore pedestal crane K45-100 model as follows, both of which has been reclassified from property, plant and equipment :

	RM
Oil Rig (Note (i))	**10,737,363**
Pedestal Crane (Note (ii))	**1,568,660**
	12,306,023

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

12. NON CURRENT ASSETS HELD FOR SALE (CONT'D)

Note (i)

The Group has committed to dispose of the oil rig in the next 12 months and plans have been initiated to secure a buyer. Consequently, the Oil Rig has been classified as held for sale during the reporting period and is measured at the lower of its carrying amount and fair value less costs to sell. Upon reclassification, the remeasurement basis resulted in the recognition of an impairment loss to profit or loss of RM14,699,637.

The fair value of the oil rig was determined based on the valuation report by an independent external valuer based on "comparable oil rigs with specifications" valuation methodology and is within level 3 of fair value hierarchy.

Note (ii)

The Group has entered into a contract to dispose of its pedestal crane model K45-100 and anticipates that the disposal will be completed by 30 April 2017.

13. SHARE CAPITAL

	Group and Company		Group and Company	
	2016	**2015**	**2016**	**2015**
	Number of shares		**RM**	**RM**
Authorised:				
Ordinary shares of RM0.50 each: At 1 January/31 December	**500,000,000**	500,000,000	**250,000,000**	250,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each: At 1 January/31 December	**160,000,000**	160,000,000	**80,000,000**	80,000,000
Treasury shares At 31 December	**(46,600)**	-	**(46,600)**	-

(a) Warrants

	Group and Company	
	2016	**2015**
	Number of Warrants	
At beginning and end of year	-	60,000,000

A total of 60,000,000 warrants were issued by the Company on 6th April, 2011 in conjunction with the renounceable rights issue of 60,000,000 new ordinary shares of RM0.50 each ("Rights Share") on the basis of one(1) free warrant for every one(1) Rights Share successfully subscribed.

The warrants are constituted by a deed poll dated 23 February 2011.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

13. SHARE CAPITAL (CONT'D)

(a) Warrants (Cont'd)

The warrants are listed on the Main Market of the Bursa Malaysia Securities Berhad on 8 April 2011 and confer the right to holders thereof at any time, not later than the maturity date of 6 April 2016, to subscribe for one new ordinary share of RM0.50 each in the Company for every warrant held at an exercise price, to be paid in cash, of RM0.86 per share or as adjusted in certain circumstances as set out in the Deed constituting the warrants.

As at 6 April 2016, all of the 60,000,000 outstanding warrants were unexercised and had lapsed and ceased to be valid for any purpose.

(b) Treasury Shares

	Group and Company 2016		Group and Company 2015	
	No. of Shares	Amount RM	No. of Shares	Amount RM
At the beginning of year	-	-	-	-
Shares repurchased	210,200	46,600	-	-
At the end of year	210,200	46,600	-	-

The shareholders of the Company had approved an ordinary resolution at the Annual General Meeting held on 25 May 2016 for the Company to repurchase its own shares up to a maximum of 10% of the issued and paid up capital of the Company.

During the year, the Company repurchased 210,200 of its issued share capital from the open market at the average price of RM 0.22 per share. The repurchase transactions were financed by internally generated funds. None of the treasury shares were resold or cancelled during the year. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. As treasury shares, the rights attached to voting, dividends and participation in other distributions are suspended.

At the reporting date, the number of outstanding ordinary shares in issue after setting off the treasury shares of 210,200 units against its equity of 160,000,000 units is 159,789,800 units.

14. RESERVES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-distributable				
Share premium	**28,992**	28,992	**28,992**	28,992
Warrant reserve	**-**	2,660,465	**-**	2,660,465
Distributable				
Retained profits/(Accumulated losses)	**18,817,684**	29,700,156	**(17,601,042)**	1,082,058
	18,846,676	32,389,613	**(17,572,050)**	3,771,515

Warrant reserve

The warrant reserve represents the fair value allocated to the 60,000,000 warrants issued by the Company in connection with the Rights Issue with Warrants as disclosed in Note 12. The fair value allocated to each warrant as at their issuance date is RM0.044341. The fair value was determined using Black-Scholes option pricing model. The fair value determined is in accordance with Level 2 of the fair value hierarchy as defined in Note 2.27 which is based on observable inputs including the Company's share prices and volatility of the share prices over a trading period and market risk free rate of return. The warrant reserve arising from the allocation of fair value to the warrants has been charged to retained profits.

During the year, the warrant reserve was transferred to retained profits upon the expiry of the warrants on 6 April 2016.

15. LOANS AND BORROWINGS

	Group Non-Current liabilities RM	Group Current liabilities RM	Group Total RM
2016			
Secured:			
Bank overdrafts	**-**	**16,267,512**	**16,267,512**
Bankers' acceptances	**-**	**5,148,419**	**5,148,419**
Term loan	**1,243,819**	**4,150,428**	**5,394,247**
Hire purchase payables (Note 26)	**607,183**	**176,389**	**783,572**
Loans and other borrowings	**1,851,002**	**9,475,236**	**11,326,238**
	1,851,002	**25,742,748**	**27,593,750**

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

15. LOANS AND BORROWINGS (CONT'D)

	Group		
	Non-Current liabilities RM	**Current liabilities RM**	**Total RM**
2015			
Secured:			
Bank overdrafts	-	14,116,928	14,116,928
Bankers' acceptances	-	12,702,568	12,702,568
Term loan	5,392,500	3,870,671	9,263,171
Hire purchase payables (Note 26)	308,128	90,691	398,819
Loans and other borrowings	5,700,628	16,663,930	22,364,558
	5,700,628	30,780,858	36,481,486

Term loans

Term loan is secured by the following:

(i) facilities agreement;

(ii) specific debenture incorporating a fixed charge over the rig under the non current asset held for sale (2015 : capital work-in-progress) of a subsidiary company as disclosed in Note 12 to the financial statements;

(iii) legal assignment over the rights and interest to the future rental proceeds of the rig of a subsidiary company; and

(iv) corporate guarantee by the Company.

Term loan is repayable by 60 monthly instalments of RM366,323 commencing from April 2013.

Information on financial risks of loans and borrowings are disclosed in Note 30 to the financial statements.

15. LOANS AND BORROWINGS (CONT'D)

Bank overdrafts and bankers' acceptances

The bank overdrafts and bankers' acceptances are secured by the following:

(i) facilities agreement;

(ii) pledge of fixed deposits on lien of a subsidiary company as disclosed in Note 11 to the financial statements;

(iii) a first party fixed charge over the long term leasehold land and building of a subsidiary company as disclosed in Note 4(a) to the financial statements;

(iv) irrevocable payment instruction to designated Paymaster(s) to remit proceeds from certain contracts of a subsidiary company into a designated Escrow Account maintained by the subsidiary company with the financial institution;

(v) a first legal charge over the designated Escrow Account and all monies standing to the credit of the said account of a subsidiary company;

(vi) corporate guarantee by the Company; and

(vii) joint and several guarantee by certain directors of the Company.

16. DEFERRED TAX LIABILITIES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
At 1 January	**(4,177,466)**	(3,370,366)	**(20,996)**	(20,996)
Recognised in profit or loss (Note 22)	**180,100**	(807,100)	**-**	-
At 31 December	**(3,997,366)**	(4,177,466)	**(20,996)**	(20,996)

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

16. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities during the year are as follows:

Group

2016

	As at 1.1.2016 RM	Recognised in profit or loss RM	As at 31.12.2016 RM
Excess of capital allowances over depreciation	**(1,882,477)**	**150,300**	**(1,732,177)**
Other taxable temporary differences	**(2,294,989)**	**29,800**	**(2,265,189)**
	(4,177,466)	**180,100**	**(3,997,366)**

2015

	As at 1.1.2015 RM	Recognised in profit or loss RM	As at 31.12.2015 RM
Excess of capital allowances over depreciation	(1,158,730)	(723,747)	(1,882,477)
Other taxable temporary differences	(2,211,636)	(83,353)	(2,294,989)
	(3,370,366)	(807,100)	(4,177,466)

16. DEFERRED TAX LIABILITIES (CONT'D)

Company

2016

	As at 1.1.2016 RM	Recognised in profit or loss RM	As at 31.12.2016 RM
Excess of capital allowances over depreciation	**(20,966)**	**-**	**(20,966)**

2015

	As at 1.1.2015 RM	Recognised in profit or loss RM	As at 31.12.2015 RM
Excess of capital allowances over depreciation	(20,966)	-	(20,966)

Deferred tax assets have not been recognised in respect of the following items:

	2016 RM	2015 RM
Group		
Unutilised capital allowances	**1,510,810**	248,467
Unused tax losses	**9,573,880**	8,632,506
	11,084,690	8,880,973

Deferred tax assets have not been recognised in respect of unused tax losses and unutilised capital allowances arising in certain subsidiaries as they do not expect to achieve significant profits sufficient to offset these items in the long term.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Trade payables	**2,259,898**	11,830,308	**-**	-
Due to a company in which a director of the Group has substantial financial interest	**-**	2,079,047	**-**	**-**
	2,259,898	13,909,355	**-**	-
Other payables:				
Other payables	**1,238,557**	2,950,924	**88,470**	650,907
Accruals	**1,139,204**	1,637,888	**178,286**	161,166
Amount owing to a subsidiary company	**-**	-	**1,165**	-
	2,377,761	4,588,812	**267,921**	812,073
	4,637,659	18,498,167	**267,921**	812,073

The credit terms of the Group's trade payables range from 30 to 90 days (2015: 30 to 90 days).

The amount owing to a subsidiary company is unsecured, interest-free and repayable on demand.

18. OTHER CURRENT LIABILITIES

Group	**2016 RM**	**2015 RM**
Amount due to contract customers (Note 25)	**-**	326,968

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

19. REVENUE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Fabrication of cranes	**11,940,007**	20,658,335	**-**	-
Integrated crane services	**66,470,638**	81,007,011	**-**	-
Workover projects lifting solutions	**3,703,652**	7,594,752	**-**	-
Trading and project services	**995,094**	5,359,566	**-**	-
Dividend income from a subsidiary company	**-**	-	**1,500,000**	13,000,000
	83,109,391	114,619,664	**1,500,000**	13,000,000

20. COST OF SALES

	Group	
	2016 RM	**2015 RM**
Cost of fabrication of cranes	**12,091,318**	13,424,414
Cost of integrated crane services rendered	**37,090,994**	48,416,161
Cost of workover projects lifting solutions	**935,450**	2,312,534
Cost of trading and project services rendered	**744,969**	4,791,445
	50,862,731	68,944,554

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

21. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
This has been arrived at after charging:				
Auditors' remuneration:				
- Statutory audit	**107,000**	107,000	**35,000**	35,000
- Underprovision of prior year's audit fee	**6,000**	16,340	**6,000**	4,000
- Other services	**6,000**	6,000	**6,000**	6,000
Depreciation	**3,248,762**	3,191,900	**46,531**	22,643
Impairment losses on:				
- Goodwill on consolidation	**75,303**	-	**-**	-
- Investment in subsidiary companies	**-**	-	**20,446,631**	7,939,002
- Amount owing by subsidiary companies	**-**	-	**9,861**	29,937
- Intangible asset	**654,000**	-	**-**	-
- Property, plant and equipment	**-**	5,404,235	**-**	-
- Non current asset held for sale	**14,699,637**	-	**-**	-
- Trade receivables	**105,444**	25,080	**-**	-
Interest expenses on financial liabilities that are not at fair value through profit or loss:				
- Bank overdrafts	**1,039,188**	866,888	**-**	-
- Bankers' acceptances	**438,492**	618,782	**-**	-
- Hire purchase	**46,964**	27,737	**-**	-
- Term loans	**526,952**	912,534	**-**	-
Loss on foreign exchange:				
- Realised	**4,978**	-	**-**	-
Loss on disposal of property, plant and equipment	**6,082**	-	**6,082**	136
Investment in jointly controlled entity written off	**-**	-	**-**	-
Property, plant and equipment written off	**8,286**	13,227	**8,151**	-
Rental expenses:				
- Land	**530,571**	500,803	**-**	-
- Premises	**209,428**	327,876	**114,396**	112,200
- Equipment	**111,622**	96,804	**1,472**	1,516
- Motor vehicles	**47,695**	53,218	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

21. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
This has been arrived at: after charging (Cont'd):				
Directors' remuneration:				
Directors of the Company:				
- Employees' provident fund	**294,012**	457,209	**-**	**-**
- Fee	**198,000**	162,000	**198,000**	162,000
- Salaries and other benefits	**5,781,623**	6,392,421	**55,500**	56,000
Directors of the subsidiary companies:				
- Employees' provident fund	**8,640**	2,160	**-**	-
- Fee	**138,000**	84,000	**-**	-
- Salaries and other benefits	**724**	155	**-**	-
Other staff costs:				
- Employees' provident fund	**2,003,712**	1,956,311	**106,231**	107,502
- Salaries and other benefits	**28,744,809**	31,856,969	**1,038,041**	1,182,029
Loss on disposal of subsidiary	**-**	149,554*	**-**	481,788
and crediting:				
Dividend income				
- quoted non-equity investment	**14**	13	**14**	13
- subsidiary company	**-**	-	**1,500,000**	13,000,000
Interest income of financial asset that is not at fair value through profit or loss:				
- Short term deposits	**404,564**	400,435	**-**	-
- Short term investment	**1,077**	980	**1,077**	980
Gain on foreign exchange:				
- Realised	**167,143**	306,911	**-**	-
- Unrealised	**597**	28,305	**-**	-
Rental income on:				
- Premises	**42,000**	42,000	**-**	-
Commission received	**8,229**	-	**-**	-
Write back of impairment loss on trade receivables	**203,296**	144,009	**-**	-
Gain on disposal of property, plant and equipment	**-**	2,123,391	**-**	-
Gain on disposal of quoted non-equity investments	**838**	3,606	**838**	3,606
Net fair value gain on financial assets held for trading	**130,294**	109,506	**130,294**	109,506

* Included in discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

22. TAXATION

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Malaysian income tax:				
Current year provision	**2,500,000**	4,900,277	**-**	-
(Over)/Under provision in respect of prior years	**(155,188)**	(303,650)	**-**	-
	2,344,812	4,596,627	**-**	-
Deferred taxation (Note 16):				
- Relating to origination and reversal of temporary differences	**(139,000)**	739,198	**-**	-
- Under/(Over) provision in respect of prior years	**(41,100)**	67,902	**-**	-
	(180,100)	807,100	**-**	-
	2,164,712	5,403,727	**-**	-

Malaysian income tax is calculated at the statutory rate of 24% (2015: 25%) on the estimated taxable profit for the year.

The numerical reconciliation between the tax expenses recognised in profit or loss and the income tax expense applicable to (loss)/profit before taxation at the statutory income tax rates of the Group and of the Company is as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
(Loss)/Profit before taxation	**(11,402,716)**	11,428,278	**(21,343,565)**	1,967,870
Tax at the Malaysian statutory rates of 24% (2015: 25%)	**(2,736,652)**	2,857,070	**(5,122,456)**	491,968
Tax effects of:				
- Expenses not deductible for tax purposes	**4,920,165**	2,683,437	**5,514,190**	2,786,310
- Income not subject to tax	**(100,317)**	(253,430)	**(391,734)**	(3,278,278)
- Change in tax rate	**-**	15,716	**-**	-
- Deferred tax assets not recognised	**277,804**	336,682	**-**	-
- (Over)/Under provision of taxation in respect of prior years:				
Income tax	**(155,188)**	(303,650)	**-**	-
Deferred taxation	**(41,100)**	67,902	**-**	-
Tax expense recognised in profit or loss	**2,164,712**	5,403,727	**-**	-

23. DISCONTINUED OPERATION

In the previous financial year, the Group disposed its 100% equity interest in Handscomms Sdn. Bhd ("HSB") for a total consideration of RM2. HSB had been reported under supply of telecommunication and broadcasting system segment.

(a) Financial performance and cash flows information

The financial position and cash flow information of HSB are as follows:

	2015 RM
Results of discontinued operation	
Revenue	16,480
Other income	6,965
Expenses	(359,665)
Result from operating activities	(336,220)
Taxation	3,686
Result from operating activities, net of tax	(332,534)
Loss on sale of discontinued operation	(149,554)
Loss for the year	(482,088)

The loss from discontinued operation of RM482,088 was attributable entirely to the owners of the Company.

Effect on cash flows	2015 RM
Cash flows (used in)/from discontinued operation	
Net cash (used in)/from operating activities	(8,723)
Net cash from/(used in) investing activities	2
Net (decrease)/increase in cash and cash equivalents	(8,721)
Cash and cash equivalents at beginning of period	8,771
Cash and cash equivalents at end of period	50

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

23. DISCONTINUED OPERATION (CONT'D)

(b) Effect of disposal on the financial position of the Group

	2015 RM
Property, plant and equipment	938
Inventories	102,609
Trade and other receivables	45,959
Cash and bank balances	50
Net assets and liabilities	149,556
Loss on disposal of discontinued operation	(149,554)
Consideration received, satisfied in cash	2
Cash and cash equivalents disposed of	(50)
Net cash outflow	(48)

24. EARNINGS PER SHARE

Group

(a) Basic

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 year as follows:

	Continuing operations RM	**Discontinued operations RM**	**Total RM**
2016			
Loss attributable to owners of the Company	**(13,525,076)**	**-**	**(13,525,076)**
2015			
Profit attributable to owners of the Company	6,038,921	(482,088)	5,556,833

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

24. EARNINGS PER SHARE (CONT'D)

(a) Basic (Cont'd)

	Number of shares	
	2016	**2015**
Weighted average number of ordinary shares	**159,993,995**	160,000,000
(Loss)/Earnings per ordinary share attributable to owners of the company (sen):		
- from continuing operations	**(8.45)**	3.77
- from discontinued operation	**-**	(0.30)
	(8.45)	3.47

(b) Diluted

Diluted earnings per share are not presented as there are no dilutive potential ordinary shares outstanding as at end of financial year and at end of previous financial year.

25. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

Group	2016 RM	2015 RM
Contract costs incurred to date	**26,084,292**	43,373,651
Recognised profits	**3,837,995**	4,718,916
Recognised losses	**(449,817)**	(264,302)
	29,472,470	47,828,265
Less: Progress billings	**(24,497,032)**	(37,415,591)
	4,975,438	10,412,674
Represented by:		
Amount due from contract customers (Note 9)	**4,975,438**	10,739,642
Amount due to contract customers (Note 18)	**-**	(326,968)
	4,975,438	10,412,674

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

26. HIRE PURCHASE PAYABLES

Group	2016 RM	2015 RM
Analysis of hire purchase commitments:		
Due within one year	**218,778**	118,356
Due between one to five years	**662,895**	349,745
Minimum hire purchase payments	**881,673**	468,101
Future finance charges	**(98,101)**	(69,282)
Present value of hire purchase liabilities	**783,572**	398,819
Repayable as follows:		
Current liabilities (Note 15)	**176,389**	90,691
Non-current liabilities (Note 15)	**607,183**	308,128
	783,572	398,819

27. RELATED PARTIES

Group and Company

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company 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, or where the Group or the Company 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 and the Company either directly or indirectly. The key management personnel include all the directors of the Group and the Company.

(b) The following transaction with related party were carried out under terms and conditions negotiated amongst the related parties.

Group	2016 RM	2015 RM
Company in which a director of the Group has substantial financial interest		
Excell Crane & Hydraulics Inc.		
Supply of raw materials	**5,247,957**	15,815,364

The amount that remained outstanding at the reporting date in respect of the above transactions are disclosed in Note 17.

27. RELATED PARTIES (CONT'D)

Group and Company (Cont'd)

(c) Compensation of key management personnel

The key management personnel of the Group and the Company are its directors. The remuneration of directors during the year are disclosed in Note 21 to the financial statements.

28. SEGMENTAL INFORMATION

Segmental 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 items directly attributable to a segment and those where a reasonable basis of allocation exist.

Segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Board of Directors. Segment total asset is used to measure the return on assets of each segment.

Segment liability is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Board of Directors.

(a) Business segments

The main business segments of the Group comprise the following:

	Continuing Operations								
2016	**Investment holding RM**	**Integrated crane services RM**	**Fabrication of crane RM**	**Workover projects lifting solutions RM**	**Supply, fabrication and servicing industrial equipment and tank systems RM**	**Consultants in engineering project support services RM**	**Others RM**	**Elimination RM**	**Total RM**
Revenue									
Revenue from external parties	-	66,663,218	11,940,007	3,703,652	995,094	-	-	(192,580)	83,109,391
Inter-segment revenue	1,500,000	-	-	-	-	67,800	-	(1,567,800)	-
Total revenue	1,500,000	66,663,218	11,940,007	3,703,652	995,094	67,800	-	(1,760,380)	83,109,391

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

28. SEGMENTAL INFORMATION (CONT'D)

(a) Business segments (Cont'd)

2016	Continuing Operations								
	Investment holding RM	Integrated crane services RM	Fabrication of crane RM	Workover projects lifting solutions RM	Supply, fabrication and servicing industrial equipment and tank systems RM	Consultants in engineering project support services RM	Others RM	Elimination RM	Total RM
Results									
Segment result	(21,343,565)	7,742,925	1,386,830	430,179	(1,204,767)	(15,233,968)	(9,945)	18,881,191	(9,351,120)
Interest expense									(2,051,596)
Loss before taxation									(11,402,716)
Income tax expense									(2,164,712)
Net loss after taxation									(13,567,428)
Non-controlling interest									42,352
Loss attributable to equity holders of the Company									(13,525,076)
Assets									
Segment assets	62,670,236	91,424,343	16,930,433	4,514,782	1,595,294	11,295,272	1	(51,289,604)	137,140,757
Liabilities									
Segment liabilities	288,887	29,002,604	5,194,638	1,611,317	464,064	6,055,039	59,425	(4,313,099)	38,362,875
Other information									
Interest income	1,077	386,058	-	-	18,506	-	-	-	405,641
Interest expense	-	1,497,089	-	-	27,555	526,952	-	-	2,051,596
Depreciation	46,531	3,039,410	-	-	121,817	41,004	-	-	3,248,762
Impairment losses on:									
Goodwill on consolidation	-	-	-	-	75,303	-	-	-	75,303
Investment in subsidiary companies	20,446,631	2	-	-	-	-	-	(20,446,633)	-
Amount owing by subsidiary companies	9,861	-	-	-	-	-	-	(9,861)	-
Intangible asset	-	654,000	-	-	-	-	-	-	654,000
Non current asset held for sale	-	-	-	-	-	14,699,637	-	-	14,699,637

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

28. SEGMENTAL INFORMATION (CONT'D)

(a) Business segments (Cont'd)

2015	Continuing Operations									Discontinued Operation	
	Investment holding RM	Integrated crane services RM	Fabrication of crane RM	Workover projects lifting solutions RM	Supply, fabrication and servicing industrial equipment and tank systems RM	Consultants in engineering project support services RM	Others RM	Elimination RM	Total RM	Supply of telecommunication and broadcasting system RM	Total operations RM
Revenue											
Revenue from external parties	-	81,007,011	20,658,335	7,594,752	5,359,566	-	-	-	114,619,664	16,480	114,636,144
Inter-segment revenue	13,000,000	-	-	-	-	67,800	-	(13,067,800)	-	-	-
Total revenue	13,000,000	81,007,011	20,658,335	7,594,752	5,359,566	67,800	-	(13,067,800)	114,619,664	16,480	114,636,144
Results											
Segment result	(11,032,132)	10,153,629	7,940,042	5,429,345	(1,020,681)	(6,055,478)	-	8,439,494	13,854,219	(485,774)	13,368,445
Interest expenses									(2,425,941)	-	(2,425,941)
Profit before taxation									11,428,278	(485,774)	10,942,504
Income tax expense									(5,403,727)	3,686	(5,400,041)
Net profit after taxation									6,024,551	(482,088)	5,542,463
Non-controlling interest									14,370	-	14,370
Profit attributable to equity holders of the Company									6,038,921	(482,088)	5,556,833

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

28. SEGMENTAL INFORMATION (CONT'D)

(a) Business segments (Cont'd)

2015	Continuing Operations									Discontinued Operation	
	Investment holding RM	Integrated crane services RM	Fabrication of crane RM	Workover projects lifting solutions RM	Supply, fabrication and servicing industrial equipment and tank systems RM	Consultants in engineering project support services RM	Others RM	Elimination RM	Total RM	Supply of telecommuni-cation and broadcasting system RM	Total operations RM
Assets											
Segment assets	5,325,080	107,663,050	23,167,714	9,676,169	4,451,920	26,003,164	1	-	176,287,098	-	176,287,098
Liabilities											
Segment liabilities	833,039	39,412,488	8,481,065	3,542,180	1,708,259	9,913,507	4,650	-	63,895,188	-	63,895,188
Other information											
Interest income	980	375,578	-	-	17,892	-	-	-	394,450	6,965	401,415
Interest expenses	-	1,568,635	-	-	71,223	786,083	-	-	2,425,941	-	2,425,941
Depreciation	22,643	2,990,522	-	-	129,703	48,089	-	-	3,190,957	943	3,191,900
Impairment losses on:											
Property, plant and equipment	-	-	-	-	-	5,404,235	-	-	5,404,235	-	5,404,235
Trade receivables	-	25,080	-	-	-	-	-	-	25,080	-	25,080

28. SEGMENTAL INFORMATION (CONT'D)

(b) Geographical segments

The Group operates principally in Malaysia.

(c) Major customers from continuing operations

Revenue from transactions with major customers who individually accounted for 10 percent or more of Group's revenue are summarised below :-

	Revenue		
	2016 RM	**2015 RM**	
Customer A	**36,639,893**	43,800,130	Integrated crane services
Customer B	**13,740,917**	25,359,007	Integrated crane services
Customer C	**8,150,319**	-	Integrated crane services
Customer D	**10,272,000**	-	Fabrication of crane
	68,803,129	69,159,137	

29. CONTINGENT LIABILITY

COMPANY	**2016 RM**	**2015 RM**
Unsecured:		
Corporate guarantee issued for credit facilities granted to subsidiary companies:		
Limit of guarantee	**82,500,000**	72,500,000
Utilised as at reporting date	**34,494,174**	45,594,171

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing their interest rate, liquidity, credit and foreign exchange risks. The Group and the Company operate within clearly defined guidelines that are approved by the directors and the Group's and the Company's policies are not to engage in speculative transactions. There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks. The policies in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's and the Company's deposits and borrowings, and is managed through the use of fixed and floating rate debts.

The following table sets out the carrying amounts, the weighted average effective interest rates ["WAEIR"] of the Group's and the Company's financial instruments as at the reporting date and the periods in which they reprice or mature, whichever is earlier:

Group	Note	WAEIR (%)	Within 1 year RM	More than 1 year but less than 5 years RM	Total RM
At 31 December 2016					
Financial assets					
<u>Fixed rate</u>					
Fixed deposits with licensed banks	11	**3.30**	**12,552,269**	**-**	**12,552,269**
<u>Floating rate</u>					
Deposits with a fund management corporation	11	**3.15**	**33,097**	**-**	**33,097**
Financial liabilities					
<u>Fixed rate</u>					
Hire purchase payables	15	**5.90**	**176,389**	**607,183**	**783,572**
Bankers' acceptances	15	**5.42**	**5,148,419**	**-**	**5,148,419**
Term loan	15	**7.00**	**4,150,428**	**1,243,819**	**5,394,247**
<u>Floating rate</u>					
Bank overdrafts	15	**7.90 - 8.10**	**16,267,512**	**-**	**16,267,512**

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT')

(a) Interest rate risk (Cont'd)

Group	Note	WAEIR (%)	Within 1 year RM	More than 1 year but less than 5 years RM	Total RM
At 31 December 2015					
Financial assets					
Fixed rate					
Fixed deposits with licensed banks	11	3.30	12,147,705	-	12,147,705
Floating rate					
Deposits with a fund management corporation	11	3.15	32,067	-	32,067
Financial liabilities					
Fixed rate					
Hire purchase payables	15	6.88	90,691	308,128	398,819
Bankers' acceptances	15	5.37	12,702,568	-	12,702,568
Term loan I	15	-	-	-	-
Term loan II	15	7.00	3,870,671	5,392,500	9,263,171
Floating rate					
Bank overdrafts	15	8.17	14,116,928	-	14,116,928

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT')

(a) Interest rate risk (Cont'd)

Company	Note	WAEIR (%)	Within 1 year RM	More than 1 year but less than 5 years RM	Total RM
At 31 December 2016					
Financial assets					
Floating rate					
Deposit with a fund management corporation	11	**3.12**	**33,097**	**-**	**33,097**
At 31 December 2015					
Financial assets					
Fixed rate					
Deposit with a fund management corporation	11	3.15	32,067	-	32,067

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates on the floating rate financial assets and financial liabilities had been 50 basis points lower/higher, with all other variables held constant, the impact is immaterial to the Group's and the Company's loss/profit net of tax.

The assumed movement in basis points for interest rate sensitivity analysis is based on prudent estimate of the current market environment.

(b) 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 and of the Company's short, medium and long term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserve and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT')

(b) Liquidity risk (Cont'd)

The summary of the maturity profile of the Group's and the Company's financial liabilities as at the reporting date based on contractual undiscounted repayments obligations is as follows:

Group	Note	Within 1 year RM	More than 1 year but less than 5 years RM	Total RM
At 31 December 2016:				
Trade and other payables	17	**4,637,659**	**-**	**4,637,659**
Loans and borrowings	15	**25,742,748**	**1,851,002**	**27,593,750**
At 31 December 2015:				
Trade and other payables	17	18,498,167	-	18,498,167
Loans and borrowings	15	30,780,858	5,700,628	36,481,486
Company				
At 31 December 2016:				
Trade and other payables	17	**267,921**	**-**	**267,921**
At 31 December 2015:				
Trade and other payables	17	812,073	-	812,073

(c) Credit risk

Credit risk is the risk of financial loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises principally from trade receivables, advances to subsidiary companies and financial guarantee given to financial institutions for credit facilities granted to certain subsidiary companies.

(i) Trade receivables

The Group typically gives its existing customers credit terms that range between 30 days to 45 days (2015 : 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 the Group's exposure to bad debts is not significant. The maximum exposure to credit risk for the Group was represented by the carrying amount of each financial asset.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT')

(c) Credit risk (Cont'd)

(i) Trade receivables (Cont'd)

Credit risk concentration profile

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

	2016 RM	**% of total**	**2015 RM**	**% of total**
By industry sector:				
Integrated crane services	**27,703,982**	**96**	41,867,772	80
Fabrication of cranes	**270,300**	**0.9**	4,549,605	9
Workover projects lifting solution	**895,354**	**3**	3,854,364	7
Supply, fabrication and servicing industrial equipment's and tank systems	**40,059**	**0.1**	1,803,590	4
	28,909,695	**100**	52,075,331	100

(ii) Advances to subsidiary companies

The Company provides unsecured advances to its subsidiary companies and monitors the results of the subsidiary companies regularly. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

At the reporting date, there was no indication that the advances to its subsidiary companies as disclosed in Note 8 are not recoverable.

(iii) Financial guarantees

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

The maximum exposure to credit risk is disclosed in Note 29 to the financial statements, representing the outstanding banking facilities of the subsidiary companies as at the reporting date.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT')

(d) 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 Group's trade receivables and trade payables balances at the reporting date have similar exposures. The foreign currencies in which these transactions are denominated are mainly United States Dollar ["USD"], Singapore Dollar ["SGD"], and Australian Dollar ["AUD"].

The Group holds cash and cash equivalents denominated in foreign currency for working capital purposes.

Exposure to foreign currency risk

The currency profile of the Group is as follows:

	Group	
	2016 RM	2015 RM
Trade and other receivables		
USD	**46,367**	348,784
Cash and cash equivalents		
USD	**9,825**	13,361
SGD	**7,985**	7,900
Trade and other payables		
USD	**-**	555,507
SGD	**49,798**	441,042
AUD	**17,812**	31,896

Sensitivity analysis for foreign currency risk

The following table demonstrated the sensitivity of the Group's profit net of tax to a reasonably possible change in USD, SGD and AUD exchange rates against the functional currency of the Group, with all other variables held constant. The Group's loss/profit net of tax would increase/decrease, as applicable, by the amounts stated below if the individual foreign currency had strengthened/weakened by the following percentage:

	Change in currency rate %	Group 2016 RM	 2015 RM
USD	5	**2,378**	9,668
SGD	5	**2,091**	21,657
AUD	5	**891**	1,595

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

31. CATEGORIES OF FINANCIAL INSTRUMENTS

The financial instruments of the Group and of the Company are categorised as follows:

Financial assets as per statement of financial position

	2016		
	Carrying amount RM	**Loans and receivables RM**	**Fair value through profit or loss RM**
Group			
Quoted non - equity investment	**8,687,134**	**-**	**8,687,134**
Trade and other receivables	**29,265,338**	**29,265,338**	**-**
Fixed deposits, cash and bank balances	**22,062,739**	**22,018,217**	**44,522**
	60,015,211	**51,283,555**	**8,731,656**
Company			
Quoted non - equity investment	**8,687,134**	**-**	**8,687,134**
Trade and other receivables	**4,254,618**	**4,254,618**	**-**
Fixed deposits, cash and bank balances	**539,298**	**494,776**	**44,522**
	13,481,050	**4,749,394**	**8,731,656**

	2015		
	Carrying amount RM	**Loans and receivables RM**	**Fair value through profit or loss RM**
Group			
Quoted non - equity investment	2,977,161	-	2,977,161
Trade and other receivables	52,354,035	52,354,035	-
Fixed deposits, cash and bank balances	20,824,881	20,791,578	33,303
	76,156,077	73,145,613	3,010,464
Company			
Quoted non - equity investment	2,977,161	-	2,977,161
Trade and other receivables	16,731,621	16,731,621	-
Fixed deposits, cash and bank balances	110,175	76,872	33,303
	19,818,957	16,808,493	3,010,464

31. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

Financial liabilities as per statement of financial position (Cont'd)

	2016		2015	
	Carrying amount RM	Other financial liabilities measured at amortised cost RM	Carrying amount RM	Other financial liabilities measured at amortised cost RM
Group				
Trade and other payables	**4,637,659**	**4,637,659**	18,498,167	18,498,167
Bank overdrafts	**16,267,512**	**16,267,512**	14,116,928	14,116,928
Loan and other borrowings	**11,326,238**	**11,326,238**	22,364,558	22,364,558
	32,231,409	**32,231,409**	54,979,653	54,979,653
Company				
Trade and other payables	**267,921**	**267,921**	812,073	812,073

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The fair value measurement hierarchies used to measure financial assets and liabilities carried at fair value in the statements of financial position as at 31 December 2016 as follows:

(i) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(ii) Level 2 : Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1, Level 2 and Level 3 during the current year.

The Group and the Company do not have any financial liabilities carried at fair value as at 31 December 2016.

Determination of fair value

Quoted non-equity instruments - Fair value is determined by direct reference to their bid price quotation in an active market at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value of financial instruments that are carried at fair value (Cont'd)

Determination of fair value (Cont'd)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group and Company	Note	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
At 31 December 2016:					
Financial assets					
Quoted non- equity investment	10	**8,687,134**	**-**	**-**	**8,687,134**
Placement with money market funds	11	**44,522**	**-**	**-**	**44,522**
At 31 December 2015:					
Financial assets					
Quoted non- equity investment	10	2,977,161	-	-	2,977,161
Placement with money market funds	11	33,303	-	-	33,303

(b) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial liabilities that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

Group	2016		2015	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial liabilities:				
Hire purchase payables (Note 26)	**783,572**	**822,651**	398,819	424,462
Term loan (non-current) (Note 15)	**1,243,819**	**1,078,247**	5,392,500	4,888,600

Determination of fair value

The fair value as disclosed in the table above are estimated by discounting present value at market rate for similar type of borrowing arrangement at the end of the reporting period.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (Cont'd)

Valuation processes applied by the Group for Level 3 fair value

The finance team and the Chief Executive Office carried out regular reviews on the significant unobservable inputs and valuation adjustments.

(c) Fair value of instruments that are not carried at fair value and whose amounts are reflective of fair value

The carrying amounts of fixed deposits, cash and bank balances, receivables and payables, short term bank overdrafts, short term loan and other borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's abilities to continue in operation as going concerns 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.

In the management of capital risk, management takes into consideration the net debt equity ratio as well as the Group's working capital requirements.

There was no change in the Group's approach to capital management during the financial year.

The net debt-to-equity ratio as at 31 December 2016 and 31 December 2015 were as follows :

	Group	
	2016 RM	**2015 RM**
Trade and other payables	**4,637,659**	18,498,167
Bank overdrafts	**16,267,512**	14,116,928
Loans and other borrowings	**11,326,238**	22,364,558
Less : Fixed deposits, cash and bank balances	**(22,062,739)**	(20,824,881)
Total net debt	**10,168,670**	34,154,772
Total equity	**98,777,882**	112,391,910
Net debt against equity ratio	**10%**	30%

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

34. CAPITAL COMMITMENT

	Group	
	2016 RM	**2015 RM**
Approved but not contracted for		
Plant and equipment	**410,800**	-
Construction of oil rig (estimated cost of completion)	**-**	27,561,000

The oil rig under construction has been reclassified to asset held for sale as disclosed in Note 12.

35. REALISED AND UNREALISED PROFITS

The breakdown of accumulated losses of the Group and the Company as at 31 December 2016, into realised and unrealised profits or losses, pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows :-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- Realised	**26,623,564**	58,169,208	**(17,731,336)**	972,552
- Unrealised	**(3,845,509)**	(4,075,299)	**130,294**	109,506
	22,778,055	54,093,909	**(17,601,042)**	1,082,058
Less: Consolidation adjustments	**(3,960,371)**	(24,393,753)	**-**	-
Total retained profits/(accumulated losses) as at 31 December	**18,817,684**	29,700,156	**(17,601,042)**	1,082,058

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HANDAL RESOURCES BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements Opinion

We have audited the financial statements of **HANDAL RESOURCES BERHAD**, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 132.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	**How our audit addressed the key audit matters**
1. Accrued Revenue As explained in Notes 3(a) and 8 to the financial statements, revenue on completed contract works are accrued prior to the due process of approval of claims and subsequent invoicing. The estimation of accrued revenue required significant judgement from management in assessing additional costs required to complete the contract works as well as the level of admissibility of claims by customers before the approval process. The claims may be revised and resubmitted upon the due process of approval by customers. The recognition of accrued revenue is significant to the financial statements based on the quantitative materiality and the degree of management judgement required in assessing the revenue to be accrued.	Our procedures included the following : • Made inquiries of the management on the latest status of the claims and verified the said status to the relevant supporting documentation. • Assessed the measurement of accrued revenue by substantiating transactions to underlying documentations, including records of claims submitted, contracts and correspondences to obtain evidence for the accuracy and collectibility. • Assessed the recoverability of accrued revenue by comparing the relevant billings raised upon finalisation of claims subsequent to year end against accrued revenue. Significant balances are selected and tracked to subsequent collections.
2. Intellectual Property - assessment of impairment As disclosed in Note 5 to the financial statements, the Group's Intellectual Property balance amounted to RM11,304,567, classified under Intangible Assets ('IA"). Intangible assets with an indefinite useful life are required to be tested for impairment annually. As indicated in Note 3b(i), the Group carried out impairment test on the cash generation unit ("CGU") to which the intellectual property has been allocated to. The management assessed the recoverable amount of the intellectual property by determining the value in use of the CGU using the discounted cash flows method. The determination of value in use is highly subjective as significant judgement is required to determine the appropriate future cash flow forecast and projections and the discount rate to be applied. Impairment of intangible assets is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and due to the significant judgement involved in the assessment of the 'value in use' of the CGU.	Our procedures included the following : • Evaluated whether the cash flow forecast and projections prepared by the management are in accordance with the requirements of MFRS 136 *Impairment of Assets*. • Assessed the reasonableness of the future cash flows by comparing them against the CGU's past performance and also the achievability of the future projections to the contracted revenue amounts, historic revenue amounts / growth rates. • Assessed the management's application of the discount rate by evaluating the appropriateness of the models used. • Performed sensitivity analyses for the key assumptions used for the cash flow forecast and projections.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HANDAL RESOURCES BERHAD
(Incorporated in Malaysia)

Key Audit Matters	How our audit addressed the key audit matters
3. Fair value valuation of Oil Rig During the year, the Directors resolved to dispose of the oil rig under construction based on its current condition as the disposal represented a more viable business option as compared to that of rig chartering business, recognising the weak demand and low prices in the oil and gas industry. The Directors engaged an independent external valuer to determine the fair value (less cost to sell) of the oil rig for appropriate classification under Non-current Asset Held for Sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. The details of the oil rig are disclosed in Note 12. The measurement of the oil rig at the lower of its carrying amount and fair value less costs to sell resulted in the recognition of impairment loss of RM14,699,637 in the current financial year. In the previous year, an impairment loss of RM5,404,325 was provided on the oil rig upon the assessment of its recoverable amount determined by the value in use of the oil rig using the discounted cash flow method as disclosed in Note 4. The valuation of the oil rig is considered a key audit matter as it is one of the Group's significant asset and its valuation is highly dependent on the use of estimates.	Our procedures included the following : • Considered the qualifications, objectivity and the competence of the external valuer and assessed the nature of their scope of work with reference to the financial reporting requirements. • Evaluated the relevance of the work performed by the external valuer and the appropriateness of the parameter used and the correct recording of the carrying amount in the financial statements. • Assessed the adequacy of the relevant disclosures in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises information contained in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HANDAL RESOURCES BERHAD
(Incorporated in Malaysia)

In preparing the financial statements of the Group and Company, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HANDAL RESOURCES BERHAD
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of all the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 35 on page 133 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.

FOLKS DFK & CO.
FIRM NO. : AF 0502
CHARTERED ACCOUNTANTS

NG ENG KIAT
NO. : 1064/03/17 (J/PH)
CHARTERED ACCOUNTANT

Kuala Lumpur

Date : 20 March 2017

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017

Issued and Fully Paid-up Capital	:	RM80,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

Analysis by Size of Shareholdings as at 31 March 2017

Size of Shareholdings	Shareholders	%	Shareholdings	%
Less than 100	223	10.13	8,738	0.01
100 - 1,000	147	6.68	89,725	0.06
1,001 - 10,000	864	39.24	5,425,136	3.40
10,001 - 100,000	839	38.10	26,543,549	16.62
100,001 to less than 5% of issued shares	125	5.68	80,060,832	50.14
5% and above of issued shares	4	0.18	47,561,820	29.78
TOTAL	**2,202**	**100.00**	**159,689,800**	**100.00**

List of Directors' Shareholdings as at 31 March 2017

No.	Name	No. of Shares	%
1	DATO' MOHSIN ABDUL HALIM *4,000,000 shares held through own name* *21,288,887 shares held through RHB Nominees (Tempatan) Sdn Bhd*	25,288,887	15.84
2	DATO' MOHAMMAD MEDAN BIN ABDULLAH	0	0.00
3	MALLEK RIZAL BIN MOHSIN *7,552,696 shares held through Cimsec Nominees (Tempatan) Sdn Bhd*	7,552,696	4.73
4	JOEL EMANUEL HEANEY *10,292,200 shares held through own name*	10,292,200	6.45
5	ZAHARI BIN HAMZAH *5,123,833 shares held through own name* *7,333,333 shares held through Citigroup Nominees (Tempatan) Sdn Bhd* *388,300 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd* *2,500,000 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd*	15,345,466	9.61
6	MUHAMMAD 'ASRI BIN MOHD RAFA'I	0	0.00
7	CHAU SIK CHEONG	0	0.00
8	LOKMAN RAZANI BIN ABDUL RAZAK *134,166 shares held through own name*	134,166	0.08
	TOTAL	**58,613,415**	**36.70**

Notes:
1. Total Paid-Up Capital as at 31.03.2017 — *159,689,800*
2. Excluding total number of shares retained in treasury — *310,200*

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017

List of Thirty Largest Shareholders as at 31 March 2017

No.	Name	No. of Shares	%
1	RHB NOMINEES (TEMPATAN) SDN BHD MOHSIN ABDUL HALIM	21,288,887	13.33
2	HEANEY JOEL EMANUEL	10,292,200	6.45
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	7,995,000	5.01
4	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BT-TST-ASING)	7,985,733	5.00
5	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MALLEK RIZAL BIN MOHSIN (SMART)	7,552,696	4.73
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZAHARI BIN HAMZAH (001565267)	7,333,333	4.59
7	DAVID LEE BAIR EN	6,190,800	3.88
8	ZAHARI BIN HAMZAH	5,123,833	3.21
9	SEOW VOON PING	4,200,000	2.63
10	MOHSIN ABDUL HALIM	4,000,000	2.50
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEOW VOON PING	3,455,200	2.16
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR SIVA KUMAR A/L M JEYAPALAN (PBCL-0G0015)	3,000,000	1.88
13	LD REKA SDN. BHD.	2,962,806	1.86
14	J B PROPERTIES SDN BHD	2,946,750	1.85
15	HOW CHENG KONG	2,752,600	1.72
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZAHARI BIN HAMZAH (6000035)	2,500,000	1.57

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017

List of Thirty Largest Shareholders as at 31 March 2017 (continued)

No.	Name	No. of Shares	%
17	LIM SENG CHEE	1,799,500	1.13
18	ENG NAM HENG	1,110,000	0.70
19	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	1,012,649	0.63
20	CHIN PHOY HOY	796,900	0.50
21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG AH CHIEW	721,586	0.45
22	HADIAN BIN HASHIM	709,800	0.44
23	TAN GIM HOE	636,000	0.40
24	NOORAIHAN BINTI MOHD RADZUAN	625,683	0.39
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JULUNG PRESTASI SDN BHD (M0015)	533,333	0.33
26	MOHD RADZUAN BIN AB HALIM	482,371	0.30
27	YAYASAN KELANTAN DARULNAIM	451,000	0.28
28	LEE WING YIM	448,000	0.28
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG TENG CHAI (E-TMR/BBM)	445,916	0.28
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN GAIK SUAN	397,700	0.25
		109,750,276	**68.73**
	Total Paid-Up Capital as at 31 March 2017	*159,689,800*	

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017

List of Substantial Shareholders as at 31 March 2017

No.	Name	No. of Shares	%
1	DATO' MOHSIN ABDUL HALIM *4,000,000 shares held through own name* *21,288,887 shares held through RHB Nominees (Tempatan) Sdn Bhd*	25,288,887	15.84
2	ZAHARI BIN HAMZAH *5,123,833 shares held through own name* *7,333,333 shares held through Citigroup Nominees (Tempatan) Sdn Bhd* *388,300 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd* *2,500,000 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd*	15,345,466	9.61
3	JOEL EMANUEL HEANEY *10,292,200 shares held through own name*	10,292,200	6.45
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Chan Cheu Leong*	7,995,000	5.01
5	HSBC NOMINEES (ASING) SDN BHD *Exempt An for Credit Suisse (SG BR-TST-ASING)*	7,985,733	5.00
	TOTAL	**66,907,286**	**41.90**

Notes:

1.	*Total Paid-Up Capital as at 31.03.2017*	*159,689,800*
2.	*Excluding total number of shares retained in treasury*	*310,200*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of the Company will be held at Lot PT 7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu Darul Iman on Thursday, 25 May 2017 at 10 a.m. to transact the following business:

AS ORDINARY BUSINESS:-

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of Directors and Auditors thereon.	**[Please refer Explanatory Notes]**
2.	To re-appoint Dato' Mohsin Abdul Halim.	**(Resolution 1) [Please refer Explanatory Notes]**
3.	To re-elect En. Mallek Rizal Bin Mohsin who retires by rotation pursuant to Article 63 of the Company's Articles of Association.	**(Resolution 2)**
4.	To re-elect Mr. Chau Sik Cheong who retires by rotation pursuant to Article 63 of the Company's Articles of Association.	**(Resolution 3)**
5.	To re-elect Dato' Mohammad Medan Abdullah retiring pursuant to Article 68 of the Company's Articles of Association.	**(Resolution 4)**
6.	To approve the payment of Directors' fees of up to RM502,000 effective from 1 January 2017 until the next Annual General Meeting of the Company payable to Non-Executive Directors.	**(Resolution 5)**
7.	To re-appoint Messrs Folks DFK & Co as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Directors.	**(Resolution 6)**

AS SPECIAL BUSINESS:-

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

8. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 & 76 OF THE COMPANIES ACT, 2016** **(Resolution 7) [Please refer Explanatory Notes]**

   "THAT pursuant to Section 75 & 76 of the Companies Act, 2016, 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."

NOTICE OF ANNUAL GENERAL MEETING

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR PURCHASE OF OWN ORDINARY SHARES ("Proposed Share Buy-Back")** **(Resolution 8) [Please refer Explanatory Notes]**

"THAT subject always to the provisions of the Companies Act 2016 ("the Act"), the Company's Articles of Association, Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and any other relevant authority, the Company be and is hereby authorized to purchase such number of ordinary shares in the Company, as may be determined by the Directors from time to time through Bursa Securities, upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:-

I. the aggregate number of ordinary shares to be purchased shall not exceed ten per cent (10%) of the issued and paid-up ordinary share capital of the Company provided that the Company continues to maintain a shareholding spread that is in compliance with the requirements of the Bursa Securities Listing Requirements after the share purchase;

II. the maximum funds to be allocated by the Company for the purpose of the Proposed Share Buy-Back shall not exceed the retained profits of the Company at the time of purchase;

III. the Directors of the Company may decide in their discretion to retain the shares purchased as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends;

AND THAT authority be and is hereby given to the Directors of the Company to act and to take all such steps and to do all things as are necessary or expedient to implement and finalize to give full effect to the Proposed Share Buy-Back.

AND THAT such authority conferred by this resolution will commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting."

10. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Renewal of Shareholders' Mandate")** **(Resolution 9) [Please refer Explanatory Notes]**

"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 27th April 2017, 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 favourable 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;

NOTICE OF ANNUAL GENERAL MEETING

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 340(2) of the Companies Act 2016 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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."

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

BY ORDER OF THE BOARD

PAULINE LYE YOKE YING (MAICSA 0798723)
LEONG OI WAH (MAICSA 7023802)
Secretaries

Kuala Lumpur
27 April 2017

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.

(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 (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

NOTICE OF ANNUAL GENERAL MEETING

(5) Where a member of the company is an exempt authorised nominee as defined under the Depositories Act which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

(6) Depositors who appear in the Record of Depositors as at 18 May 2017 shall be regarded as Members of the Company entitled to attend the Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Explanatory Notes :

To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 ("the Act") does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

Resolution 1

Re-appointment of Director

With the implementation of the Companies Act 2016 on 31 January 2017, there is no age limit for directors. At the 8th Annual General Meeting of the Company held on 25 May 2016, Dato' Mohsin Abdul Halim, who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the 9th Annual General Meeting. His term of office will end at the conclusion of the 9th Annual General Meeting and he has offered himself for re-appointment.

The Nomination Committee ("NC") of the Company has assessed the criteria and contribution of Dato' Mohsin Abdul Halim and recommended for his re-appointment. The Board has endorsed the NC's recommendation that Dato' Mohsin Abdul Halim be re-appointed as Director of the Company.

The proposed Ordinary Resolution 1, if passed, will enable Dato' Mohsin Abdul Halim to continue to act as Directors of the Company and he shall subject to retirement by rotation at a later date.

Resolution 7

Authority to Allot Shares pursuant to Section 75 & 76 of the Companies Act, 2016

Ordinary Resolution No. 7 is proposed for the purpose of granting a general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 75 & 76 of the Companies Act, 2016, 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.

The General Mandate is a renewal and was not utilized earlier.

Resolution 8

Please refer to the Circular on the Proposed Share Buy-Back dated 27 April 2017 for further information.

Resolution 9

Please refer to the Circular on the Proposed Renewal of Shareholders' Mandate dated 27 April 2017 for further information.

HANDAL

Handal Resources Berhad
(816839-X)

PROXY FORM

Number of Shares Held	
CDS Account No.	

"A" I/We ______________________________ NRIC/Co. No.
(FULL NAME IN BLOCK LETTERS)
______________________________ of ______________________________
____
(FULL ADDRESS)
Tel No. ______________________________ being a Member of HANDAL RESOURCES BERHAD, hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS AS PER NRIC)
______________________________ NRIC No.
______________________________ of ______________________________
(FULL ADDRESS)
____
or failing him, ______________________________
(FULL NAME IN BLOCK LETTERS AS PER NRIC)
NRIC No. ______________________________ of ______________________________
____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our "first proxy to attend and vote for me/us on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Lot PT 7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu Darul Iman, on Thursday, 25 May 2017 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.

"B" I/We ______________________________ NRIC/Co. No.
(FULL NAME IN BLOCK LETTERS)
______________________________ of ______________________________
____
(FULL ADDRESS)
Tel No. ______________________________ being a Member of HANDAL RESOURCES BERHAD, hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS AS PER NRIC)
______________________________ NRIC No.
______________________________ of ______________________________
(FULL ADDRESS)
____
or failing him, ______________________________
(FULL NAME IN BLOCK LETTERS AS PER NRIC)
NRIC No. ______________________________ of ______________________________
____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our "second proxy to attend and vote for me/us on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Lot PT 7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu Darul Iman, on Thursday, 25 May 2017 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 ________________ 2017

____
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.

(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 (24) 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 of the company is an exempt authorised nominee as defined under the Depositories Act which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

(6) Depositors who appear in the Record of Depositors as at 18 May 2017 shall be regarded as Members of the Company entitled to attend the Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Please Fold here

STAMP

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

Please Fold here

www.handalresources.com

HANDAL RESOURCES BERHAD (816839-X)

CORPORATE OFFICE

No. 16C, Jalan 51A/225, 46100 Petaling Jaya,
Selangor, Malaysia.
Tel : +603-78750150 / 0139
Fax : +603-78766394
Email : info@handalresources.com

OPERATIONAL OFFICE

Yard 1:
Lot PT 7358, Kawasan Perindustrian Telok Kalong,
24007 Kemaman, Terengganu, Malaysia.
Tel : +609 - 860 2000
Fax : +609 - 860 2199

Yard 2:
4, Kawasan Lapang Fasa II, Kemaman Supply Base,
24007 Kemaman, Terengganu, Malaysia.
Tel : +609 - 863 2842
Fax : +609 - 863 2843