HANDAL

ANNUAL REPORT 2013

MAXIMISING OUR POTENTIAL

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Our sound understanding of the operational needs required in the regional upstream oil and gas sector has led us to become the niche provider of choice for integrated services, which include crane fabrication, maintenance, overhaul and project engineering. We are deeply aware that every stage is dependent on precise operational parameters, timeliness and strict adherence to best pratices in order to meet the discerning requirements of our clients.

CONTENTS

6th *Annual General Meeting*

DATE 12 June 2014, Thursday
TIME 10.00 a.m.
VENUE Grand Ballroom,
Resorts World Kijal,
KM 28, Jalan Kemaman-Dungun
24100 Kijal, Kemaman, Terengganu Darul Iman

HANDAL

Handal Resources Berhad
(816839-X)

Handal Offshore Services Sdn Bhd (556861-H)	100%
Handal Engineering Sdn Bhd (134854-K)	100%
Handrill Sdn Bhd (802490-W)	98.9%
HandsComms Sdn Bhd (902193-P)	100%
Handal E&P Sdn Bhd (935611-U)	100%

Subsidiaries of Handal Offshore Services Sdn Bhd:

PT Handal Intidaya Energi (NPWP : 03.124.203.5-017.000)	50%
Handal Offshore East Malaysia Sdn Bhd (960671-U)	100%

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)

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

DATO' MOHSIN ABDUL HALIM
(Chairman)
MALLEK RIZAL BIN MOHSIN
JOEL EMANUEL HEANEY
ZAHARI BIN HAMZAH
MUHAMMAD 'ASRI BIN MOHD RAFA'I

COMPANY SECRETARIES

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

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 SEKHAR & TAN
(Firm No. AF 0926)
Suite 16-8, Level 16, Lobby B
Wisma UOA II
No. 21, Jalan Pinang
50450 Kuala Lumpur

ADVOCATES & SOLICITORS

Tay & Partners
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**

Left to right:

1. **Dato' Mohsin Abdul Halim**
   Executive Chairman
2. **Mallek Rizal bin Mohsin**
   Group Managing Director and Chief Executive Officer
3. **Joel Emanuel Heaney**
   Group Advisor and Deputy Managing Director
4. **Zahari bin Hamzah**
   Chief Operating Officer and Executive Director
5. **Muhammad 'Asri bin Mohd Rafa'i**
   Senior Independent Non-Executive Director
6. **Chau Sik Cheong**
   Independent Non-Executive Director
7. **Lokman Razani bin Abdul Razak**
   Independent Non-Executive Director

DATO' MOHSIN ABDUL HALIM

Executive Chairman, aged 71, 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 the Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and HandsComms Sdn Bhd and also the Chairman of the Risk Management Committee of Handal Resources Berhad.

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 48, Malaysian

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

He is also the Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and HandsComms Sdn Bhd and a member of the Remuneration Commitee 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.

JOEL EMANUEL HEANEY

Group Advisor and Deputy Managing Director, aged 51, Malaysian

Mr Joel Emanuel Heaney was appointed to the Board on 7 May 2009.

He is also the Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and HandsComms Sdn Bhd and a member of the Remuneration 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, spearheading the international operations. Later in 1995, he joined Handal Engineering Sdn. Bhd. 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 spearheading Handal Group's operations and performance.

ZAHARI BIN HAMZAH

Chief Operating Officer and Executive Director, aged 52, Malaysian

Encik Zahari bin Hamzah was appointed to the Board on 7 May 2009.

He is also the Director of Handal Offshore Services Sdn Bhd, Handal Engineering Sdn Bhd, Handrill Sdn Bhd, Handal E & P Sdn Bhd and HandsComms 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, pigging 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 48, 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, the Nomination Committee and the Remuneration 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 and pharmaceuticals.

CHAU SIK CHEONG

Independent Non-Executive Director, aged 61, 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 member of the Malaysian Institute of Certified Public Accountant and the Malaysian Institute of Accountants (MIA). He began his career with PricewaterhouseCoopers (formerly known as Coopers & Lybrand) 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 48, 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 the 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.

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 34 of the Financial Statements and the Circular to Shareholders dated 19 May 2014, 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.

Since its listing, Handal Resources Berhad has remained dedicated to the **TARGETED APPROACH** *on which it was founded. This includes serving the needs of local and international companies, which are involved in oil, gas, refinery and petrochemical activities by providing them with a single-point-contact approach.*

Over the years, we have developed a **PROVEN BUSINESS MODEL**, *which incorporates seasoned specialised consultancy and support services for both upstream and downstream engineering projects. We continuously deliver solid results and an unwavering dedication to provide integrated offshore crane services, which specialises in offshore pedestal mounted cranes.*

This **SOUND EXECUTION** *has enabled Handal Resources Berhad to emerge as one of the Top Malaysian Small Cap Companies.*

FINANCIAL HIGHLIGHTS	2011 RM	2012 RM	2013 RM
Revenue	83,521,433	97,580,097	**100,747,091**
Net profit for the year	3,037,967	2,933,414	**1,939,690**
Basic earnings per share (sen)	2.17	1.89	**1.23**
Total equity	98,927,226	98,586,270	**100,629,322**
Total assets	171,205,686	166,237,504	**162,053,111**

CHAIRMAN'S STATEMENT

DATO' MOHSIN ABDUL HALIM
Executive Chairman

Dear Shareholders,

On behalf of the Board of Directors of Handal Resources Berhad (Handal), I hereby present you the Annual Report and Audited Financial Statements of Handal and its subsidiaries (the Group) for the financial year ended 31 December 2013 (FY2013).

REVIEW OF FINANCIAL PERFORMANCE

FY2013 was a challenging year for the oil and gas (O&G) sector, as the dampened sentiment in the global economy led to more stringent evaluations of exploration and production (E&P) activities. This created a keener competitive landscape amongst industry players.

Against this backdrop, Handal performed commendably, recording FY2013 revenue of RM100.7 million, up from RM97.6 million in the previous year. The increase in revenue was largely attributable to steady progress in the provision of multiple-year integrated crane services, and heightened activity in the supply, fabrication, and servicing of industrial equipment and tank systems segments.

More remarkably, profit from operations grew by 57% to RM9.1 million from RM5.8 million a year ago. While aided by revenue growth, profit before tax (PBT) was also significantly enhanced, from RM4.2 million in FY 2012 to RM6.6 million in FY2013, by higher blended gross profit margins across all business segments, as well as reduced operating costs.

However, the Group incurred a one-off occurrence of higher tax charge to accounting for deferred tax for tax allowances enjoyed on intellectual property rights. This resulted in the Group registering lower net profit attributable to shareholders of RM1.9 million in FY2013, versus RM2.9 million previously.

Correspondingly, basic earnings per share in FY2013 stood at 1.23 sen, versus 1.89 sen in the previous year.

The Group's balance sheet remained strong, with total shareholders' funds as at 31 December 2013 increasing to RM100.6 million, from RM98.6 million last year. Cash and cash equivalents stood at RM23.7 million, dipping from RM34.3 million in line with increased working capital requirements by the Group.

Total borrowings reduced to RM40.1 million from RM48.5 million previously, thereby improving the Group's overall gearing for FY2013 to 0.40 times, versus 0.49 times in FY2012. This position us well to explore leveraged growth to cater for our future business expansion needs.

REVIEW OF OPERATIONS

Handal Offshore Services Sdn Bhd (HOSSB)

HOSSB, a wholly owned subsidiary of Handal, is primarily involved in the fabrication, overhaul, and maintenance of offshore pedestal cranes – certified to American Petroleum Institute (API) 2C standards.

It is also equipped to overhaul all makes of new and old API2C cranes used in the O&G industry, and has its own fleet of 21 API2C cranes available for rental. Other services of HOSSB include the supply of specialist manpower services, replacement parts, and lifting solutions for workover projects.

In FY2013, HOSSB continued to carry out crane services contracts totaling RM70.28 million.

It is noteworthy that these services were performed for major industry players, including ExxonMobil Exploration and Production Malaysia Inc (ExxonMobil), Petronas Carigali Sdn Bhd, Carigali Hess Operating Company Sdn Bhd, Newfield Peninsula Malaysia Inc and Petrofac Energy Developments Sdn Bhd.

In our crane fabrication segment, HOSSB delivered 3 pedestal cranes in the year under review, with 4 more units under work in progress.

In 2013, HOSSB completed and delivered 3 new cranes to respective purchasers. Also, the company was awarded purchase of 4 new cranes, and initiated negotiations for long term rentals on 3 others.

HOSSB's lifting solutions for drilling workover (DWO) programs saw a decline in activity in FY2013 due to the expiration of several key contracts. I am pleased to report that following the renewal of these contracts in the fourth quarter of 2013, segmental activity has since returned to normal.

As of April 2014, HOSSB's crane overhaul and maintenance orderbook stood at RM210.5 million, which is able to last the Group until 2017. Crane fabrication orders amounted to RM23.8 million, with the pedestal cranes slated for delivery over the next 2 months. Orderbook for lifting solutions for DWO programs stood at RM16.0 million.

"Crane fabrication orders amounted to RM23.8 million, with the pedestal cranes slated for delivery over the next 2 months. Orderbook for lifting solutions for DWO programs stood at RM16.0 million."

Handrill Sdn Bhd (Handrill)

Handrill, a 98.9%-owned subsidiary of Handal, is primarily involved in the design, fabrication, certification, and operation of offshore and onshore drilling rigs. The subsidiary was established in 2008 to undertake upstream O&G businesses in drilling, workover, and drilling management.

Handrill's first ever light weight tender assisted drilling rig – Handal 1 – which was completed in the third quarter of 2012, is currently undergoing a series of evaluations by prospective clients operating in Malaysian and regional waters.

To date, feedback obtained on the rig's capabilities and operational suitability have been encouraging. This derives from its lightweight and modular design being ideal for shallow–medium depth and marginal oil field explorations, benefitting operators with enhanced cost-effectiveness as well as deployment versatility.

We look forward to finalising these discussions in the near term. Thereafter, Handal 1 will undergo final outfitting and customization works in preparation for its intended operating environment.

Handal Engineering Sdn Bhd (HESB)

HESB, a wholly owned subsidiary of Handal, is primarily engaged in O&G engineering services and voice conference solutions.

In September 2013, HESB secured an RM18.0 million refinery maintenance contract from Kemaman Bitumen Refinery to revamp its crude distillation units (CDU) and vacuum distillation units (VDU) in Teluk Kalong Industrial Estate, Terengganu.

The scope of services encompasses the engineering, procurement, construction, and commissioning (EPCC) of the refinery's CDU and VDU. The EPCC works commenced in October 2013, and were subsequently completed in April 2014.

The contract award marks HESB's maiden entry into the refinery maintenance services sector, further solidifying the Group's position as an integrated O&G support services provider.

For 2013, HESB has secured additional job orders as follows:

- Petronas Penapisan Melaka Saline Tank Modification Project value at RM3.0 million
- Petronas Gas Berhad Gas Processing Plant Kerteh Tank Cleaning and Pasir Gudang Idemitsu Metering Skid Modification project worth of RM0.7million
- Talisman Malaysia Limited (Talisman) Flexible Pipes for Production which value at RM1.83 million.

CORPORATE DEVELOPMENTS

- ***Collaboration with MEO Australia Limited (MEO)***

  On 2 July 2013, Handal entered into a collaboration agreement with MEO, an independent O&G company listed on the Australian Stock Exchange, to jointly pursue a risk service contract agreement with Petronas.

  The collaboration will allows us to leverage on MEO's technical expertise with regards to marginal O&G field, particularly in aspects of exploration, appraisal, development, and production.

  We will continue to pursue the risk service contract agreement jointly with MEO, which would provide the Group with an additional revenue stream.

- ***Proposed private placement***

  On 17 September 2013, Handal announced a proposed private placement of up to 10% of the issued and paid-up share capital of the Group. The proposed private placement has been aborted as the approval granted by Bursa Malaysia Securities Berhad lapsed on 29 April 2014.

BUSINESS OUTLOOK AND GROWTH STRATEGIES

The prospects in the Malaysian O&G industry remain promising, with Prime Minister Datuk Seri Najib Tun Razak reiterating in early 2014 that the country is expected to see about US$60 billion in capital expenditure in the O&G sector over the next five years.

Notably, the go-ahead for Petronas' RM61 billion Pengerang Integrated Complex in Johor – which will include a world-scale Refinery and Petrochemicals Integrated Development – accords the domestic O&G industry a strong vote of confidence in terms of sustained growth prospects.

Furthermore, we anticipate continued flow of contract awards in the domestic O&G industry from the major O&G players. This comes on the back of favourable oil prices which is generally a good support indicator for reinvestment and facilities renewal initiatives by the O&G majors.

Additionally, the O&G industry in South East Asia is expected to be a significant centre of growth, with increasing E&P activities in various countries, in tandem with the objective to boost energy reserves.

The positive backdrop will certainly bode well for the companies such as Handal, who are equipped to provide support services and ancillary works, including crane fabrication/maintenance, rig fabrication/maintenance, and workover solutions.

In light of these prospects, we remain highly positive in sustaining our business growth. We will achieve this via several key strategies:

Securing more recurring contracts in integrated crane services

The market for integrated crane maintenance services continues to be a key growth area for Handal. Growth prospects for the sector are underpinned by rising demand for specialist manpower, particularly in the course of maintaining cost-efficiency. This is further enhanced by a preference for maintenance and rental operators demonstrating superior technical support and safety track record.

Over the years, we have consistently secured new multi-year service contracts as well as the subsequent renewals; a testament to our capabilities and long-standing history of meeting the needs of leading O&G players. Going forward, we intend to continue growing our recurring contracts stream, both in terms of contract value as well number of clients.

It is also noteworthy to highlight that, in March 2014, HOSSB bagged a RM16.0 million contract award by UMW Petrodril (Malaysia) Sdn Bhd, which will see us providing them with portable platform crane and related services over two years, beginning in FY2014.

> *"The O&G industry in South East Asia is expected to be a significant centre of growth, with increasing E&P activities in various countries, in tandem with the objective to boost energy reserves."*

Expanding into international markets

Handal also seek to tap into business opportunities in the international market. This strategy not only allows us to grow our revenue base, but also in diversifying our income stream beyond familiar domestic markets.

We have, in late 2013, fully delivered 3 units of offshore pedestal crane for the West Madura Offshore Block in Indonesia, the first delivered beyond Malaysian waters with a contract worth US$945,000.

We are in the midst of a vendor selection process in Thailand, that will see us potentially supplying up to 20 units of offshore pedestal cranes for a leading production sharing contractor, with a contract value of approximately RM100 million.

Collectively, the Indonesian and Thailand markets are our key focus areas at present. We will strive to make further inroads in securing a larger share of the regional O&G industry.

To further expand our marketing network, in January 2014, Handal entered into a Memorandum of Agreement (MOA) with Scomi Oiltools Sdn Bhd (Scomi) to market our products and services to Scomi's existing clientele in oilfields in Africa and the Middle East.

The MOA effectively expands our reach beyond South East Asia region into international countries where Scomi already has presence thus allowing us to reach more global O&G players. This effort also complements our existing initiatives in enlarging our customer base.

Light weight tender assisted drilling rig fabrication and commissioning

Handal 1 - Handrill's first light weight tender assisted drilling rig remains a key asset to the Group that will see us venture into the lucrative rig fabrication and chartering sectors. We remain optimistic that Handal 1, owing to its superior cost-effectiveness and deployment efficiency, will see increasing demand in the future.

With the continued inflow of positive feedback from prospective charter clients for the Handal 1, we hope to secure a long-term charter contract in the near future.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

As a responsible corporate citizen, we are committed to constantly pay close attention towards our business activities and their impact on the society around us.

"We also recognise the need for a sustained programme in human capital development in order to maintain a workforce that is highly professional, competent and productive."

To this effect, we regularly review our corporate plans in the areas of CSR activities, employees' skills development, and Health, Safety and Environment (HSE) activities.

Our commitment in CSR is a clear manifest of our philanthropic activities towards the needy and deserving ones. In FY2013, through our dedicated Tabung Kebajikan Handal, we have extended assistance both in cash and in kind to our employees that were affected by the Kemaman floods, to alleviate their predicament.

Additionally, we continued to provide contributions to various charitable bodies, schools and non-profit organisations, in support of their charitable campaigns and ongoing developments. In our efforts towards developing knowledge, we have given out scholarship to nine (9) poor students of a secondary school in Malaysia to support their secondary education from form one till form five. All in all, the Group contributed a total of RM155,000 for CSR initiatives during the year under review.

We also recognise the need for a sustained programme in human capital development in order to maintain a workforce that is highly professional, competent and productive. During the year, the Group conducted and arranged various in-house and external trainings that helped hone the technical skills and abilities of our employees, in line with requirements of the latest industry standards. We also provided in-house training to technical employees of our clients as per contracts' requirements.

Handal's directors have also continuously equipped themselves with the latest requirements by attending programmes organised by Bursa Malaysia Securities Berhad and/or other professional bodies. This is to ensure that the Group's top management is constantly kept abreast of the latest regulatory best practices.

Finally, it is noteworthy to mention that and as a testimony towards our commitment, we had been given recognition for our excellence in HSE practices with the receipt of HSE awards from ExxonMobil and Talisman.

CORPORATE GOVERNANCE

Since inception, Handal has constantly upheld its strong commitment to achieving and maintaining highest levels of corporate governance as a fundamental pillar of our operations, so as to instill confidence and trust amongst various stakeholders, as well as developing long-term business sustainability.

To this end, every facet of our business adheres to corporate governance best practices in the spirit of integrity and transparency. These measures are implemented towards ultimately creating and increasing shareholders' value.

The implementation methods of our corporate governance measures are highlighted in the Corporate Governance Statement in this Annual Report.

APPRECIATION

I would like to extend my sincere gratitude to the Board of Directors, the management, and employees of the Group, for their invaluable contribution to the Group's successes to date.

On behalf of the Board of Directors, we also extend our appreciation to our shareholders, for your unwavering support to the Group.

I would also like to take this opportunity to thank our customers, suppliers, financiers, and the government authorities for their ongoing support towards the Group.

DATO' MOHSIN ABDUL HALIM
Executive Chairman

We, at Handal, recognise the crucial role of setting the Group's goals and subsequently translating our strategic vision into actionable milestones.

The Board of Directors and key management of Handal hold in highest regard the responsibility to develop a cohesive mindset across the key management of the Group in order to move forward as an integrated yet single-minded unit.

In this respect, the Group organises the Annual Business Summit (ABS) to evaluate the Group's performance in light of the Company's direction, vision, mission and policies, as well as to develop a set of common goals going into the new financial year. The two-day session is attended by the Board of Directors of Handal, together with top management, heads of subsidiary companies, senior management and heads of departments.

The ABS facilitates a thorough post-mortem of the Group's performance in the year through self-benchmarking; noting milestone accomplishments and taking to task key areas of improvement.

More importantly, the summit entails devoting substantial effort towards planning for the future. It is envisaged that the establishment of common objectives, fostering of closer teamwork, and collective commitment to the achievement of strategic milestones would go a long way towards maintaining the Group's business sustainability.

CALENDAR OF EVENTS 2013

14-17 February 2013

6 March 2013

30 July 2013

16 October 2013

19 December 2013

24 December 2013

21 JANUARY 2013

Competency Improvement Training for Crane Operators of Handal held at our Teluk Kalong Office.

14 – 17 FEBRUARY 2013

Handal Group's Family Day 2013 held at Swiss-Garden Golf Resort & Spa Damai Laut, Malaysia.

6 MARCH 2013

Safety Stand Down 2013 for offshore crew members held at our Teluk Kalong Office.

3 – 4 APRIL 2013

Annual Business Summit held at Holiday Villa Hotel & Suites Subang – participation of Members of the Board, top and middle management staff as well as head of departments of Handal Group of Companies.

30 MAY 2013

5th Company Annual General Meeting held at Resorts World Kijal.

2 JUNE 2013

Safety, Security, Health and Environment Briefing to our employees in Kemaman.

30 JULY 2013

Basic Hydraulic Training for Crane Technicians, Crane Inspectors / Specialists and also for personnel of our clients held at our Teluk Kalong Office.

30 JULY 2013

Majlis Berbuka Puasa with the orphans from the Sekolah Kebangsaan Kemasik, Terengganu.

4 SEPTEMBER 2013

Safety Engagement program with the participation of our top management, middle management and offshore crew members together with client.

16 OCTOBER 2013

Safety Walkabout by our yard personnel at KSB.

19 DECEMBER 2013

Handing out of cash token to 72 flood victims from amongst the employees of Handal who suffered major flood that hit Kemaman in late 2013 by Tabung Kebajikan Handal.

24 DECEMBER 2013

Distribution of basic needs items to the flood victims of Kemaman.

The Board of Directors ("the Board") of Handal Resources Berhad recognise the importance of good corporate governance and is committed to the establishment and implementation of a proper framework and controls that are in line with the principles and best practices as recommended by the Malaysian Code of Corporate Governance 2012 ("MCCG 2012" or "the Code") 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 ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is pleased to report herein the manner in which the Company has applied the Principles and Recommendations under the MCCG 2012 during the financial year ended 31 December 2013 and any non-observation of the recommendations of MCCG 2012, including the reasons thereof, has been included in this statement in view of the transition to the Code.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

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

In the normal course of events, day to day management of the Company will be in the hands of Management and under the stewardship of the Group Managing Director (GMD) & Chief Executive Officer (CEO). The Board will link the Company's governance and management functions through the GMD & CEO.

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 so far as the Board is concerned.

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.

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 Company's Goals are clearly established, and that strategies are in place for achieving them and promoting sustainability.

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 is responsible for the implementation of the Board's decisions and overall responsibilities on the day to day management of the Company.

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 recognises 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.

Succession planning

The Board recognises the importance of succession planning in maintaining long-term sustainable performance excellence and shall make concerted efforts to ensure 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.

Overseeing the development and implementation of Shareholder Communication Policy

The Group recognises 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 providing easy access to corporate and financial information of the Group, established a Shareholder Communication Policy to promote effective communication with shareholders and stakeholders, through the following channels:-

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

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 page 40 to 43 which is in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities.

Formalised Ethical Standards through Code of Conduct

The Board is guided by ethical standards formalised in the Company's Code of Conduct in discharging its oversight role effectively. The Code 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. 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. The abridged version of the Company's Code of Conduct is available on the Company's website, www.handalresources.com.

Strategies Promoting Sustainability

The Board is committed in its ongoing effort to include the sustainability strategies in the annual business plan and corporate social responsibility programmes with the objective of achieving greater efficiency and better performance of the Group, taking into consideration the impact on environment, culture, economic and social interests.

Corporate Social Responsibility ("CSR")

As a responsible corporate citizen, the Group is committed to constantly pay close attention towards its business activities and the impact on the society and environment. To this effect, the Group regularly review its corporate plans in the areas of CSR activities, employees' skills development, and Health, Safety and Environment (HSE) activities.

The Group's commitment in CSR is a clear manifest of its philantropic activities towards the needy and deserving ones. In FY2013, through the dedicated Tabung Kebajikan Handal, the Group have extended assistance both in cash and in kind to its employees that were affected by the Kemaman floods, to alleviate their predicament. Additionally, the Group continues to provide contributions to various charitable bodies, schools and non-profit organisations, in support of their charitable campaigns and ongoing developments. In the efforts towards developing knowledge, the Group have given out scholarship to nine (9) poor students of a secondary school in Malaysia to support their secondary education from form one till form five.

Community

The Group is committed to integrate CSR practice into its day to day operations and recognises that its core business operations have social, economic and environmental impacts and therefore, are readily committed to engaging with the local community and economy.

The Group's CSR strategy encompasses four key aspects: Health and Safety, Environment, Community Initiatives and Employee Wellbeing. Within these aspects, the Group practices embrace the Kemaman area economy and local services through the recruitment of local staff and the support of local businesses and community groups.

Environment

The Group is committed in providing a safe, fair and stimulating work environment that empowers employees to make a meaningful contribution to the organisation's performance and development and, offers challenging and rewarding opportunities for personal and professional growth. It recognises the importance of attracting and retaining the best staff.

The Group understands that continuity of employment is important to its employees, and therefore provides a dedicated career transition support program to assist employees to effectively manage their careers. Integral to this, the Group implements policies and processes to cover various range of topics including recruitment and selection, education assistance, performance feedback and review, code of conduct and confidentiality. A Whistle-blowing Policy is also in place to protect employees who report, in good faith, any breach of the law or improper practice.

Environmental friendly is also central to the Group's culture with its policies on good facility and operations management to avoid wastages and inefficiencies. The Group has embarked in electronic archival of documents to reduce paper usage. Teleconferencing, which is also a feature of the Group's communications, effectively minimises commuting and thus, helping to reduce carbon emission.

Workplace

The organisation operates under an agreed set of values which include an expectation that employees act with honesty and integrity and treat everyone with respect. A key focus is the commitment to achieving high standards in Occupational Health and Safety (OH&S). The Group has implemented systems that promote safety in the workplace and have contributed to reductions in lost time injury rates. It provides support for employees who are injured or become ill at work to enable them to return to work safely and with confidence.

The Group provides training and development programmes for employees at all levels. It has established training facility for crane technicians, inspectors and operators in helping them to further enhance their skills, knowledge and competency level.

Supply and Access to Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. The Board members have full and unrestricted access to all information concerning the Group's affairs. They also have access to the senior management and advice and services of the external auditors. Directors may also seek external independent professional advice at the Company's expense, on a case to case basis, to be agreed by the Chairman or Board as a whole.

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. Board papers containing information relevant to the business of the meeting are circulated to them in a timely manner 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. The Board papers include information on major financial, operational and corporate matters of the Group.

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 Handal shares, in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of the Main Market Listing Requirements of Bursa Securities.

The Company Secretary attends and ensures that all Board meetings are properly convened. Records of the deliberation, issues discussed and conclusion were recorded by the Company Secretaries who attended 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.

Board Charter

The Board has embarked on the relevant Corporate Governance Principles and Recommendations as set out in MCCG 2012 and accordingly revised its Board Charter which establishes the role and responsibilities of the Board and those functions delegated to Management. The Charter which was adopted on 11th November 2013 has incorporated the relevant principles and recommendations. The abridged version of the Company's Board Charter is currently available on the Company's website, www.handalresources.com.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

The Board of Directors consists of seven (7) members comprising four (4) Executive Directors, and three (3) Independent Non-Executive Directors. The Board has complied with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities that at least two or one-third of the Board, whichever is the higher is 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 proceedings and deliberations periodically from the Chairman of the respective Committees, which are minuted and recorded accordingly.

The Board considers its current size, balanced mix of skills, knowledge and experience are adequate given the existing scope and nature of the Group's business operations and represents fairly the interest of the long term shareholders' and stakeholders' value.

Nomination Committee

The composition of the Nomination Committee is in compliance with relevant regulatory requirements. Further elaboration on the application of Recommendations 2.1 and 2.2 of MCCG 2012 is stated in the report of the Nomination Committee on pages 34 to 36.

Remuneration Committee

The members of Remuneration Committee are as follows:-

Member	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 meets at least once a year and as and when required. During 2013, the Committee met on 25 February 2013 and 25 March 2013.

In compliance with Recommendation 2.3 of MCCG 2012, 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 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 Board reviews the remuneration of the Directors annually whereby the respective Executive Directors abstained from discussions and decisions on their own remuneration.

The aggregate remuneration of the Directors for the financial year ended ("FYE") 31st December 2013 is as follows:-

	Executive Directors	Non-Executive Directors	Total(RM)
Directors' Emoluments	4,334,520	46,000	4,380,520
Benefit-in-kind	747,038	-	747,038
Fees	-	162,000	162,000
Total	5,081,558	208,000	5,289,558

Remuneration Band (RM)	Executive Directors	Non-Executive Directors
50,000 and below		
50,001-100,000		3
1,100,001-1,150,000	1	
1,150,001-1,200,000	2	
1,600,001-1,650,000	1	

PRINCIPLE 3 – REINFORCE INDEPENDENCE

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. Pursuant to Recommendation 3.1 of MCCG 2012, the Board being cognizant that Independent Directors bring independent and objective judgment to the Board has undertaken an assessment of the independence of its Independent Directors and will continue as part of the policy adopted to do this on an annual basis. The Board has developed a Policy on Independence of Directors and the independence of Independent Directors will be assessed by the Board pursuant to this policy.

The Nomination Committee and the Board have upon their annual assessment, 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 Main Market Listing Requirements of Bursa Securities.

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.

Tenure of Independent Directors

The Code recommends that the tenure of an independent director should not exceed a cumulative term of nine years. The tenure of our Independent Directors are below nine years and as of now, the Nomination Committee and the Board does not believe that it should impose a fixed term limit but will continuously review and evaluate such recommendation.

Separation of position of the Chairman and Group Managing Director (GMD)

The positions of Chairman and GMD are separately held by Dato' Mohsin Abdul Halim as the Executive Chairman and En. Mallek Rizal Mohsin as the GMD and 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 given his extensive experience, knowledge 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 the GMD & CEO to provide counsel and advice where appropriate. The GMD & CEO is expected to keep the Chairman and the Board informed on important matters.

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. In furtherance to this, the Independent Non-Executive Directors vocalise their concerns whenever necessary to ensure proper checks and balance are in place in Board decisions and implementation of policies.

PRINCIPLE 4 – FOSTER COMMITMENT

Board Meetings and Time Commitment

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

	Attendance
DATO' MOHSIN ABDUL HALIM	6/6
MALLEK RIZAL BIN MOHSIN	6/6
JOEL EMANUEL HEANEY	4/6
ZAHARI BIN HAMZAH	6/6
LOKMAN RAZANI BIN ABDUL RAZAK	5/6
CHAU SIK CHEONG	6/6
MUHAMMAD 'ASRI BIN MOHD RAFA'I	6/6

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 2013.

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

The Board of Directors noted 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.

Continuing Education Programmes

All Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd within the stipulated timeframe required in the Main Market Listing Requirements of Bursa Securities. The Company also provides the necessary resources for developing and updating its directors' knowledge and capabilities including access to independent professional advice. The Directors are updated on a continuing basis by the Company Secretaries on new/amended Listing Requirements as and when the same are advised by Bursa Securities.

Pursuant to Recommendation 4.2 of MCCG 2012, the Board of Directors is mindful that they should receive appropriate continuous education programmes and they will continue to undergo relevant training programmes and seminars to ensure that they are well equipped with the relevant knowledge as well as emergent strategic directions and ideas to discharge their duties effectively in order to keep abreast with developments in the industry, market place and with new statutory and regulatory requirements.

Details of the training programmes attended by the current Directors during the financial year ended 31 December 2013 were as follows:

DATO' MOHSIN ABDUL HALIM	1. Government Intervention in Business: Some Public Policy Issues – organised by Bursa Securities 2. Handal Group Business Summit – in-house programme
MALLEK RIZAL BIN MOHSIN	1. Director Duties, Regulatory Updates & Governance Seminar for Directors of PLCs 2013 – organised by Malaysian Institute of Corporate Governance 2. Examining Proven Strategies & Practices to Successfully Manage Competition in Current Market – organised by Asean Strategy and Leadership Institute (ASLI) 3. Handal Group Business Summit – in-house programme
JOEL EMANUEL HEANEY	1. Government Intervention in Business: Some Public Policy Issues – organised by Bursa Securities 2. Handal Group Business Summit – in-house programme
ZAHARI BIN HAMZAH	1. Government Intervention in Business: Some Public Policy Issues – organised by Bursa Securities 2. Handal Group Business Summit – in-house programme
CHAU SIK CHEONG	1. Fraud : The Accountant's Role in its Prevention – organised by The Malaysian Institute of Accountants. 2. Government Intervention in Business: Some Public Policy Issues – organised by Bursa Securities 3. Handal Group Business Summit – in-house programme
LOKMAN RAZANI BIN ABDUL RAZAK	1. Government Intervention in Business: Some Public Policy Issues – organised by Bursa Securities 2. Handal Group Business Summit – in-house programme
MUHAMMAD 'ASRI BIN MOHD RAFA'I	1. Government Intervention in Business: Some Public Policy Issues – organised by Bursa Securities 2. Handal Group Business Summit – in-house programme 3. National Seminar on Anti-Money Laundering and Counter Terrorism - Towards Better Governance of NPOs in Malaysia – organised by SSM

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance and prospects through the quarterly and annual financial statements to shareholders. The Board 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 of Directors' Responsibility in Relation to Financial Statements

In compliance with the Companies Act, 1965, the Directors are required to prepare 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 2013, 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 the financial statements have been prepared on a going concern basis.

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

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

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 used, 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.

Audit Committee

The composition of the Audit Committee is in compliance with relevant regulatory requirements. Further elaboration on the application of Recommendations 5.1 and 5.2 of MCCG 2012 is stated in the report of the Audit Committee on pages 37 to 39.

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 external and internal.

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 independence evaluation of the External Auditors.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risk

The Board recognises 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.

Risk Management Committee

The Risk Management Committee has been established and the members are:-

Member	Designation
DATO' MOHSIN ABDUL HALIM (Chairman of Risk Management Committee)	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

The Statement on Risk Management and Internal Control as set out in pages 40 to 43 provides an overview of the management of risks and state of internal controls within the Group.

Internal Audit Function

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

The Group had incurred RM59,732 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 40 to 43 of this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Board has adopted a Corporate Disclosure Policy on 15 August 2013 to ensure the disclosure of material information pertaining to the Company's performance and operations to the public is in accordance with the disclosure requirements under the Main Markert Listing Requirements of Bursa Securities and other applicable laws.

Leverage on Information Technology for Effective Dissemination of Information

The Board has established a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information, share prices and analysts' reports can be assessed at www.handalresources.com.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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.

Encourage Poll Voting

At the AGM, all resolutions to be tabled at General Meetings shall in the first instance be decided on a show of hands unless a poll is demanded. The shareholders will be 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 Fifth AGM held on 30 May 2013 were duly passed by a show of hands.

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.

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 2013. 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 MCCG 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 23 April 2014.

1. **Utilisation Of Proceeds**

On 17 September 2013, the Company announced that it proposed to undertake a proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company to investors to be identified ("Proposed Private Placement") in accordance with Section 132D of the Companies Act, 1965 ("Act").

There were no proceeds raised by the Company from the Proposed Private Placement during the financial year ended 31 December 2013 as the Proposed Private Placement was aborted.

2. **Share Buy Back**

As of 28 April 2014, there were no share buyback by the Company. The Company has resold the remaining Treasury shares as follows:

Date	No. of Treasury Shares sold	Lowest Price (RM)	Highest Price (RM)	Total Consideration (RM)
6 August 2013	41,100	0.54	0.545	22,186.13
14 August 2013	208,900	0.545	0.545	113,360.72

3. **Options, Warrant Or Convertible Securities**

During the financial year ended 31 December 2013, the Company did not issue any options, warrant or convertible securities.

4. **American Depository Receipt (ADR) Or Global Depository Receipt (GDR) Programme**

The company did not sponsor any ADR or GDR programme.

5. **Imposition of Sanctions/Penalties**

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any regulatory bodies during the financial year ended 31 December 2013.

6. Non-Audit Fees

The amount of non-audit fees incurred for services rendered by the external auditors to the Group for the financial year ended 31 December 2013 amounted to RM59,732.

7. Variation in Results

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

8. 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 2013.

9. Profit guarantees

During the financial year ended 31 December 2013, there were no profit guarantees given by the Company.

10. Recurrent Related Party Transactions ("RRPT")

The breakdown of the aggregate value of transactions conducted during the financial year ended 31 December 2013 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 30 May 2013 to 30 June 2014 (RM'000)
Handal Offshore Services Sdn Bhd ("HOSSB")	Excell Crane & Hydraulics Inc ("ECHI")	Joel Emanuel Heaney is a director and shareholder of ECHI	Material and spare parts supply	4,381(Note)	20,000

Note: Actual Value from 30 May 2013 (the date on which the Existing Mandate was obtained) up to 28 April 2014 (the last practicable date before the printing of the circular)

NOMINATION COMMITTEE REPORT

COMPOSITION OF MEMBERS

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

The Nomination Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors, as per Recommendation 2.1 of Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

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.

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.

TERMS OF REFERENCE

a) To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.

b) To review the Board balance, focusing on diversity as well as considering the Board's succession planning and recommending new nominees for appointment to the Board.

c) To recommend to the Board, suitable Directors to fill the seats on Board committees and consider candidates from a diverse background.

d) To assess Directors on an annual basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director, ensuring such assessments and evaluations are properly documented.

e) To review annually the independence and objectivity of the Independent Directors and receive confirmation from the Independent Directors regarding their independence.

f) In the case of candidates for the position of Independent Non-Executive Directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

g) To review annually the Board's mix of skills, knowledge, expertise, professionalism, integrity and experience and other qualities including core competencies which non-executive Directors should bring to the Board. This should be disclosed in the Annual Report.

h) To recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation.

i) To deliberate on the appropriate training needs and continuing education programmes for the Board members to assist them in discharging their fiduciary and leadership functions.

j) To orient and educate new Directors as the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

k) To oversee the appointment, management succession planning and performance evaluation of the key Company-wide senior management officers.

NOMINATION COMMITTEE ACTIVITIES

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

The Nomination Committee meets at least once a year and as and when required. The Nomination Committee is responsible for reviewing the Board composition and balance as well as considering the Board's succession planning and recommending new nominees for appointment to the Board. The decision on new appointments shall be the responsibility 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 made upon obtaining all necessary information from the Directors.

The annual assessments and performance evaluations on the mix of skills and experience of the Board as a whole, the Board Committees and the contributions of each individual Director/Key Officer carried out by the Nomination Committee in the discharge of all its functions are properly documented, as per Recommendation 2.2 of MCCG 2012. The performance of Nomination Committee itself, however, was evaluated by the Chairman of the Board. All the assessments and performance evaluations are summarised and tabled at the Nomination Committee meeting. The Nomination Committee Chairman will then report to the Board on the Directors' assessment and evaluation. On the Board evaluation, 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.

Through the annual assessments of each Director, the Committee identifies the appropriate training needs and continuing education programmes for its board members to assist them in discharging their fiduciary and leadership functions.

Re-election 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 27 February 2014 conducted its meeting and deliberated on the agenda set and has made their recommendation to the Board for re-electing those Directors who are retiring, for approval of the members at the forthcoming AGM set on 12 June 2014. Dato' Mohsin Abdul Halim who will retire pursuant to Section 129(2) of the Companies Act, 1965 and being eligible has offered himself for re-appointment at the forthcoming AGM.

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.

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 2016. Whilst the Board has no immediate plans to implement a gender diversity policy or target, it is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment and integrity. The Board 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.

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

TERMS OF REFERENCE

The Board constitutes and establishes an audit committee with authority, responsibilities and specific duties as described below:

Duties

The duties of the Committee include the following:

- To consider the appointment of the External Auditors, the audit fee, assess the performance of the External Auditors and make recommendations to the Board of Directors on their appointment and removal and any questions of resignation;

- To discuss and review with the External Auditors before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;

  - To meet with the External Auditors at least twice a year without the presence of the Executive Directors and Management staff.
  - To review the independence and objectivity of the External Auditors and their services, including non-audit services.

- To review the quarterly and year-end financial statements of the Company, focusing particularly on:-

  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements;

- To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);

  - To review the External Auditors' management letter and Management's response.
  - To consider any related party transactions that may arise within the Company or group.
  - To consider the major findings of internal investigations and management's response.
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and the necessary authority to carry out its work;

- To do the following in relation to the internal audit function:
    - Review the results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
    - Review the performance of members of the internal audit function.
    - To consider other topics as defined by the Board.
    - To review the the adequacy and effectiveness of risk management, internal control and governance systems.
- To monitor and review any related party transactions that may arise within the Group.
- To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.

AUDIT COMMITTEE ACTIVITIES

Audit Committee Meetings and Attendance

During the financial year ended 31 December 2013, 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

Activities of the Audit Committee

During the financial year ended 31 December 2013, the activities of the Audit Committee included the following:-

a) Reviewed with the External Auditors’ on their scope of work and audit plan.

b) Reviewed with the External Auditors on the results of their audit, the audit report and internal control recommendations in respect of improvements in internal control procedures noted in the course of their audit.

c) Reviewed and approved the internal audit plans presented by the Internal Auditors.

d) Reviewed the independence and objectivity of the External Auditors during the year. The Committee also received confirmation from the External Auditors regarding their independence.

e) Reviewed the annual audit plan to ensure adequate scope and comprehensive coverage over the activities of the Company and the effectiveness of the audit process.

f) Reviewed the internal audit reports which were tabled during the year, 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.

g) Monitored the corrective actions taken on the outstanding audit issues to ensure all the key risks and control lapses have been addressed.

h) Reviewed the annual report and the audited financial statements of the Company and the Group prior to submission to the Board of Directors for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965, the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB").

i) Reviewed the Company's compliance with the Listing Requirements of the Bursa Securities and the applicable approved accounting standards issued by MASB.

j) Reviewed the quarterly unaudited financial statements and its explanatory notes thereon and recommending to the Board of Directors for approval.

k) Reviewed the Company's status of compliance with the Malaysian Code on Corporate Governance 2012 for the purpose of issuing a Statement of Corporate Governance pursuant to the requirement of paragraph 15.26 of the Listing Requirements of Bursa Securities.

l) Reviewed the Group's key operational and business risks area and the policies in place to address and minimise such risks.

m) 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 42 to 43.

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. This Statement on Risk Management and Internal Control (the "Statement") is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), with reference to the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

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 for the year and is reviewed periodically by the Board through its Risk Management Committee's activities detailed in the Risk Management Committee Report.

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.

MANAGEMENT RESPONSIBILITY

The implementation of the risk management process for the Group is the responsibility of the 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 Executive Chairman and comprises all the Executive Directors and a representative of the Independent Directors, is formed and is tasked to undertake:-

- The implementation and maintenance of the risk management process.
- To ensure the effectiveness of the risk management process and the implementation of risk management policies.
- The identification of risks relevant to the Group that may impede the achievement of its objectives.
- To identify significant changes to risk or emerging risks, take actions as appropriate to communicate to the Audit Committee and the Board.

Acknowledging the differences in the operational set up of the Group's principal subsidiary companies, the Risks Management Committee 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 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 both the Group and subsidiaries/operating units 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 on at least a yearly basis and at the end of each review periods confirms 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 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.
- The reports from 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 meets on at least 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 on at least 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 for managing how these risks 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 of financial and business processes in order to provide independent assurance to management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the 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) The Board reviews all areas of significant financial risk and approves all significant capital projects and investments after careful corporate review; and

(x) The Treasury Section manages the cash balances and exposure to currency transaction risks through treasury policies, risk limits and monitoring procedures.

INTERNAL AUDIT FUNCTION

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.

The principal responsibilities of the internal audit function are as follows:

- To evaluate the effectiveness of the internal control systems so as to provide reasonable assurance that such systems continue to operate in compliance with the existing control and risk assurance systems effectively.
- To review the recurrent related party transactions of the Company and its subsidiaries.
- To review, appraise and to ensure compliance with the Group's established policies and procedures as well as the relevant statutory requirements.
- To highlight major weakness in control procedures and make recommendation for improvements to the Audit Committee. The internal audit function of the Group adopts a risk based approach to monitor and implement an effective internal control system for the Group. The monitoring process forms the basis for continuous improvement to the risk management process of the Group in meeting its overall objectives.

During the financial year ended 31 December 2013 and up to the date of this statement as at 28th April 2014, the internal audit function had performed the following internal audit review:-

(i) Handal Offshore Services Sdn. Bhd. – Property, Plant & Equipment and Maintenance Management (Mechanical and Electrical)

(ii) Handal Group – Finance Management and General Accounting Function

(iii) Handal Engineering Sdn. Bhd. – Assets Management and Project Management Cycle

(iv) Handal Resources Berhad – Compliance review of Malaysian Code on Corporate Governance

(v) The recurrent related party transactions of the Group

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- Organisation chart defined clear management structure and lines of responsibility and reporting was established by the Group;
- Management authority limits for the Board, Board committees, Directors and Management team are in place;
- Statements of Policy and Procedures are established by the Group as control guidelines for the staff to follow in discharging their jobs responsibly;
- Regular visits to business operating units by key members of the Board and Management teams;
- Appropriate trainings are provided to the employees on a need-to basis to ensure that the employees acquire the necessary knowledge and competency to meet their performance and job expectations;
- Management meetings are conducted on a regular basis to review financial and operational performance, business development and other necessary areas; and
- Adoption of the American Petroleum Institute's Monogram, which is to maintain and continuously control the quality requirements of the Group's products and services.

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 Group Chief Executive Officer and Senior Manager of Finance that the Group's risk management and internal control system is operating adequately and effectively in all material aspects during the financial year 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

The external auditors have reviewed this Statement for inclusion in the Group's Annual Report for the financial year ended 31 December 2013. 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.

LIST OF PROPERTIES as at 31 December 2013

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

Location	PT 7358, Mukim Telok Kalong District of Kemaman Terengganu Darul Iman
Tenure	Leasehold for 60 Years expiring on 15.10.2066
Land/Built-Up Area	Land – 40,000 square metres/10 acres Building/Workshop – 5,955.75 square metres
Description/Existing Use	Industrial Lot/Fabrication yard/Workshop
Net Book Value at 31.12.2013	Land – RM2,339,836 Building – RM14,673,746 Total – RM17,013,582

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed 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	Company
	RM	RM
Profit/(loss) after taxation	1,939,690	(155,973)
Attributable to:		
Owners of the Company	1,974,162	(155,973)
Non-controlling interest	(34,472)	-
	1,939,690	(155,973)

DIVIDENDS

No dividends have been paid, declared or proposed by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps 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 are satisfied that there were no bad and doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off bad debts or to make an allowance for doubtful debts.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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; or

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, 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 of the Group and of the Company misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors:

(i) the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

TREASURY SHARES

During the financial year, the Company repurchased 80,000 of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.40 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

On 14 August 2013, the Company had disposed of 250,000 treasury shares valued at RM0.43 for a total net consideration of RM135,547 in the open market, resulting in a surplus of RM28,992 which has been credited to the share premium account as disclosed in Note 16 to the financial statements.

As at 31 December 2013, there were no treasury shares held.

DIRECTORS

The directors who served since the date of the last 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

DIRECTORS (continued)

The directors holding office at the end of the financial year and their interests in shares in the Company and its related companies, as recorded in the register of directors' shareholdings were as follows:

	Number of ordinary shares of RM0.50 each							
	Shareholdings registered in the name of the directors				Other shareholdings in which directors are deemed to have an interest			
The Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Dato' Mohsin Abdul Halim	25,288,887	-	-	**25,288,887**	11,991,296	-	857,600	**11,133,696**
Zahari Bin Hamzah	15,797,166	-	700,000	**15,097,166**	-	-	-	**-**
Joel Emanuel Heaney	11,509,700	-	250,000	**11,259,700**	-	-	-	**-**
Mallek Rizal Bin Mohsin	11,991,296	-	857,600	**11,133,696**	25,288,887	-	-	**25,288,887**
Lokman Razani Bin Abdul Razak	124,166	-	-	**124,166**	-	-	-	**-**

	Number of warrants with an exercise price of RM0.86 per ordinary share							
	Registered in the name of the directors				Others in which directors are deemed to have an interest			
The Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Dato' Mohsin Abdul Halim	9,333,332	-	200,000	**9,133,332**	4,701,530	-	4,701,530	**-**
Zahari Bin Hamzah	5,882,200	-	1,600,000	**4,282,200**	-	-	-	**-**
Joel Emanuel Heaney	5,141,200	-	5,141,200	**-**	-	-	-	**-**
Mallek Rizal Bin Mohsin	4,701,530	-	4,701,530	**-**	9,333,332	-	200,000	**9,133,332**
Lokman Razani Bin Abdul Razak	26,200	-	-	**26,200**	-	-	-	**-**

By virtue of their substantial interests in the shares of the Company, Dato' Mohsin Abdul Halim and Encik Mallek Rizal Bin Mohsin are also deemed to have interests in the shares of its subsidiaries to the extent the Company has an interest during the financial year.

Other than the above, none of the other directors holding office at the end of the financial year had any interest in shares and warrants in the Company and its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except that certain directors received remuneration from related companies in their capacities as directors/executives of those related companies.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

The registered office of the Company is located at 25-6, Jalan PJU 1/42A, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at Lot PT 7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu Darul Iman, Malaysia.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Sekhar & Tan, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors,

Joel Emanuel Heaney

Zahari Bin Hamzah

Kuala Lumpur
Date: 23 April 2014

STATEMENT BY DIRECTORS

We, **Joel Emanuel Heaney** and **Zahari Bin Hamzah**, being the directors of **HANDAL RESOURCES BERHAD** do hereby state that in the opinion of the directors, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year ended on that date and are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The information set out in Note 36 to the financial statements have been prepared in accordance with the 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.

Signed in accordance with a resolution of the directors,

Joel Emanuel Heaney

Zahari Bin Hamzah

Kuala Lumpur
Date: 23 April 2014

STATUTORY DECLARATION

I, **Mallek Rizal Bin Mohsin**, the director primarily responsible for the financial management of **HANDAL RESOURCES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **Mallek Rizal Bin Mohsin** at)
Kuala Lumpur in Wilayah Persekutuan on)

Mallek Rizal Bin Mohsin

Before me,

Commissioner for Oaths

Report on the Financial Statements

We have audited the financial statements of Handal Resources Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 53 to 119.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements so as to 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 that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 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.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act;

Report on Other Legal and Regulatory Requirements (continued)

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and

(c) Our 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 36 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.

Sekhar & Tan
No. AF 0926
Chartered Accountants

Siew Kah Toong
No. 1045/03/16 (J)
Chartered Accountant

Kuala Lumpur
Date:23 April 2014

		Group		Company	
	Note	2013	2012	2013	2012
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**68,063,175**	63,197,587	**95,658**	113,367
Intangible assets	5	**12,332,536**	12,332,536	**-**	-
Investment in subsidiary companies	6	**-**	-	**54,398,016**	52,058,000
Investment in a jointly controlled entity	7	**747**	1,434	**-**	-
Deferred tax assets	8	**200,453**	709,600	**-**	-
		80,596,911	76,241,157	**54,493,674**	52,171,367
Current assets					
Inventories	9	**9,559,949**	8,350,604	**-**	-
Work-in-progress		**11,662,911**	10,964,899	**-**	-
Trade and other receivables	10	**34,493,470**	26,670,025	**24,396,928**	19,476,302
Other current assets	11	**1,320,844**	8,081,004	**-**	13,600
Tax recoverable		**719,937**	1,583,055	**12,338**	9,487
Cash and cash equivalents	13	**23,699,089**	34,346,760	**6,113,195**	14,934,364
		81,456,200	89,996,347	**30,522,461**	34,433,753
TOTAL ASSETS		**162,053,111**	166,237,504	**85,016,135**	86,605,120

STATEMENTS OF FINANCIAL POSITION
at 31 December 2013 (continued)

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	**80,000,000**	80,000,000	**80,000,000**	80,000,000
Treasury shares	15	**-**	(74,370)	**-**	(74,370)
Reserves	16	**20,624,436**	18,647,136	**4,768,701**	4,895,682
		100,624,436	98,572,766	**84,768,701**	84,821,312
Non-controlling interest		**4,886**	13,504	**-**	-
Total equity		**100,629,322**	98,586,270	**84,768,701**	84,821,312
Non-current liabilities					
Loans and borrowings	17	**17,391,968**	25,104,164	**-**	-
Deferred tax liabilities	8	**3,127,866**	1,538,000	**20,966**	27,200
		20,519,834	26,642,164	**20,966**	27,200
Current liabilities					
Trade and other payables	18	**15,616,945**	17,621,004	**226,468**	1,756,608
Other current liabilities	19	**2,620,485**	-	**-**	-
Loans and borrowings	17	**22,666,525**	23,388,066	**-**	-
		40,903,955	41,009,070	**226,468**	1,756,608
Total liabilities		**61,423,789**	67,651,234	**247,434**	1,783,808
TOTAL EQUITY AND LIABILITIES		**162,053,111**	166,237,504	**85,016,135**	86,605,120

The notes on pages 60 to 119 form an integral part of these financial statements Auditors' report on pages 51 and 52

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year Ended 31 December 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	20	**100,747,091**	97,580,097	**1,598,300**	1,600,000
Cost of sales	21	**(64,845,728)**	(65,539,254)	**-**	-
Gross profit		**35,901,363**	32,040,843	**1,598,300**	1,600,000
Other income		**1,054,550**	1,491,164	**664,467**	955,899
Administrative expenses		**(25,362,727)**	(23,635,768)	**(2,403,155)**	(1,952,591)
Selling and distribution expenses		**(128,343)**	(187,710)	**-**	-
Other expenses		**(2,333,783)**	(3,866,554)	**-**	-
Profit/(loss) from operations		**9,131,060**	5,841,975	**(140,388)**	603,308
Finance costs		**(2,532,160)**	(1,677,568)	**-**	-
Share of loss of a jointly controlled entity		**(687)**	(263)	**-**	-
Profit/(loss) before taxation	22	**6,598,213**	4,164,144	**(140,388)**	603,308
Taxation	23	**(4,658,523)**	(1,230,730)	**(15,585)**	(36,651)
Profit/(loss) after taxation and total comprehensive income/(loss)		**1,939,690**	2,933,414	**(155,973)**	566,657
Profit/(loss) after taxation and total comprehensive income/(loss) attributable to:					
Owners of the Company		**1,974,162**	3,017,410		
Non-controlling interest		**(34,472)**	(83,996)		
		1,939,690	2,933,414		
Earnings per share attributable to Owners of the Company (sen):					
Basic	24	**1.23**	1.89		
Diluted	24	**N/A**	N/A		

The notes on pages 60 to 119 form an integral part of these financial statements Auditors' report on pages 51 and 52

STATEMENTS OF CHANGES IN EQUITY
Year Ended 31 December 2013

		← Attributable to owners of the Company →							
		← Non-distributable →			← Distributable →				
Group	Note	Share capital	Share premium	Warrant reserve	Treasury shares	Retained profits	Total	Non-controlling interests	Total equity
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2012		80,000,000	-	6,600,000	-	12,321,691	98,921,691	5,535	98,927,226
Transfer	16	-	-	(3,939,535)	-	3,939,535	-	-	-
Total comprehensive income for the year		-	-	-	-	3,017,410	3,017,410	(83,996)	2,933,414
Transactions with owners:									
Dilution arising from change in stake	6	-	-	-	-	(91,965)	(91,965)	91,965	-
Share repurchased	15	-	-	-	(74,370)	-	(74,370)	-	(74,370)
Dividends	25	-	-	-	-	(3,200,000)	(3,200,000)	-	(3,200,000)
At 31 December 2012 / 1 January 2013		**80,000,000**	**-**	**2,660,465**	**(74,370)**	**15,986,671**	**98,572,766**	**13,504**	**98,586,270**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**1,974,162**	**1,974,162**	**(34,472)**	**1,939,690**
Transactions with owners:									
Dilution arising from change in stake	6	**-**	**-**	**-**	**-**	**(25,854)**	**(25,854)**	**25,854**	**-**
Shares repurchased	15	**-**	**-**	**-**	**(32,185)**	**-**	**(32,185)**	**-**	**(32,185)**
Shares reissued	15	**-**	**28,992**	**-**	**106,555**	**-**	**135,547**	**-**	**135,547**
At 31 December 2013		**80,000,000**	**28,992**	**2,660,465**	**-**	**17,934,979**	**100,624,436**	**4,886**	**100,629,322**

		Atttributable to owners of the Company					
		Non-distributable			Distributable		
Company	**Note**	**Share capital**	**Share premium**	**Warrant reserve**	**Treasury shares**	**Retained profits**	**Total**
		RM	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2012		80,000,000	-	6,600,000	-	929,025	87,529,025
Total comprehensive income for the year		-	-	-	-	566,657	566,657
Transfer	16	-	-	(3,939,535)	-	3,939,535	-
Transactions with owners:							
Shares repurchased	15	-	-	-	(74,370)	-	(74,370)
Dividends	25	-	-	-	-	(3,200,000)	(3,200,000)
At 31 December 2012 / 1 January 2013		**80,000,000**	**-**	**2,660,465**	**(74,370)**	**2,235,217**	**84,821,312**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(155,973)**	**(155,973)**
Transactions with owners:							
Shares repurchased	15	**-**	**-**	**-**	**(32,185)**	**-**	**(32,185)**
Disposal of treasury shares	15	**-**	**28,992**	**-**	**106,555**	**-**	**135,547**
At 31 December 2013		**80,000,000**	**28,992**	**2,660,465**	**-**	**2,079,244**	**84,768,701**

The notes on pages 60 to 119 form an integral part of these financial statements Auditors' report on pages 51 and 52

STATEMENTS OF CASH FLOWS
Year Ended 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**6,598,213**	4,164,144	**(140,388)**	603,308
Adjustments for:				
Depreciation	**3,085,973**	3,040,947	**24,883**	22,928
Dividend income	**(19,970)**	(83,860)	**(19,970)**	(83,860)
Gain on disposal of quoted non-equity investments	**(8,159)**	(28,924)	**(8,159)**	(28,924)
Interest income	**(396,607)**	(395,538)	**(443,307)**	(356,987)
Interest expenses	**2,532,160**	1,677,568	**-**	-
Loss on disposal of property, plant and equipment	**17**	113,035	**-**	-
Property, plant and equipment written off	**5,288**	2,608	**-**	-
Net unrealised loss on foreign exchange	**71,445**	2,429	**-**	-
Share of loss of a jointly controlled entity	**687**	263	**-**	-
Income from short term investment	**(125,737)**	(203,466)	**(125,737)**	(203,466)
Operating profit/(loss) before working capital changes	**11,743,310**	8,289,206	**(712,678)**	(47,001)
Increase in inventories	**(1,209,345)**	(2,647,385)	**-**	-
Increase in work-in-progress	**(285,684)**	(1,573,976)	**-**	-
(Increase)/decrease in receivables	**(6,916,375)**	770,730	**(6,803,735)**	(13,494,843)
Decrease in amount due from customers for contract work	**5,853,090**	2,851,453	-	-
(Decrease)/increase in payables	**(468,572)**	(2,563,583)	**68,160**	(81,261)
Increase/(decrease) in amount due to customers for contract work	**2,620,485**	(151,000)	**-**	-
Cash generated from/(absorbed by) operations	**11,336,909**	4,975,445	**(7,448,253)**	(13,623,105)
Interest paid	**(531,167)**	(314,082)	**-**	-
Tax paid	**(1,716,360)**	(2,097,625)	**(44,638)**	(44,638)
Tax refunded	**19,968**	-	**19,968**	-
Net cash from/(used in) operating activities	**9,109,350**	2,563,738	**(7,472,923)**	(13,667,743)

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Short term investment income received	**125,737**	203,466	**125,737**	203,466
Interest received	**396,607**	395,538	**-**	-
Dividend received	**19,970**	83,860	**19,970**	83,860
Net proceed from disposal of quoted non-equity investments	**8,159**	28,924	**8,159**	28,924
Acquisition of intellectual property	**-**	(3,598,875)	**-**	-
Placement of fixed deposits	**-**	(2,345,538)	**-**	-
Withdrawal of fixed deposits	**756,084**	-	**-**	-
Proceed from disposal of property, plant and equipment	**400**	5,000,000	**-**	-
Purchase of property, plant and equipment (Note 4)	**(8,301,594)**	(17,636,539)	**(7,174)**	(22,310)
Net cash (used in)/from investing activities	**(6,994,637)**	(17,869,164)	**146,692**	293,940
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	**(1,902,852)**	(1,363,486)	**-**	-
Dividends paid	**(1,598,300)**	(1,600,000)	**(1,598,300)**	(1,600,000)
Drawdown of bankers' acceptances	**713,000**	1,742,000	**-**	-
Proceed from disposal of treasury shares	**135,547**	-	**135,547**	-
Repayment of hire purchase payables	**(133,338)**	(104,860)	**-**	-
Repayment of term loan	**(7,091,189)**	(5,090,387)	**-**	-
Purchase of treasury shares	**(32,185)**	(74,370)	**(32,185)**	(74,370)
Net cash used in financing activities	**(9,909,317)**	(6,491,103)	**(1,494,938)**	(1,674,370)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(7,794,604)**	(21,796,529)	**(8,821,169)**	(15,048,173)
CURRENCY TRANSLATION DIFFERENCE	**(8,632)**	(2,631)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11,161,892**	32,961,052	**14,934,364**	29,982,537
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 13)	**3,358,656**	11,161,892	**6,113,195**	14,934,364

The notes on pages 60 to 119 form an integral part of these financial statements Auditors' report on pages 51 and 52

1. CORPORATE INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The consolidated financial statements of the Company as at reporting date and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in a joint venture.

The financial statements of the Group and of the Company were authorised for issue in accordance with a resolution of the directors on 23 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise disclosed in the accounting policies below, and in accordance with Malaysian Financial Reporting Standards [“MFRSs”], International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The preparation of the financial statements in conformity with MFRSs requires management to exercise its judgement in the process of applying the Group’s and the Company’s accounting policies. 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 reported amounts of revenues and expenses during the year. Although these estimates are based on the management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 3 to the financial statements.

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee [“IC”] Interpretations have been issued by the Malaysian Accounting Standards Board [“MASB”] but are not yet effective and have not been adopted by the Group and the Company:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Accounting (continued)

Effective for annual financial periods beginning on or after 1 January 2014:

Amendments to MFRS 10	*Consolidated Financial Statements: Investment Entities*
Amendments to MFRS 12	*Disclosure of Interests in Other Entities: Investment Entities*
Amendments to MFRS 127	*Separate Financial Statements: Investment Entities*
Amendments to MFRS 132	*Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139	*Novation of Derivatives and Continuation of Hedge Accounting*
IC Interpretation 21	*Levies*

Effective for annual financial periods beginning on or after 1 July 2014:

Amendments to MFRS 2	*Share-based Payment*
Amendments to MFRS 3	*Business Combinations*
Amendments to MFRS 8	*Operating Segments*
Amendments to MFRS 13	*Fair Value Measurement*
Amendments to MFRS 116	*Property, Plant and Equipment*
Amendments to MFRS 119	*Defined Benefit Plans: Employee Contributions*
Amendments to MFRS 124	*Related Party Disclosures*
Amendments to MFRS 138	*Intangible Assets*
Amendments to MFRS 140	*Investment Property*

Effective for a date yet to be confirmed:

MFRS 9	*Financial Instruments (2009)*
MFRS 9	*Financial Instruments (2010)*
Amendments to MFRS 9	*Mandatory Effective Date of MFRS 9 and Transition Disclosures*
Amendments to MFRS 9	*Financial Instruments – Hedge Accounting and Amendments to MFRS9, MFRS 7 and MFRS 139*

Amendments to MFRS 140 and IC Interpretation 21 will not have any financial impact to the Group and the Company as it is not relevant to the Company's operations.

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material financial effect to the financial statements of the Group and the Company upon their initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction cost, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisition before 1 January 2011 has been carried forward from the previous FRS Framework as at the date of transition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Joint ventures - Jointly controlled entities

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The consolidated income statements reflect the Group's share of the results of operations of the joint venture. Any change in OCI of these investees is presented as part of the Group's OCI. In addition, where there has been a change recognised directly in the equity of a joint venture, the Group recognised its share of such change, when applicable, in the consolidated statement of changes in equity. Unrealised gains or losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. When the Group's share of losses exceeds its interest in a joint venture, the Group does not recognise further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is charged or credited to profit or loss.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the other comprehensive income for the year between the non-controlling interests and owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(vi) Non-controlling interests (continued)

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company 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 of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise 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%
Building	2%
Crane and machineries	20%
Motor vehicles	20%
Furniture, fittings and office equipment	10% to 25%
Workshop equipment	10%
Renovation	15%

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment and depreciation (continued)

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.

(d) 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(e).

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.

(e) Impairment of non-financial assets

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

For property, plant and equipment that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its revised recoverable amount. That increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(f) Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The Group and the Company do not have any held-to-maturity investments and available-for-sale financial assets at the current and previous reporting date.

(i) Financial assets at fair value through profit or loss ["FVTPL"]

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income.

Financial assets at FVTPL could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets (continued)

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

(g) Impairment of financial assets

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

<u>Trade and other receivables and other financial assets carried at amortised cost</u>

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

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

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

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

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost of raw materials, consumables and crane components comprises all costs of purchase plus incidentals in bringing these inventories to their present location and condition.

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

(i) Work-in-progress

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Amount due from/(to) contract customers

Amount due from contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Amount due from contract customers is presented as part of total current assets in the statement of financial position. Where progress billings exceed the cost incurred plus recognised profits (less recognised losses), the net credit balance on all such contracts is shown as amount due to contract customers as part of the total current liabilities in the statement of financial position.

(k) Non-current asset held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the non-current assets are measured in accordance with applicable MFRS. On initial classification as held for sale, non-current assets or disposal groups (other than deferred tax assets, employee benefits assets and financial assets carried at fair value) are measured at the lower of carrying amount immediately before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

Non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) on the face of the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current assets (or disposal groups) classified as held for sale is presented separately.

If the Group has classified an asset (or disposal group) as held for sale but subsequently the criteria for classification is no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or cease to be included in a disposal group classified as held for sale) at the lower of:

(i) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and

(ii) its recoverable amount at the date of the subsequent decision not to sell.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group and the Company do not have any financial liabilities at fair value through profit or loss at the current and previous reporting date.

Other financial liabilities

Other financial liabilities include trade and other payables, and borrowings.

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

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

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

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

(m) 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial guarantee contracts (continued)

The fair value of financial guarantee contracts is the estimated amount that would be payable to the holder for assuming the obligations.

(n) Leases

(i) Finance lease

Assets acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Group and the Company are recognised initially at amounts equal to the fair value of the leased assets 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 and the Company's incremental borrowing rate is used. Any initial direct costs incurred by the Group and the Company 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(c). 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 to produce a constant periodic rate of charge on the remaining balance of the obligations for each period.

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

(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

Leases 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 (p)(iii).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When 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 reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(p) 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 it is probable that the economic benefits associated with the transaction will flow to the Group and the Company, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured. The Group and the Company 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 and the Company's activities before revenue is recognise:

(i) Goods sold and services rendered

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer and where the Group and the Company retain neither continuing managerial involvement over the goods, which coincides with delivery of goods and acceptance by customers.

Revenue from services rendered, which are of short term in nature, is recognised in the profit or loss upon the completion of services rendered and customers' acceptance.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue recognition (continued)

(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.

(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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 employees have rendered the associated services.

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.

The Group and the Company 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.

(r) 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.

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 directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) Taxation

The tax expense in the statement of profit or loss and other comprehensive income comprises current and deferred tax.

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and carry forward of unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and carry forward of unused tax credits can be utilised except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Taxation (continued)

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

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

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

(u) 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 and the Company in the management of its short term funding requirements. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(v) 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 outstanding during the period net of 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.

(w) 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.

(x) 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 and the Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Fair value measurements

From 1 January 2013, the Group and the Company adopted MFRS 13 Fair Value Measurement which prescribed that 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 the 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.

In accordance with the transitional provision of MFRS 13, the Group and the Company applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's and of the Company's assets or liabilities other than the additional disclosures.

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated by the management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

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

<u>Impairment of Intellectual Property</u>

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 ESTIMATES AND JUDGEMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

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.

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 2013 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.

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.

Impairment of Loans and Receivables

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

Impairment of Goodwill

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

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

(b) Critical judgements in applying 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 and the Company's accounting policies:

Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences. The details are disclosed in Note 8 to the financial statements.

Accrued Revenue

As disclosed in the Note 10 to the financial statements, the Group has recognised the accrued revenue for those contract jobs which have been completed and are pending the issuance of documentation for invoicing. The costs related to the accrued revenue have been charged to Statement of Profit or Loss. 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 transaction have been reliably measured.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2013	Additions	Written-off	Reclassification	Transfer to work-in-progress	Disposal	Depreciation charge for the year	Balance as at 31.12.2013
	RM	RM	RM	RM	RM	RM	RM	RM
Carrying amount								
Long leasehold land	2,384,158	-	-	-	-	-	(44,322)	2,339,836
Building	14,988,742	-	-	-	-	-	(314,996)	14,673,746
Crane and machineries	4,297,364	515,697	-	1,378,216	-	-	(1,896,458)	4,294,819
Motor vehicles	433,720	-	-	-	-	-	(174,988)	258,732
Furniture, fittings and office equipment	1,554,588	264,165	(5,288)	-	-	(417)	(438,206)	1,374,842
Workshop equipment	476,374	38,984	-	135,705	-	-	(95,760)	555,303
Renovation	311,194	461,891	-	41,075	-	-	(121,243)	692,917
Capital work-in-progress	38,751,447	7,088,857	-	(1,554,996)	(412,328)	-	-	43,872,980
	63,197,587	8,369,594	(5,288)	-	(412,328)	(417)	(3,085,973)	68,063,175

	At 31.12.2013 Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Long leasehold land	2,659,290	319,454	2,339,836
Building	15,749,761	1,076,015	14,673,746
Crane and machineries	19,303,052	15,008,233	4,294,819
Motor vehicles	1,410,653	1,151,921	258,732
Furniture, fittings and office equipment	2,758,133	1,383,291	1,374,842
Workshop equipment	786,658	231,355	555,303
Renovation	948,039	255,122	692,917
Capital work-in-progress	43,872,980	-	43,872,980
	87,488,566	19,425,391	68,063,175

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (Continued)	Balance as at 1.1.2012	Additions	Written-off	Transfer to work-in-progress	Depreciation charge for the year	Balance as at 31.12.2012
	RM	RM	RM	RM	RM	RM
Carrying amount						
Long leasehold land	2,428,480	-	-	-	(44,322)	2,384,158
Building	15,303,738	-	-	-	(314,996)	14,988,742
Crane and machineries	5,920,493	374,962	-	-	(1,998,091)	4,297,364
Motor vehicles	505,653	97,488	-	-	(169,421)	433,720
Furniture, fittings and office equipment	1,429,411	508,302	(2,608)	-	(380,517)	1,554,588
Workshop equipment	489,430	75,544	-	-	(88,600)	476,374
Renovation	192,159	164,035	-	-	(45,000)	311,194
Capital work-in-progress	25,132,826	16,541,808	-	(2,923,187)	-	38,751,447
	51,402,190	17,762,139	(2,608)	(2,923,187)	(3,040,947)	63,197,587

	At 31.12.2012		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Long leasehold land	2,659,290	275,132	2,384,158
Building	15,749,761	761,019	14,988,742
Crane and machineries	17,409,139	13,111,775	4,297,364
Motor vehicles	1,410,653	976,933	433,720
Furniture, fittings and office equipment	2,845,691	1,291,103	1,554,588
Workshop equipment	676,346	199,972	476,374
Renovation	445,075	133,881	311,194
Capital work-in-progress	38,751,447	-	38,751,447
	79,947,402	16,749,815	63,197,587

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2013	Additions	Depreciation charge for the year	Balance as at 31.12.2013
	RM	RM	RM	RM
Carrying amount				
Furniture, fittings and office equipment	**94,507**	**7,174**	**(20,750)**	**80,931**
Renovation	**18,860**	**-**	**(4,133)**	**14,727**
	113,367	**7,174**	**(24,883)**	**95,658**

	At 31.12.2013		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Furniture, fittings and office equipment	**145,321**	**64,390**	**80,931**
Renovation	**31,548**	**16,821**	**14,727**
	176,869	**81,211**	**95,658**

	Balance as at 1.1.2012	Additions	Depreciation charge for the year	Balance as at 31.12.2012
	RM	RM	RM	RM
Carrying amount				
Furniture, fittings and office equipment	90,393	22,310	(18,196)	94,507
Renovation	23,592	-	(4,732)	18,860
	113,985	22,310	(22,928)	113,367

	At 31.12.2012		
	Cost	Accumulated depreciation	Carrying amount
	RM	RM	RM
Furniture, fittings and office equipment	138,147	43,640	94,507
Renovation	31,548	12,688	18,860
	169,695	56,328	113,367

4. PROPERTY, PLANT AND EQUIPMENT (continued)

At the reporting date:

(a) the long leasehold land and building of the Group have been pledged to a licensed financial institution for banking facilities granted to the Group referred to in Notes 17 and 26 to the financial statements.

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

	2013 RM	2012 RM
Crane rental	**-**	189,610
Term loan interest	**319,315**	1,298,548
Staff costs:		
Employees' provident fund	**444,933**	1,275,806
Salaries and other benefits	**16,047**	32,352
	780,295	2,796,316

(c) included in the capital work-in-progress is an amount of RM34,241,235 (2012: RM33,386,756) which has been pledged to a licensed financial institution for banking facilities granted to the Group referred to in Note 17 to the financial statements.

(d) the carrying amount of the Group's property, plant and equipment held under hire purchase (Note 27) in respect of which instalments are outstanding are as follows:

	2013 RM	2012 RM
Machinery	**210,375**	149,150
Motor vehicles	**123,993**	256,483
	334,368	405,633

(e) Purchase of property, plant and equipment:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Aggregate cost	**8,369,594**	17,762,139	**7,174**	22,310
Financed by:				
Finance lease liabilities	**(68,000)**	(125,600)	**-**	-
Cash consideration	**8,301,594**	17,636,539	**7,174**	22,310

5. INTANGIBLE ASSETS

Group	2013	2012
	RM	RM
At cost:		
Intellectual property	**11,958,567**	11,958,567
Goodwill on consolidation	**373,969**	373,969
	12,332,536	12,332,536

(a) 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 indefinite period.

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

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

The management carried out an annual review of recoverable amounts of its goodwill each financial year. The review in the current financial year did not give rise to impairment losses.

The Group believes that any reasonable possible change in the above key assumptions applied are not likely to materially cause recoverable amounts to be lower than their carrying amounts.

6. INVESTMENT IN SUBSIDIARY COMPANIES

Company	2013 RM	2012 RM
Unquoted equity shares, at cost	**54,398,016**	52,058,000

The details of the subsidiary companies are as follows:

Name of company	Principle place of business/ country of incorporation	Principal activities	Effective interest 2013 %	Effective interest 2012 %
Direct subsidiary companies of the Company				
Handal Offshore Services Sdn. Bhd. ["HOSSB"]	Malaysia	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.	**100**	100
Handal Engineering Sdn. Bhd. ["HESB"]	Malaysia	Selling of industrial plant and equipment and telecommunication equipment.	**100**	100
Handrill Sdn. Bhd. ["HSB"]	Malaysia	Consultants in engineering project support services.	**98.88**	97.64
Handscomms Sdn. Bhd. ["HCSB"]	Malaysia	Providing all kinds of telecommunication hardwares and softwares in relation to video conferencing systems, broadcasting systems and system maintaining for call centres.	**100**	100

6. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of company	Principle place of business/ country of incorporation	Principal activities	Effective interest 2013 %	Effective interest 2012 %
Direct subsidiary companies of the Company				
Handal E&P Sdn. Bhd. ["HEPSB"]	Malaysia	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.	**100**	100
Handal Offshore East Malaysia Sdn. Bhd. ["HOEM"]	Malaysia	Consultant in engineering project support services relating to the manufacturing, construction and oil and gas industries; however, it has not commenced operations.	**100**	100

Additional investment in subsidiary companies

In the previous year, the Company :

(i) through its subsidiary company, HOSSB, acquired one ordinary share of RM1 each in HOEM for a cash consideration of RM1, thereby increasing its equity interest from 50% to 100%;

(ii) subscribed to additional 500,000 ordinary shares of RM1 each in its wholly-owned subsidiary, HESB, for a total cash consideration of RM500,000;

(iii) subscribed to additional 1,620,000 ordinary shares of RM1 each in HSB, for a total cash consideration of RM1.62 million, thereby increasing its equity interest from 90% to 97.64%; and

(iv) subscribed to 12,700,000 Irredeemable Convertible Preference Shares of RM1 each issued by its subsidiary, HSB, which amounted to RM12.7 million.

During the year, the Company subscribed an additional of 2,340,016 ordinary shares of RM1 each of HSB for a total consideration of RM2,340,016, thereby increasing its equity interest from 97.64% to 98.88%.

7. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

Group	2013 RM	2012 RM
Unquoted equity shares, at cost	**1,697**	1,697
Share of post-acquisition loss	**(950)**	(263)
	747	1,434

The details of the jointly controlled entity are as follows:

Name of company	Principle place of business/ country of incorporation	Principal activities	Effective interest 2013 %	Effective interest 2012 %
PT Handal Intidaya Energy	Indonesia	Providing technical services for crane and lifting equipments, operations and maintenance services; however, it has not commenced operations.	**50**	50

8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At 1 January	**(828,400)**	(1,723,900)	**(27,200)**	(25,700)
Recognised in profit or loss	**(2,099,013)**	895,500	**6,234**	(1,500)
At 31 December	**(2,927,413)**	(828,400)	**(20,966)**	(27,200)

8. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Presented after appropriate offsetting as follows:				
Deferred tax assets	**200,453**	709,600	**-**	-
Deferred tax liabilities	**(3,127,866)**	(1,538,000)	**(20,966)**	(27,200)
	(2,927,413)	(828,400)	**(20,966)**	(27,200)

The components and movements of deferred tax assets and deferred tax liabilities during the year prior to offsetting are as follows:

Group

Deferred tax assets	Property, plant and equipment RM	Unabsorbed tax losses and unutilised capital allowances RM	Unrealised foreign exchange loss RM	Foreseeable loss RM	Total RM
At 1 January 2012	-	8,900	38,600	-	47,500
Recognised in profit or loss (Note 23)	-	293,600	(36,400)	522,200	779,400
Tax set off	(48,100)	-	-	(69,200)	(117,300)
At 31 December 2012	(48,100)	302,500	2,200	453,000	709,600
Recognised in profit or loss (Note 23)	1,774	(53,769)	(2,200)	(522,200)	(576,395)
Tax set off	1,804	-	(3,756)	69,200	67,248
At 31 December 2013	**(44,522)**	**248,731**	**(3,756)**	**-**	**200,453**

8. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Group

Deferred tax liabilities	**Property, plant and equipment RM**	**Unrealised foreign exchange (gain)/loss RM**	**Intangible asset RM**	**Total RM**
At 1 January 2012	(1,771,200)	(200)	-	(1,771,400)
Recognised in profit or loss (Note 23)	117,400	(1,300)	-	116,100
Tax set off	47,900	200	69,200	117,300
At 31 December 2012	(1,605,900)	(1,300)	69,200	(1,538,000)
Recognised in profit or loss (Note 23)	273,623	(2,456)	(1,793,785)	(1,522,618)
Tax set off	(1,804)	3,756	(69,200)	(67,248)
At 31 December 2013	**(1,334,081)**	**-**	**(1,793,785)**	**(3,127,866**

Company

Deferred tax liabilities	**Property, plant and equipment RM**
At 1 January 2012	(25,700)
Recognised in profit or loss (Note 23)	(1,500)
At 31 December 2012	(27,200)
Recognised in profit or loss (Note 23)	6,234
At 31 December 2013	(20,966)

8. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

The amount of temporary differences for which no deferred tax assets have been recognised in the statement of financial position is as follows (stated at gross):

Group	2013 RM	2012 RM
Unabsorbed capital allowances and tax losses available for set off against future taxable profits	**4,091,400**	1,572,000
Temporary difference on the excess of capital allowances over the corresponding depreciation	**(132,500)**	(78,000)
	3,958,900	1,494,000

In 2012, a foreseeable loss and unrecognised tax losses and capital allowances of RM1,812,142 and RM1,210,075 respectively of subsidiaries that were suffering losses were recognised as management considered it probable that future taxable profits will be available against which they can be utilised. In 2013, management had utilised the foreseeable loss and further revised its estimates for unrecognised tax losses and capital allowances for a subsidiary based on potential projects. As a result, a decrease of approximately RM509,000 of previously foreseeable loss and unrecognised tax losses and capital allowances were recognised in 2013.

9. INVENTORIES

Group	2013 RM	2012 RM
At cost:		
Raw materials, consumables and crane components	**9,559,949**	8,350,604

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Trade receivables	**20,955,125**	25,509,485	**-**	-
Accrued revenue	**13,016,524**	-	**-**	-
Other receivables:				
Third parties	**135,755**	749,035	**5,500**	1,350
Deposits	**256,444**	296,015	**2,600**	2,600
Advances	**129,622**	115,490	**-**	-
	521,821	1,160,540	**8,100**	3,950
Unsecured cash advances which are payable on demand by subsidiary companies:				
Interest bearing at 4% (2012: 4%)	**-**	-	**9,364,353**	9,635,442
Interest-free	**-**	-	**15,024,475**	9,836,910
	-	-	**24,388,828**	19,472,352
	34,493,470	26,670,025	**24,396,928**	19,476,302

Accrued revenue consists of contract jobs which have been completed and pending the issuance of documentation for invoicing.

(a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal credit term ranges from 30 days to 60 days (2012: 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.

10. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

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

Group

	2013 RM	2012 RM
Neither past due nor impaired	**9,784,330**	11,421,228
1 to 30 days past due not impaired	**3,679,494**	5,646,958
31 to 60 days past due not impaired	**1,469,448**	2,807,231
61 to 90 days past due not impaired	**999,703**	2,050,631
More than 90 days past due not impaired	**5,022,150**	3,583,437
	11,170,795	14,088,257
	20,955,125	25,509,485

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 RM11,170,795 (2012: RM14,088,257) that are past due at the reporting date but not impaired. These are unsecured in nature.

11. OTHER CURRENT ASSETS

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Prepayments	**399,273**	1,306,343	**-**	13,600
Due from customers for contract work (Note 12)	**921,571**	6,774,661	**-**	-
	1,320,844	8,081,004	**-**	13,600

12. DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

Group	2013	2012
	RM	RM
Contract costs incurred to date	**42,576,640**	52,124,916
Recognised profits	**1,204,650**	2,925,864
Recognised losses	**(2,162,241)**	(2,798,622)
	41,619,049	52,252,158
Less: Progress billings	**(43,281,168)**	(45,477,497)
	(1,662,119)	6,774,661
Represented by:		
Due from customers for contract work (Note 11)	**921,571**	6,774,661
Due to customers for contract work (Note 19)	**(2,583,690)**	-
	(1,662,119)	6,774,661

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Deposits with licensed banks	**14,215,232**	14,991,637	**-**	-
Deposits with a fund management corporation	**176,244**	7,178,807	**176,244**	7,178,807
Quoted non-equity investments	**5,483,898**	7,461,675	**5,483,898**	7,461,675
Cash and bank balances	**3,823,715**	4,714,641	**453,053**	293,882
Cash and cash equivalents as presented in the statement of financial position	**23,699,089**	34,346,760	**6,113,195**	14,934,364
Bank overdrafts (Note 17)	**(6,239,086)**	(8,327,437)	**-**	-
Deposits pledged as collateral*	**(14,101,347)**	(14,857,431)	**-**	-
Cash and cash equivalents as presented in the statement of cash flows	**3,358,656**	11,161,892	**6,113,195**	14,934,364
Market value of quoted non-equity investments	**5,483,898**	7,461,675	**5,483,898**	7,461,675

* The deposits have been pledged to licensed banks as continuing security for banking facilities granted to certain subsidiary companies as referred to Notes 17 and 26 to the financial statements.

Information on financial risks of cash and cash equivalents are disclosed in Note 31 to the financial statements.

14. NON-CURRENT ASSET HELD FOR SALE

Group	2013	2012
	RM	RM
At 1 January	**-**	5,000,000
Less: Disposal during the year	**-**	(5,000,000)
At 31 December	**-**	-

15. SHARE CAPITAL

Group and Company	Number of shares 2013	Number of shares 2012	Amount 2013 RM	Amount 2012 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

During the year, the Company repurchased 80,000 (2012: 170,000) of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.40 (2012: RM0.44) per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

In August 2013, the Company had disposed of 250,000 (2012: Nil) treasury shares for a total net consideration of RM135,547 in the open market, resulting in a surplus of RM28,992 which has been credited to the share premium account as disclosed in Note 16 to the financial statements.

At the reporting date, the number of outstanding ordinary shares in issue after setting off the treasury shares of Nil (2012: 170,000) against its equity of 160,000,000 is 160,000,000 (2012: 159,830,000).

The details relating to the repurchase during the year are as follows:

	Number of shares 2013	Number of shares 2012	Amount 2013 RM	Amount 2012 RM
At 1 January	**170,000**	-	**74,370**	-
Shares repurchased during the year	**80,000**	170,000	**32,185**	74,370
Shares disposed during the year	**(250,000)**	-	**(106,555)**	-
At 31 December	**-**	170,000	-	74,370

16. RESERVES

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Non-distributable				
Share premium	**28,992**	-	**28,992**	-
Warrant reserve	**2,660,465**	2,660,465	**2,660,465**	2,660,465
Distributable				
Retained profits	**17,934,979**	15,986,671	**2,079,244**	2,235,217
	20,624,436	18,647,136	**4,768,701**	4,895,682

(a) Share premium

Group and Company

	2013	2012
	RM	RM
At 1 January	-	-
Disposal of treasury shares	**28,992**	-
At 31 December	**28,992**	-

(b) Warrant reserve

In previous year, there is a fair value adjustment on warrant reserve against retained profits which amounted to RM3,939,535.

The warrants were admitted, listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 8 April 2011.

The number of outstanding warrants as at the reporting date is 60,000,000 (2012: 60,000,000).

17. LOANS AND BORROWINGS

Group	Note	2013 RM	2012 RM
Current liabilities			
Secured:			
Hire purchase payables	27	**131,927**	131,429
Bank overdrafts	26	**6,239,086**	8,327,437
Bankers' acceptances	26	**8,482,000**	7,769,000
Term loan I		**4,447,078**	4,470,621
Term loan II		**-**	198,925
Term loan III		**3,366,434**	2,490,654
		22,666,525	23,388,066
Non-current liabilities			
Secured:			
Hire purchase payables	27	**118,972**	184,808
Term loan I		**4,400,032**	8,800,024
Term loan III		**12,872,964**	16,119,332
		17,391,968	25,104,164
Total borrowings			
Secured:			
Hire purchase payables	27	**250,899**	316,237
Bank overdrafts	26	**6,239,086**	8,327,437
Bankers' acceptances	26	**8,482,000**	7,769,000
Term loan I		**8,847,110**	13,270,645
Term loan II		**-**	198,925
Term loan III		**16,239,398**	18,609,986
		40,058,493	48,492,230

17. LOANS AND BORROWINGS (Continued)

Term loans

Term loan I is secured by the following:

(i) facilities agreement;

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

(iii) pledge of fixed deposits on lien of a subsidiary company as disclosed in Note 13 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 amount of a subsidiary company; and

(vi) corporate guarantee by the Company.

Term loan I will be repayable by 59 equal monthly principal instalments of RM366,666 each and a final instalment of RM366,706 commenced in January 2011.

Term loan II is secured by the following:

(i) facilities agreement;

(ii) pledge of first party fixed deposit of a subsidiary company as disclosed in Note 13 to the financial statements;

(iii) quarterly placement of fixed deposit of RM50,000;

(iv) corporate guarantee by the Company; and

(v) specific debenture over the assets finance.

Term loan II will be repayable by 60 equal monthly instalments of RM58,769 each commenced in July 2008.

Term loan III is secured by the following:

(i) facilities agreement;

17. LOANS AND BORROWINGS (Continued)

Term loans (continued)

(ii) specific debenture incorporating a fixed charge over the rig under the capital work-in-progress of a subsidiary company as disclosed in Note 4 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 III will be repayable by 60 monthly instalments of RM366,323 commencing in April 2013.

Information on financial risks of loans and borrowings are disclosed in Note 31 to the financial statements.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Trade payables	**12,371,401**	13,243,103	**-**	-
Other payables	**1,985,173**	1,908,195	**103,638**	30,778
Accruals	**1,260,371**	869,706	**122,830**	125,830
Dividend payable	**-**	1,600,000	**-**	1,600,000
	3,245,544	4,377,901	**226,468**	1,756,608
	15,616,945	17,621,004	**226,468**	1,756,608

Trade payables are non-interest bearing and normal credit terms range from 30 days to 90 days (2012: 30 days to 90 days).

19. OTHER CURRENT LIABILITIES

Group	**2013**	**2012**
	RM	**RM**
Due to customers for contract work (Note 12)	**2,583,690**	-
Progress billing	**36,795**	-
	2,620,485	**-**

20. REVENUE

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Fabrication of cranes	**7,235,556**	17,607,422	**-**	-
Integrated crane services	**70,278,821**	56,588,114	**-**	-
Workover projects lifting solutions	**8,120,195**	10,690,510	**-**	-
Trading and projects services	**15,112,519**	12,694,051	**-**	-
Dividend income from a subsidiary company	**-**	-	**1,598,300**	1,600,000
	100,747,091	97,580,097	**1,598,300**	1,600,000

21. COST OF SALES

Group	**2013**	**2012**
	RM	**RM**
Cost of fabrication of cranes	**7,533,759**	17,812,075
Cost of integrated crane services rendered	**43,130,505**	31,548,232
Cost of workover projects lifting solutions	**1,931,287**	4,279,922
Cost of trading and projects services rendered	**12,250,177**	11,899,025
	64,845,728	65,539,254
Recognised in profit or loss:		
Inventories and work-in-progress recognised as cost of sales	**50,088,759**	51,013,942

22. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
This has been arrived at:				
after charging:				
Auditors' remuneration:				
Statutory audit	**82,900**	81,500	**25,000**	25,000
Other services	**3,180**	-	**3,180**	-
Underprovision of prior year's audit free	**2,120**	-	**-**	-
Depreciation	**3,085,973**	3,040,947	**24,883**	22,928
Interest expenses of financial liabilities that are not at fair value through profit or loss:				
Bank overdrafts	**531,167**	325,806	**-**	-
Bankers' acceptances	**369,801**	332,126	**-**	-
Hire purchase	**20,843**	20,302	**-**	-
Term loans	**1,610,349**	999,334	**-**	-
Loss on disposal of property, plant and equipment	**17**	113,035	**-**	-
Loss on foreign exchange:				
Realised	**5,477**	139,391	**-**	-
Unrealised	**87,269**	8,624	**-**	-
Property, plant and equipment written off	**5,288**	2,608	**-**	-
Rental expenses:				
Land	**409,680**	404,680	**-**	-
Premises	**359,562**	406,107	**60,062**	44,942
Equipment	**81,820**	62,330	**1,430**	650
Motor vehicles	**66,558**	110,026	**-**	-
Directors' remuneration:				
Directors of the Company:				
Employees' provident fund	**214,920**	245,280	**-**	-
Fees	**162,000**	162,000	**162,000**	162,000
Salaries and other benefits	**4,912,638**	5,094,323	**46,000**	44,000

22. PROFIT/(LOSS) BEFORE TAXATION (continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Directors of the subsidiary companies:				
Employees' provident fund	**13,680**	10,080	**-**	-
Fees	**66,000**	36,000	**-**	-
Salaries and other benefits	**131,658**	84,000	**-**	-
Staff costs:				
Employees' provident fund	**993,422**	878,444	**78,009**	57,400
Salaries and other benefits				
and crediting:	**14,129,754**	13,354,326	**964,139**	778,661
Interest income of financial asset that is not at fair value through profit or loss:				
Short term deposits	**396,607**	395,538	**-**	-
Gain on foreign exchange:				
Realised	**102,354**	300,776	**-**	-
Unrealised	**15,824**	6,195	**-**	-
Rental income on:				
Premises	**108,072**	42,000	**-**	-
Equipment	**152,534**	76,266	**-**	-
Motor vehicle	**7,000**	-	**-**	-
Commission received	**26,340**	69,146	**-**	-
Dividend income from quoted non-equity investments	**19,970**	83,860	**19,970**	83,860
Gain on disposal of quoted non-equity investments	**8,159**	28,924	**8,159**	28,924
Income from short term investment	**125,737**	203,466	**125,737**	203,466
Net fair value gain on financial assets held for trading	**65,594**	282,663	**65,594**	282,663

23. TAXATION

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Taxation for the year:				
Malaysian income tax	**2,680,677**	2,073,094	**32,300**	35,151
Deferred taxation (Note 8)	**578,091**	(890,000)	**(5,289)**	100
	3,258,768	1,183,094	**27,011**	35,251
(Over)/under provision of taxation in respect of prior years:				
Malaysian income tax	**(121,167)**	53,136	**(10,481)**	-
Deferred taxation (Note 8)	**1,520,922**	(5,500)	**(945)**	1,400
	4,658,523	1,230,730	**15,585**	36,651

Malaysian income tax is calculated at the statutory rate of 25% (2012: 25%) on the estimated taxable profit for the year.

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

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Profit/(loss) before taxation	**6,598,213**	4,164,144	**(140,388)**	603,308
Tax at the Malaysian statutory rates of 25% (2012: 25%)	**1,649,554**	1,041,036	**(35,097)**	150,827
Tax effects of:				
Expenses not deductible for tax purposes	**1,334,343**	886,320	**516,548**	432,406
Income not subject to tax	**(341,354)**	(243,026)	**(454,440)**	(547,982)
Deferred tax assets not recognised	**616,225**	271,892	**-**	-
Tax benefits arising from previously unrecognised:				
- Tax losses	**-**	(183,700)	**-**	-
- Temporary difference	**-**	8,500	**-**	-
Special tax deduction	**-**	(597,928)	**-**	-
(Over)/under provision of taxation in respect of prior years:				
Malaysian income tax	**(121,167)**	53,136	**(10,481)**	-
Deferred taxation	**1,520,922**	(5,500)	**(945)**	1,400
Tax expense	**4,658,523**	1,230,730	**15,585**	36,651

24. EARNINGS PER SHARE

Group

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:

	2013	2012
	RM	RM
Profit attributable to ordinary shareholders	**1,974,162**	3,017,410
	Number of shares	
Issued ordinary shares at 1 January	**159,830,000**	160,000,000
Effects of:		
Shares repurchased	**(67,068)**	(47,951)
Shares reissued	**96,791**	-
Weighted average number of ordinary shares at 31 December for basic earnings per share computation	**159,859,723**	159,952,049
Effects of dilution - warrants	**-**	-
Weighted average number of ordinary shares at 31 December for diluted earnings per share computation	**159,859,723**	159,952,049
Earnings per ordinary share attributable to owners of the Company (sen):		
- Basic	**1.23**	1.89
- Diluted	**N/A**	N/A

The issue of warrants does not have a dilutive effect to the earnings per ordinary share as the average market price of ordinary shares for the period does not exceed the exercise price of the warrants.

25. DIVIDENDS

Group and Company	2013 RM	2012 RM
In respect of the year ended 31 December 2012:		
Single tier first and final interim dividend of RM0.03 per ordinary share, paid on 20 July 2012	-	1,600,000
Single tier second interim dividend of RM0.01 per ordinary share, paid on 6 February 2013	-	1,600,000
	-	3,200,000

26. BANK OVERDRAFTS AND BANKERS' ACCEPTANCES

Group

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 13 to the financial statements;

(iii) a first party first fixed charge over leasehold land and building of a subsidiary company as disclosed in Note 4 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 amount of a subsidiary company;

(vi) corporate guarantee by the Company; and

(vii) jointly and severally guarantee by certain directors of the Company.

27. HIRE PURCHASE PAYABLES

Group	2013 RM	2012 RM
Future minimum payments (Note 17)	**250,899**	316,237
Portion due within twelve months (Note 17)	**(131,927)**	(131,429)
Portion due after twelve months (Note 17)	**118,972**	184,808
Analysis of hire purchase commitments:		
Due within one year	**150,355**	151,982
Due between two to five years	**135,206**	212,481
	285,561	364,463
Finance expenses	**(34,662)**	(48,226)
Present value of minimum hire purchase payment	**250,899**	316,237

28. 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.

28. RELATED PARTIES (continued)

Group and Company

(b) Related party transactions have been entered into in the normal course of business under arm's length basis on normal commercial terms. The Group and the Company had the following transactions with related parties during the year:

	2013 RM	2012 RM
Company		
Subsidiary companies		
Interest income	**443,307**	356,987
IT service charges	**3,435**	-
Group		
Company in which a director of the Group has financial interest		
Excell Crane & Hydraulic		
Supply of raw material	**6,429,329**	10,822,918

(c) **Compensation of key management personnel**

The key management personnel of the Company are its directors. The remuneration of directors during the year are disclosed in Note 22 to the financial statements.

29. CONTINGENT LIABILITY

Company	2013 RM	2012 RM
Unsecured:		
Corporate guarantee issued for credit facilities granted to subsidiary companies:		
Limit	**90,489,197**	62,700,000
Utilised as at reporting date	**56,170,225**	43,344,110

30. 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 item 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 Group's Chief Executive Officer. 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 Group's Chief Executive Officer.

(a) Business segments

The main business segments of the Group comprise the following:

2013	Investment holding	Integrated crane services	Fabrication of crane	Workover projects lifting solutions	Supply, fabrication and servicing industrial equipment and tank systems	Supply of telecommuni-cation and broadcasting system	Consultants in engineering project support services	Others	Elimination	Consolidated
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Revenue										
Revenue from external parties	-	70,278,821	7,235,556	8,120,195	14,924,574	187,945	-	-	-	100,747,091
Inter-segment revenue	1,598,300	-	-	-	-	-	71,558	-	(1,669,858)	-
Total revenue	1,598,300	70,278,821	7,235,556	8,120,195	14,924,574	187,945	71,558	-	(1,669,858)	100,747,091
Results										
Segment result	(140,388)	9,519,758	(2,113,151)	4,152,058	799,276	116,431	(1,551,947)	(5,977)	(2,041,607)	8,734,453
Interest income										396,607
Interest expenses										(2,532,160)
Share of loss of a jointly controlled entity										(687)
Profit before taxation										6,598,213
Income tax expense										(4,658,523)
Net profit after taxation										1,939,690
Non-controlling interest										34,472
Profit attributable to equity holders of the Company										1,974,162

30. SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

2013	Investment holding	Integrated crane services	Fabrication of crane	Workover projects lifting solutions	Supply, fabrication and servicing industrial equipment and tank systems	Supply of telecommunication and broadcasting system	Consultants in engineering project support services	Others	Elimination	Consolidated
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Assets										
Segment assets	**6,603,260**	**93,426,543**	**9,618,729**	**10,794,741**	**6,249,626**	**354,979**	**35,005,232**	**1**	**-**	**162,053,111**
Liabilities										
Segment liabilities	**247,434**	**33,705,325**	**3,470,132**	**3,894,400**	**3,208,812**	**7,420**	**16,888,417**	**1,849**	**-**	**61,423,789**
Other information										
Depreciation										**3,085,973**
2012										
Revenue										
Revenue from external parties	-	56,588,114	17,607,422	10,690,510	12,310,301	383,750	-	-	-	97,580,097
Inter-segment revenue	1,600,000	-	-	-	-	19,600	112,896	-	(1,732,496)	-
Total revenue	1,600,000	56,588,114	17,607,422	10,690,510	12,310,301	403,350	112,896	-	(1,732,496)	97,580,097
2012										
Results										
Segment result	603,307	10,585,464	(4,702,153)	3,679,889	(1,116,349)	(509,472)	(1,122,446)	(14,816)	(1,956,987)	5,446,437
Interest income										395,538
Interest expenses										(1,677,568)
Share of loss of a jointly controlled entity										(263)
Profit before taxation										4,164,144
Income tax expense										(1,230,730)
Net profit after taxation										2,933,414
Non-controlling interests										83,996
Profit attributable to equity holders of the Company										3,017,410
Assets										
Segment assets	15,448,737	73,626,203	22,908,832	13,909,310	6,002,757	314,794	34,026,870	1	-	166,237,504
Liabilities										
Segment liabilities	1,783,808	29,718,131	9,246,812	5,614,288	1,982,252	18,008	19,286,085	1,850	-	67,651,234
Other information										
Depreciation										3,040,947

30. SEGMENTAL INFORMATION (continued)

(b) Geographical segments

The Group operates principally in Malaysia and Indonesia.

In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in a jointly controlled entity) and deferred tax assets.

	Revenue		Non-current assets	
Group	**2013**	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Malaysia	**99,629,529**	93,979,461	**80,395,711**	75,486,999
Indonesia	**1,117,562**	3,600,636	**-**	43,124
	100,747,091	97,580,097	**80,395,711**	75,530,123

Revenue from two major customers amount to RM58,118,141 (2012: RM43,233,995), arising from sales by the integrated crane services segment.

31. 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 is 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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

The following tables set 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	1 - 5 years	Total
		(%)	RM	RM	RM
At 31 December 2013					
Financial assets					
Fixed rate					
Fixed deposits with licensed banks	13	**3.07**	**14,215,232**	**-**	**14,215,232**
Floating rate					
Deposits with a fund management corporation	13	**2.74**	**176,244**	**-**	**176,244**
Financial liabilities					
Fixed rate					
Hire purchase payables	17	**6.38**	**131,927**	**118,972**	**250,899**
Bankers' acceptances	17	**4.78**	**8,482,000**	**-**	**8,482,000**
Term loan I	17	**6.30**	**4,447,078**	**4,400,032**	**8,847,110**
Term loan III	17	**7.00**	**3,366,434**	**12,872,964**	**16,239,398**
Floating rate					
Bank overdrafts	17	**7.85**	**6,239,086**	**-**	**6,239,086**
At 31 December 2012					
Financial assets					
Fixed rate					
Fixed deposits with licensed banks	13	3.08	14,991,637	-	14,991,637
Floating rate					
Deposits with a fund management corporation	13	2.84	7,178,807	-	7,178,807

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

	Note	WAEIR	Within 1 year	1 - 5 years	Total
Group		(%)	RM	RM	RM
Financial liabilities					
Fixed rate					
Hire purchase payables	17	6.42	131,429	184,808	316,237
Bankers' acceptances	17	4.70	7,769,000	-	7,769,000
Term loan I	17	6.30	4,470,621	8,800,024	13,270,645
Term loan III	17	7.00	2,490,654	16,119,332	18,609,986
Floating rate					
Bank overdrafts	17	8.13	8,327,437	-	8,327,437
Term loan II	17	7.60	198,925	-	198,925
Company					
At 31 December 2013					
Financial assets					
Floating rate					
Deposits with a fund management corporation	13	**2.74**	**176,244**	**-**	**176,244**
At 31 December 2012					
Financial assets					
Floating rate					
Deposits with a fund management corporation	13	2.84	7,178,807	-	7,178,807

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 profit net of tax.

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

	Note	Within 1 year	1 - 5 years	Total
Group		**RM**	**RM**	**RM**
At 31 December 2013:				
Trade and other payables	18	**15,616,945**	**-**	**15,616,945**
Loans and borrowings	17	**22,666,525**	**17,391,968**	**40,058,493**
At 31 December 2012:				
Trade and other payables	18	17,621,004	-	17,621,004
Loans and borrowings	17	23,388,066	25,104,164	48,492,230
Company				
At 31 December 2013:				
Trade and other payables	18	**226,468**	**-**	**226,468**
At 31 December 2012:				
Trade and other payables	18	1,756,608	-	1,756,608

(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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

(i) Trade receivables

The Group typically gives the existing customers credit terms that range between 30 days to 60 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In addition, debt monitoring procedures are performed on an on-going basis with the result that 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.

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:

	2013	**% of total**	**2012**	**% of total**
	RM		**RM**	
By industry sector:				
Integrated crane services	**12,518,453**	60	12,579,699	49
Fabrication of cranes	**1,958,727**	9	4,517,336	18
Workover projects lifting solutions	**3,076,361**	15	6,651,584	26
Supply, fabrication and servicing industrial equipments and tank systems	**3,401,584**	16	1,760,866	7
	20,955,125	100	25,509,485	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 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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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"], Indonesian Rupiah ["IDR"], Euro ["EUR"] and Australian Dollar ["AUD"].

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

During the year, the Group entered into foreign currency forward contracts to help to reduce the risk of exposure to fluctuations of foreign currency trade payables. These foreign currency forward contracts were recognised in the financial statements as financial derivatives. There were no outstanding foreign currency forward contracts as at the reporting date.

Exposure to foreign currency risk

The currency exposure profile of the Group is as follows:

Group	2013	2012
	RM	RM
Trade and other receivables		
USD	**849,146**	926,357
SGD	**-**	-
IDR	**-**	454,561
Other current assets		
USD	**-**	1,179,448
IDR	**379,689**	197,554
Cash and cash equivalents		
USD	**309,903**	500,800
Trade and other payables		
USD	**2,243,499**	2,929,957
SGD	**237,759**	926,020
IDR	**-**	149,164
EUR	**7,600**	114,542
AUD	**130,127**	41,421

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

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, IDR, EUR and AUD exchange rates against the functional currency of the Group, with all other variables held constant. The Group's 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	2013	2012
	%	RM	RM
USD	5	**40,667**	12,126
SGD	5	**8,916**	34,726
IDR	5	**14,238**	18,861
EUR	5	**285**	4,295
AUD	5	**4,880**	1,553

32. CATEGORIES OF FINANCIAL INSTRUMENTS

		Group		Company	
	Note	2013	2012	2013	2012
		RM	RM	RM	RM
Financial assets					
Fair value through profit or loss - Held for trading:					
Quoted non-equity investments	13	**5,483,898**	7,461,675	**5,483,898**	7,461,675
Loans and receivables:					
Trade and other receivables	10	**34,493,470**	26,670,025	**24,396,928**	19,476,302
Cash and cash equivalents	13	**18,215,191**	26,885,085	**629,297**	7,472,689
		58,192,559	61,016,785	**30,510,123**	34,410,666
Financial liabilities					
Amortised cost:					
Trade and other payables	18	**15,616,945**	17,621,004	**226,468**	1,756,608
Loans and borrowings	17	**40,058,493**	48,492,230	**-**	-
		55,675,438	66,113,234	**226,468**	1,756,608

33. 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 2013 are as follows:

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) 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).

(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 classified as above as at 31 December 2013.

Determination of fair value

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

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Group and Company	**RM**	**RM**	**RM**	**RM**
At 31 December 2013:				
Financial assets				
Fair value through profit or loss - Held for trading:				
Quoted non-equity investments	**5,483,898**	**-**	**-**	**5,483,898**
At 31 December 2012:				
Financial assets				
Fair value through profit or loss - Held for trading:				
Quoted non-equity investments	7,461,675	-	-	7,461,675

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

Group

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Financial liabilities:				
Term loan (non-current)	**17,272,996**	**15,724,816**	24,919,356	22,677,838

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. Market rate is based on estimated rate of 1.5% plus Base Lending Rate.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. Regularly reviews on the significant unobservable inputs and valuation adjustments were carried out by the finance team and the Chief Executive Officer.

34. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company'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 and the Company 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 and the Company's working capital requirement. The net debt equity ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less total income tax payable, deferred tax liabilities and cash and cash equivalents. Total capital comprises share capital and reserves attributable to equity holders of the Group and the Company.

There was no change in the Group's approach to capital management during the financial year.

The Company has no external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

34. CAPITAL MANAGEMENT (continued)

Group	2013 RM	2012 RM
Net debt	**34,596,834**	31,766,474
Total capital	**100,624,436**	98,572,766
Net debt against equity ratio	**34%**	32%

35. COMPARATIVE FIGURES

The presentation and classification of items in current year's financial statements have been consistent with that of the previous year except for the following items that have been reclassification to conform with the current year's presentation:

	31.12.2012		
	As previously reported RM	Reclassification RM	As restated RM
Group			
Statement of Financial Position			
Trade and other receivables	26,126,660	543,365	26,670,025
Other current assets	8,758,575	(677,571)	8,081,004
Cash and cash equivalents	34,212,554	134,206	34,346,760
Statement of Cash Flows			
Decrease/(increase) in receivables	636,524	134,206	770,730
Company			
Statement of Cash Flows			
Decrease/(increase) in receivables	1,325,157	(14,820,000)	(13,494,843)
Acquisition of additional shares in subsidiary companies	(14,820,000)	14,820,000	-

36. REALISED AND UNREALISED PROFITS

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Total retained profits of the Company and its subsidiaries:				
- Realised	**52,438,598**	48,396,478	**1,565,798**	1,793,599
- Unrealised	**(2,464,446)**	(362,011)	**513,446**	441,618
	49,974,152	48,034,467	**2,079,244**	2,235,217
Less: Consolidation adjustments	**(32,039,173)**	(32,047,796)	**-**	-
Total retained profits as at 31 December	**17,934,979**	15,986,671	**2,079,244**	2,235,217

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

37. SUBSEQUENT EVENTS

Group

On 12 March 2014, a wholly-owned subsidiary company of the Group has received a letter of award from UMW Petrodrill (Malaysia) Sdn. Bhd. to provide Portable Platform Crane for a duration of two years with approximate value of RM16 million.

Company

On 23 April 2014, the Company has subscribed for second tranche of 2,588,000 Irredeemable Convertible Preference Shares of RM1 each issued by its subsidiary, HSB, in cash which amounted to RM2,588,000.

ANALYSIS OF SHAREHOLDINGS as at 28 April 2014

Authorised Share Capital	:	RM250,000,000
Issued and Fully Paid-up Capital	:	RM80,000,000
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share

Analysis by Size of Shareholdings as at 28 April 2014

Category	Shareholders	%	Shareholdings	%
Less than 100	178	7.89	6,742	0.00
100 - 1,000	142	6.29	88,870	0.06
1,001 - 10,000	907	40.20	5,553,673	3.47
10,001 - 100,000	897	39.76	28,358,675	17.72
100,001 to less than 5% of issued shares	127	5.63	66,908,904	41.82
5% and above of issued shares	5	0.22	59,083,136	36.93
TOTAL	**2,256**	**100.00**	**160,000,000**	**100.00**

List of Directors' Shareholdings as at 28 April 2014

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	15.81
2	MALLEK RIZAL BIN MOHSIN *5,763,696 shares held through Cimsec Nominees (Tempatan) Sdn Bhd* *4,800,000 shares held through Cimsec Nominees (Tempatan) Sdn Bhd*	10,563,696	6.60
3	JOEL EMANUEL HEANEY *11,259,700 shares held through own name*	11,259,700	7.04
4	ZAHARI BIN HAMZAH *1,000,000 shares held through own name* *8,763,833 shares held through own name* *5,333,333 shares held through Citigroup Nominees (Tempatan) Sdn Bhd*	15,097,166	9.44
5	MUHAMMAD 'ASRI BIN MOHD RAFA'I	0	0.00
6	CHAU SIK CHEONG	0	0.00
7	LOKMAN RAZANI BIN ABDUL RAZAK *124,166 shares held through own name*	124,166	0.08
	TOTAL	**62,333,615**	**38.96**

Notes: *1. Total Paid-Up Capital as at 28.04.2014 160,000,000*

List of Thirty Largest Shareholders as at 28 April 2014

No.	Name	No. of Shares	%
1	RHB NOMINEES (TEMPATAN) SDN BHD MOHSIN ABDUL HALIM	21,288,887	13.31
2	HEANEY JOEL EMANUEL	11,259,700	7.04
3	OSK CAPITAL PARTNERS SDN BHD	9,020,983	5.64
4	ZAHARI BIN HAMZAH	8,763,833	5.48
5	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	8,749,733	5.47
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR MALLEK RIZAL BIN MOHSIN (PB)	5,763,696	3.60
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZAHARI BIN HAMZAH (001565267)	5,333,333	3.33
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MALLEK RIZAL BIN MOHSIN (PBCL-OG0038)	4,800,000	3.00
9	HOW CHENG KONG	4,368,700	2.73
10	MOHSIN ABDUL HALIM	4,000,000	2.50
11	DAVID LEE BAIR EN	3,206,400	2.00
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR SIVA KUMAR A/L JEYAPALAN (PBCL-OG0015)	3,000,000	1.88
13	LD REKA SDN BHD	2,962,806	1.85
14	J B PROPERTIES SDN BHD	2,946,750	1.84
15	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	1,132,549	0.71
16	ENG NAM HENG	1,110,000	0.69
17	ZAHARI BIN HAMZAH	1,000,000	0.63
18	LIM SENG CHEE	862,500	0.54
19	NORLITA BINTI MOHD TAHIR	800,000	0.50
20	ISC TOPTANKS SDN BHD	758,700	0.47
21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG AH CHIEW	721,586	0.45
22	MIDVEST ASIA SDN BHD	712,100	0.45
23	TAN GIM HOE	704,000	0.44
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG YEU MING (KUCHING-CL)	661,555	0.41

List of Thirty Largest Shareholders as at 28 April 2014 (continued)

No.	Name	No. of Shares	%
25	NOORAIHAN BINTI MOHD RADZUAN	625,683	0.39
26	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AH KOW (M07)	544,500	0.34
27	AIBB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JULUNG PRESTASI SDN BHD (M0015)	533,333	0.33
28	MOHAMED IZANI BIN MOHAMED JAKEL	510,055	0.32
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TIONG YEU MING (MK0132)	479,977	0.30
30	TAN LEE CHIN	448,408	0.28

List of Substantial Shareholders as at 28 April 2014

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	15.81
2	ZAHARI BIN HAMZAH *1,000,000 shares held through own name* *8,763,833 shares held through own name* *5,333,333 shares held through Citigroup Nominees (Tempatan) Sdn Bhd*	15,097,166	9.44
3	JOEL EMANUEL HEANEY *11,259,700 shares held through own name*	11,259,700	7.04
4	MALLEK RIZAL BIN MOHSIN *5,763,696 shares held through Cimsec Nominees (Tempatan) Sdn Bhd* *4,800,000 shares held through Cimsec Nominees (Tempatan) Sdn Bhd*	10,563,696	6.60
5	OSK CAPITAL PARTNERS SDN BHD *9,020,983 shares held through own name*	9,020,983	5.64
3	HSBC NOMINEES (ASING) SDN BHD *Exempt AN for Credit Suisse (SG BR-TST-ASING)*	8,749,733	5.47
	TOTAL	**79,980,165**	**49.99**

Total Paid-up as at 28.04.2014 *160,000,000*

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

Analysis by Size Warrant Holdings as at 28 April 2014

Category	Warrant Holders	%	Warrant Holdings	%
Less than 100	61	5.08	2,580	0.00
100 - 1,000	90	7.49	44,769	0.07
1,001 - 10,000	448	37.30	2,276,032	3.79
10,001 - 100,000	504	41.97	19,814,522	33.02
100,001 to less than 5% of issued shares	95	7.91	23,203,665	38.67
5% and above of issued shares	3	0.25	14,658,432	24.43
TOTAL	**1,201**	**100.00**	**60,000,000**	**100.00**

List of Directors’ Warrant Holdings as at 28 April 2014

No.	Name	No. of Warrants	%
1	DATO’ MOHSIN ABDUL HALIM *7,333,332 warrants held through RHB Nominees (Tempatan) Sdn Bhd*	7,333,332	12.22
2	MALLEK RIZAL BIN MOHSIN	0	0.00
3	JOEL EMANUEL HEANEY	0	0.00
4	ZAHARI BIN HAMZAH *3,882,200 warrants held through own name* *400,000 warrants held through AIBB Nominees (Tempatan) Sdn Bhd*	4,282,200	7.14
5	MUHAMMAD ‘ASRI BIN MOHD RAFA’I	0	0.00
6	CHAU SIK CHEONG	0	0.00
7	LOKMAN RAZANI BIN ABDUL RAZAK *26,200 warrants held through own name*	26,200	0.04
	TOTAL	**11,641,732**	**19.40**

Notes: *1. Total Paid-Up Capital as at 28.04.2014 60,000,000*

List of Thirty Largest Warrant Holders as at 28 April 2014

No.	Name	No. of Warrants	%
1	RHB NOMINEES (TEMPATAN) SDN BHD MOHSIN ABDUL HALIM	7,333,332	12.22
2	ZAHARI BIN HAMZAH	3,882,200	6.47
3	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	3,442,900	5.74
4	HOW CHENG KONG	2,266,700	3.78
5	GOH TEN FOOK	1,025,000	1.71
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD SAPARI BIN ALI	583,800	0.97
7	SIVA KUMAR A/L M JEYAPALAN	556,800	0.93
8	LIM AH KOW	500,000	0.83
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAHEDAN BIN DIN (REM 686-MARGIN)	487,166	0.81
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING HING CHOOI (011)	474,900	0.79
11	AIBB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZAHARI BIN HAMZAH	400,000	0.67
12	LIEW MOI FAH	400,000	0.67
13	MOHD HUZAIDI BIN HUSIN	400,000	0.67
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH SHIN LUU (E-KPG)	400,000	0.67
15	WAN ZULKIFLI BIN WAN ABDULLAH	366,000	0.61
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG OI LING	346,500	0.58
17	TAN LEE SIA	335,000	0.56
18	TAN SENG HONG	316,600	0.53
19	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM CHIZE YIH	308,600	0.51
20	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AH KOW (M07)	300,000	0.50
21	SHER KHAN BIN KHAN MOHAMAD	300,000	0.50
22	WONG MOI FONG	300,000	0.50

List of Thirty Largest Warrant Holders as at 28 April 2014 (continued)

No.	Name	No. of Warrants	%
23	YAP KIN HOONG	300,000	0.50
24	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SOON HEE	292,000	0.49
25	HOW ENG AN	281,000	0.47
26	TAN BENG AUN	280,000	0.47
27	GOH SAU MING	258,300	0.43
28	NG BAK KHOON	250,000	0.42
26	TAN SIOK HIANG	250,000	0.42
30	TAN WEE FONG	250,000	0.42

List of Substantial Warrant Holders as at 28 April 2014

No.	Name	No. of Warrants	%
1	DATO' MOHSIN ABDUL HALIM *7,333,332 warrants held through RHB Nominees (Tempatan) Sdn Bhd*	7,333,332	12.22
2	ZAHARI BIN HAMZAH *3,882,200 warrants held through own name* *400,000 warrants held through AIBB Nominees (Tempatan) Sdn Bhd*	4,282,200	7.14
3	PUBLIC INVEST NOMINEES (ASING) SDN BHD *Exempt AN for Philip Securities Pte Ltd (Clients)*	3,442,900	5.74
	TOTAL	**15,058,432**	**25.10**

Total Issued Warrants as at 28.04.2014 *60,000,000*

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at the Grand Ballroom, Resorts World Kijal, KM 28, Jalan Kemaman-Dungun, 24100 Kijal, Kemaman, Terengganu Darul Iman on Thursday, 12 June 2014 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 2013 and the Reports of Directors and Auditors thereon. **[Please refer Explanary Notes]**

2. To re-elect En. Mallek Rizal Bin Mohsin who retires by rotation pursuant to Article 63 of the Company's Articles of Association. **(Resolution 1)**

3. To re-elect Mr. Chau Sik Cheong who retires by rotation pursuant to Article 63 of the Company's Articles of Association. **(Resolution 2)**

4. To re-elect Dato' Mohsin Abdul Halim who retires as Director of the Company pursuant to Section 129 of the Companies Act, 1965 and to hold office until the next Annual General Meeting. **(Resolution 3)**

5. To approve the payment of Directors' fees. **(Resolution 4)**

6. To re-appoint Messrs Sekhar & Tan as Auditors of the Company for the financial year ending 31 December 2014 and 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 5)**

AS SPECIAL BUSINESS:-

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

7. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** **(Resolution 6) [Please refer Explanatory Notes]**

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

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Renewal of Shareholders' Mandate")** **(Resolution 7) [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 19th May 2014, 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;

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

a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed; or

b) the expiration of the period within the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act 1965 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier,

AND FURTHER THAT the Directors of the Company be authorised 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"

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

BY ORDER OF THE BOARD

LEONG OI WAH (MAICSA 7023802)
PAULINE LYE (MAICSA 0798723)
Secretaries

Kuala Lumpur
19 May 2014

Notes:

(1) The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(2) A proxy may but need not be a member of the Company and paragraphs (a) and (b) of Section 149(1) of the Act shall not apply.

(3) A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment shall be invalid.

(4) To be valid, this form, duly completed must be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (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 authorised nominee may appoint in respect of each omnibus account it holds.

(6) Depositors who appear in the Record of Depositors as at 5 June 2014 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 169(1) of the Companies Act, 1965 ("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 6

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

Ordinary Resolution No. 6 is proposed for the purpose of granting a general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in General Meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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

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

Resolution 7

Please refer to the Circular on the Proposed Renewal of Shareholders' Mandate dated 19th May 2014 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 Sixth Annual General Meeting of the Company to be held at the Grand Ballroom, Resorts World Kijal, KM 28, Jalan Kemaman-Dungun, 24100 Kijal, Kemaman, Terengganu Darul Iman, on Thursday, 12 June 2014 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 Sixth Annual General Meeting of the Company to be held at the Grand Ballroom, Resorts World Kijal, KM 28, Jalan Kemaman-Dungun, 24100 Kijal, Kemaman, Terengganu Darul Iman, on Thursday, 12 June 2014 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		

Signed this ________________ day of ________________ 2014

____
Signature of Shareholder/Common Seal

* Delete if inapplicable

Notes:-

(1) The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(2) A proxy may but need not be a member of the Company and paragraphs (a) and (b) of Section 149(1) of the Act shall not apply.

(3) A member entitled to attend and vote is entitled to appoint not more than two (2) proxies. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment shall be invalid.

(4) To be valid, this form, duly completed must be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, 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 authorised nominee may appoint in respect of each omnibus account it holds.

(6) Depositors who appear in the Record of Depositors as at 5 June 2014 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.

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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

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www.handalresources.com

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Tel : +603-78750150 / 0139
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