

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FIRST HALF YEAR ENDED 30 JUNE 2022**

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2022	31 December
	RM'000	2021
		RM'000
Assets		
Property, plant and equipment	3,018	3,082
Right-of-use assets	128	220
Total non-current assets	<u>3,146</u>	<u>3,302</u>
Inventories	398	369
Contract assets	11,244	5,689
Trade and other receivables	3,560	767
Cash and cash equivalent	4,424	6,039
Total current assets	<u>19,626</u>	<u>12,864</u>
Total assets	<u>22,772</u>	<u>16,166</u>
Equity		
Share capital	7,808	7,808
Other reserve	(3,108)	(3,108)
Reserves	7,467	5,056
Total equity attributable to owners of the Company	<u>12,167</u>	<u>9,756</u>
Liabilities		
Loans and borrowings	932	1,164
Lease liabilities	5	46
Deferred tax liabilities	168	132
Total non-current liabilities	<u>1,105</u>	<u>1,342</u>
Loans and borrowings	1,123	719
Lease liabilities	129	183
Trade and other payables	6,348	3,248
Current tax liabilities	1,900	918
Total current liabilities	<u>9,500</u>	<u>5,068</u>
Total liabilities	<u>10,605</u>	<u>6,410</u>
Total equity and liabilities	<u>22,772</u>	<u>16,166</u>
Number of ordinary shares ('000)	160,000	160,000
Net assets per share attributable to owners of the Company (sen)	7.60	6.10

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FIRST HALF YEAR ENDED 30 JUNE 2022**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	6 months ended	
	30 June 2022	30 June 2021
	RM'000	RM'000
Revenue	25,381	9,893
Cost of sales	(18,118)	(5,613)
Gross profit	7,263	4,280
Other income	9	38
Administrative expenses	(3,085)	(3,357)
Results from operating activities	4,187	961
Finance income	13	8
Finance costs	(97)	(140)
Profit before tax	4,103	829
Tax expense	(1,068)	(305)
Net profit and total comprehensive income attributable to owners of the Company	3,035	524
Basic earnings per ordinary share (sen)	1.90	0.33

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Non-distributable</i>			<i>Distributable</i>	
	Share capital RM'000	Invested equity ⁽¹⁾ RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021	*	1,500	-	2,976	4,476
Effect of restructuring ⁽²⁾	4,608	(1,500)	(3,108)	-	-
Net profit and total comprehensive income for the financial period	-	-	-	524	524
At 30 June 2021	4,608	-	(3,108)	3,500	5,000
At 1 January 2022	7,808	-	(3,108)	5,056	9,756
Net profit and total comprehensive income for the financial period	-	-	-	3,035	3,035
Dividend paid	-	-	-	(624)	(624)
At 30 June 2022	7,808	-	(3,108)	7,467	12,167

* Denotes RM2

⁽¹⁾ This invested equity represents the Company's investment in Steel Hawk Engineering Sdn. Bhd. ("SHESB").

⁽²⁾ The effect of restructuring arose from the restructuring exercises undertaken by the Company in conjunction with the listing of the Company's shares on the LEAP market and Bursa Malaysia Securities Berhad.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	6 months ended	
	30 June 2022	30 June 2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,103	829
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	274	261
Depreciation of right-of-use asset	92	89
Gain on disposal of plant and equipment	-	(10)
Gain on derecognition of right-of-use asset	-	(3)
Plant and equipment written off	-	3
Interest expense	97	140
Interest income	(13)	(8)
Operating profit before working capital changes	4,553	1,301
Changes in working capital:		
Inventories	(29)	(93)
Trade and other receivables	(2,793)	(1,265)
Trade and other payables	3,100	1,915
Contract assets	(5,555)	(3,705)
Cash used in operations	(724)	(1,847)
Tax paid	(50)	(168)
Net cash used in operating activities	(774)	(2,015)
Cash flows for investing activities		
Acquisition of property, plant and equipment	(210)	(182)
Proceeds from disposal of plant and equipment	-	12
Interest income	13	8
Changes in pledged deposits	(100)	319
Net cash (used in)/from investing activities	(297)	157
Cash flows for financing activities		
Interest expense	(97)	(140)
Net repayment of term loan	(174)	(171)
Net drawdown/(repayment) of trade financings	460	(5)
Net repayment of hire purchase	(114)	(46)
Repayment to lease liabilities	(95)	(88)
Dividend paid	(624)	-
Net cash used in financing activities	(644)	(450)
Net decrease in cash and cash equivalents	(1,715)	(2,308)
Cash and cash equivalents at beginning of year	5,910	3,265
Cash and cash equivalents at end of period	4,195	957

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	30 June 2022 RM'000	30 June 2021 RM'000
Cash and cash equivalents	4,424	1,931
Bank overdraft	-	-
	<u>4,424</u>	<u>1,931</u>
Pledged deposits	(229)	(974)
	<u><u>4,195</u></u>	<u><u>957</u></u>

(ii) Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1.1.2021 RM'000	Acquisition of new lease RM'000	Net changes from financing cash flows RM'000	Derecognition RM'000	At 30.06.2021 RM'000
Term loans	1,628	-	(171)	-	1,457
Trade financings	479	-	(5)	-	474
Hire purchase liabilities	527	-	(46)	-	481
Lease liabilities	208	268	(88)	(54)	334
	<u>2,842</u>	<u>268</u>	<u>(310)</u>	<u>(54)</u>	<u>2,746</u>

	At 1.1.2022 RM'000	Acquisition of new lease RM'000	Net changes from financing cash flows RM'000	Derecognition RM'000	At 30.06.2022 RM'000
Term loans	1,298	-	(17)	-	1,124
Trade financings	-	-	460	-	460
Hire purchase liabilities	585	-	(114)	-	471
Lease liabilities	229	-	(95)	-	134
	<u>2,112</u>	<u>-</u>	<u>77</u>	<u>-</u>	<u>2,189</u>

A. EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial report is unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134, *Interim Financial Reporting* and in compliance with the LEAP Market Listing Requirements of Bursa Securities.

The explanatory notes attached to the condensed consolidated interim financial report provide explanations of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

The condensed consolidated interim financial report has been prepared on the historical cost basis and on the assumption that the Group is a going concern.

2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in this condensed consolidated financial report as compared with the audited consolidated financial statements for the financial year ended 31 December 2021.

As of 1 January 2022, the Group has adopted the following amendments to MFRSs which are effective for annual years beginning on or after 1 January 2022.

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

The initial application of these amendments did not have any material financial impact to the current period and prior period financial statements of the Group.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the audited consolidated financial statements in the preceding financial years.

4. SEASONAL AND CYCLICAL FACTORS

Our business is not materially affected by seasonal or cyclical effects as our customers generally operate throughout the year.

Nevertheless, the business of our Group is subject to PETRONAS group's expenditure cycle and yearly pre-planned maintenance programs such as preventive maintenances, periodic maintenance, turnarounds and/ or shutdown maintenances.

5. EXCEPTIONAL ITEMS

There were no material exceptional items during the current financial period under review.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates in the current financial period under review.

7. DEBT AND EQUITY SECURITIES

There were no issuance and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period under review.

8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

There were no material events subsequent to the end of the current financial period under review.

9. CHANGES IN THE COMPOSITION OF THE GROUP

Incorporation of a New Subsidiary

On 18 April 2022, the Company incorporated a wholly-owned subsidiary, known as Steel Hawk Defence Sdn. Bhd. with an issued share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each. The intended principal activity of the subsidiary is to supply, maintain and provide service for defence and security related equipment.

10. DIVIDEND PAID

	Single-tier tax- exempt dividend per share (sen)	Amount of dividends, single-tier tax exempt RM'000
<u>30.6.2022</u>		
Dividends paid in respect of the financial year ended 31 December 2021:		
- <i>Final dividend, paid on 23 June 2022</i>	0.39	624

11. SEGMENTAL INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer ("CEO") reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Engineering, Procurement, Construction and Commissioning ("EPCC") services and facilities improvement/ maintenance

Includes the provision of EPCC services for chemical injection skids and improvement/maintenance in topside oil and gas ("O&G") facilities (i.e. onshore O&G terminal and/or offshore production platform).
- Installation and Maintenance ("I&M") of oilfield equipment

Includes the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and/or offshore production platform).
- Supply of oilfield equipment

Includes the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis.

Due to the high integration within all these three segments, performance of individual segment is measured based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Hence, no other disclosure for segment assets, segment liabilities and segment capital expenditures.

	EPCC services and facilities improvement/ maintenance RM'000	I&M of oilfield equipment RM'000	Supply of oilfield equipment RM'000	Total RM'000
6 months ended 30 June 2022				
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	17,530	7,332	519	25,381
Cost of sales	(13,657)	(4,233)	(228)	(18,118)
Gross profit	<u>3,873</u>	<u>3,099</u>	<u>291</u>	<u>7,263</u>
6 months ended 30 June 2021				
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	6,640	2,477	776	9,893
Cost of sales	(4,486)	(746)	(381)	(5,613)
Gross profit	<u>2,154</u>	<u>1,731</u>	<u>395</u>	<u>4,280</u>

12. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group.

The Group has related party relationship with a Company in which a Director has financial interest and key management personnel.

Significant related party transactions

Significant related party transactions are as follows:

	30 June 2022 RM'000	30 June 2021 RM'000
Transactions		
Companies in which a Director has financial interest		
Payment in relation to acquisition of a building	-	700

15. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

15. FAIR VALUE INFORMATION (CONTINUED)

The table flow analyses other financial instruments at fair value.

	Fair value of financial instruments not carried at fair value Level 3 RM'000	Carrying amount RM'000
30 June 2022		
Financial liabilities		
Term loans	1,166	1,124
Hire purchase liabilities	516	471
Lease liabilities	130	134
	1,812	1,729
	1,812	1,729
31 December 2021		
Financial liabilities		
Term loans	1,361	1,298
Hire purchase liabilities	596	585
Lease liabilities	225	229
	2,182	2,112
	2,182	2,112

Policy on transfer between levels

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.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans, hire purchase liabilities and lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.

16. PROFIT BEFORE TAX

	6 months ended	
	30 June 2022	30 June 2021
	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):		
Material expenses/(income)		
Finance income	(13)	(8)
Gain on disposal of plant and equipment	-	(10)
Gain on derecognition of right-of-use assets	-	(3)
Plant and equipment written off	-	3
Depreciation of property, plant and equipment	274	261
Depreciation of right-of-use assets	92	89
Personnel expenses (including key management personnel)		
- Contributions to state plans	197	174
- Wages, salaries and others	5,509	3,219
Listing expenses	-	356
Wages subsidy	-	(25)
Net foreign exchange loss	20	-
	<u>356</u>	<u>1,519</u>
Expenses arising from leases		
Expenses relating to short-term leases (i)	<u>356</u>	<u>1,519</u>

(i) The Group leases equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

17. TAX EXPENSE

	6 months ended	
	30 June 2022	30 June 2021
	RM'000	RM'000
Current tax expense		
Current period	<u>1,033</u>	<u>318</u>
Deferred tax expense		
Origination of temporary differences	<u>35</u>	<u>(13)</u>
	<u>1,068</u>	<u>305</u>
Effective tax rate	26%	27%

The overall effective tax rate of 26% for the current financial period was higher than the statutory tax rate of 24% due to the increase non-deductible expenses incurred during the financial period.

18. REVIEW OF PERFORMANCE

Comparison with corresponding 6-month period in the preceding financial year

The Group recorded revenue of RM25.381 million for the current period, representing an increase of 157% compared to the same period in the previous year of RM9.893 million. Growth in revenue was recorded from EPCC segment representing an increase of 164% mainly due to new work orders secured by the Group. The new work orders secured by the Group was mainly contributed by Harumanis Project and Reimbursable Cost-Plus (“RCPs”) work orders.

The Group recorded gross profit of RM7.263 million for the current period, representing an increase of 70% compared to the same period in the previous year of RM4.28 million. The 70% increase in the gross profit is much lower than the 157% increase in revenue for the current period compared to the same period in the previous year was mainly due to many Reimbursable Cost-Plus(“RCPs”) work orders with lower profit margin under the EPCC segment was secured by the Group. However, there will be minimal RCPs in the following periods.

The Group achieved profit after tax of RM3.035 million for the current period, representing an increase of 479% compared to the same period in the previous year of RM0.524 million.

19. COMMENTARY ON PROSPECTS

The current trajectory of the oil and gas industry is expected to continue, given strong recovery in demand underpinned by improvements of economic activities globally. Steel Hawk Berhad will remain steadfast in driving operational and commercial excellence to improve its liquidity and profitability, in pursuit of its growth strategy.

20. LOANS AND BORROWINGS

Particulars of the Group’s loans and borrowings are as follows:

	Note	30 June 2022 RM'000	31 December 2021 RM'000
Non-current			
<i>Secured:</i>			
Term loans		746	935
Hire purchase liabilities	20.1	186	229
		<u>932</u>	<u>1,164</u>
Current			
<i>Secured:</i>			
Term loans		378	363
Trade financing		460	-
Hire purchase liabilities	20.1	285	356
		<u>1,123</u>	<u>719</u>

20. LOANS AND BORROWINGS (CONTINUED)

20.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
30 June 2022			
Less than one year	339	54	285
Between one to five years	213	27	186
	<u>552</u>	<u>81</u>	<u>471</u>
31 December 2021			
Less than one year	377	21	356
Between one to five years	251	22	229
	<u>628</u>	<u>43</u>	<u>585</u>

21. EARNINGS PER ORDINARY SHARE

The calculations of earnings per ordinary share as at 30 June 2022 and 2021, was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	6 months ended	
	30 June 2022 RM'000	30 June 2021 RM'000
Net profit attributable to owners of the Company	<u>3,035</u>	<u>524</u>
Earnings per ordinary share attributable to owners of the Company		
Based on enlarged ordinary shares in issue after the restructuring and IPO:		
In thousands of shares	160,000	160,000
Basic earnings per ordinary share (sen)	<u>1.90</u>	<u>0.33</u>

Save as disclosed in Note 9 "Changes in the composition of the group", the Company has no potential ordinary shares in issue as at the date of the statement of financial position. Diluted earnings per share is equal to basic earnings per share.