

Steel Hawk Berhad

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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FIRST HALF YEAR ENDED 30 JUNE 2023**

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2023 RM'000	31 December 2022 RM'000
Assets		
Property, plant and equipment	3,844	3,320
Right-of-use assets	51	104
Total non-current assets	3,895	3,424
Inventories	626	158
Contract assets	21,970	11,410
Trade and other receivables	3,319	11,368
Pledged deposit	4,641	3,871
Cash and cash equivalent	9,810	12,091
Total current assets	40,366	38,898
Total assets	44,261	42,322
Equity		
Share capital	7,808	7,808
Restructuring reserve	(3,108)	(3,108)
Retained earnings	13,384	10,243
Total equity attributable to owners of the Company	18,084	14,943
Liabilities		
Loans and borrowings	2,828	3,144
Lease liabilities	34	34
Deferred tax liabilities	168	168
Total non-current liabilities	3,030	3,346
Loans and borrowings	8,389	7,915
Lease liabilities	19	77
Trade and other payables	13,927	13,893
Current tax liabilities	812	2,148
Total current liabilities	23,147	24,033
Total liabilities	26,177	27,379
Total equity and liabilities	44,261	42,322
Net assets per share attributable to owners of the Company (sen)	11.30	9.34

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FIRST HALF YEAR ENDED 30 JUNE 2023

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

	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Revenue	32,175	25,381
Cost of sales	(23,431)	(18,118)
Gross profit	8,744	7,263
Other income	61	9
Administrative expenses	(2,989)	(3,085)
Results from operating activities	5,816	4,187
Finance income	24	13
Finance costs	(425)	(97)
Profit before tax	5,415	4,103
Tax expense	(1,394)	(1,068)
Net profit and total comprehensive income attributable to owners of the Company	4,021	3,035
Basic earnings per ordinary share (sen)	2.51	1.90

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Non-distributable</i>			<i>Distributable</i>	
	Share capital RM'000	Invested equity RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'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	<u>7,808</u>	<u>-</u>	<u>(3,108)</u>	<u>7,467</u>	<u>12,167</u>
At 1 January 2023	7,808	-	(3,108)	10,243	14,943
Net profit and total comprehensive income for the financial period	-	-	-	4,021	4,021
Dividend paid	-	-	-	(880)	(880)
At 30 June 2023	<u>7,808</u>	<u>-</u>	<u>(3,108)</u>	<u>13,384</u>	<u>18,084</u>

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FIRST HALF YEAR ENDED 30 JUNE 2023**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	5,415	4,103
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	318	274
Depreciation of right-of-use asset	53	92
Gain on disposal of property, plant and equipment	(34)	-
Interest expense	425	97
Interest income	(24)	(13)
Operating profit before working capital changes	6,153	4,553
<i>Changes in working capital:</i>		
Inventories	(468)	(29)
Trade and other receivables	8,049	(2,793)
Trade and other payables	34	3,100
Contract assets	(10,560)	(5,555)
Cash from/(used in) operations	3,208	(724)
Tax paid	(2,730)	(50)
Net cash from/(used in) operating activities	478	(774)
Cash flows for investing activities		
Acquisition of property, plant and equipment	(226)	(210)
Proceeds from disposal of property, plant and equipment	148	-
Interest income	24	13
Changes in pledged deposits	(770)	(100)
Net cash used in investing activities	(824)	(297)
Cash flows for financing activities		
Interest paid	(425)	(97)
Net repayment of term loan	(787)	(174)
Net drawdown of trade financings	2,483	460
Net repayment of hire purchase	(458)	(114)
Repayment to lease liabilities	(58)	(95)
Dividend paid	(880)	(624)
Net cash used in financing activities	(125)	(644)
Net decrease in cash and cash equivalents	(471)	(1,715)
Cash and cash equivalents at beginning of year	6,417	5,910
Cash and cash equivalents at end of period	5,946	4,195

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF YEAR ENDED 30 JUNE 2023

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 2023 RM'000	30 June 2022 RM'000
Cash and cash equivalents	9,810	4,195
Bank overdraft	(3,864)	-
	<u>5,946</u>	<u>4,195</u>

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

	At 1.1.2022 RM'000	Acquisition of new lease RM'000	Net changes from financing cash flows RM'000	At 30.06.2022 RM'000
Term loans	1,298	-	(174)	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>2,189</u>

	At 1.1.2023 RM'000	Acquisition of new hire purchase liabilities RM'000	Net changes from financing cash flows RM'000	At 30.06.2023 RM'000
Term loans	4,495	-	(787)	3,708
Trade financings	363	-	2,483	2,846
Bank overdraft	5,674	-	(1,810)	3,864
Hire purchase liabilities	527	730	(458)	799
Lease liabilities	111	-	(58)	53
	<u>11,170</u>	<u>730</u>	<u>(630)</u>	<u>11,270</u>

A. EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023

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 2022.

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 2022.

As of 1 January 2023, the Group has adopted the following amendments to MFRSs which are effective for annual years beginning on or after 1 January 2023.

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

The adoption of the above pronouncements did not have any material financial impact to the condensed consolidated 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. DIVIDEND PAID

	Single-tier tax- exempt dividend per share (sen)	Amount of dividends, single-tier tax exempt RM'000
<u>30.6.2023</u>		
Dividends paid in respect of the financial year ended 31 December 2022:		
- Final dividend, paid on 9 March 2023	0.55	880

10. 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 Executive Director 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.

10. SEGMENTAL INFORMATION (CONTINUED)

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 Executive Director. 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 2023				
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	29,233	1,970	972	32,175
Cost of sales	(21,730)	(1,343)	(358)	(23,431)
Gross profit	<u>7,503</u>	<u>627</u>	<u>614</u>	<u>8,744</u>
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>

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

13. 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.

There were no related party transaction during the current financial period.

14. 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.

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 2023		
Financial liabilities		
Term loans	3,212	3,708
Hire purchase liabilities	711	799
Lease liabilities	-	53
	3,923	4,560
31 December 2022		
Financial liabilities		
Term loans	4,331	4,495
Hire purchase liabilities	525	527
Lease liabilities	105	111
	4,961	5,133

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.

15. PROFIT BEFORE TAX

	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):		
Material expenses/(income)		
Finance income	(24)	(13)
Depreciation of property, plant and equipment	318	274
Depreciation of right-of-use assets	53	92
Personnel expenses (including key management personnel)		
- Contributions to state plans	196	197
- Wages, salaries and others	5,936	5,509
Net foreign exchange loss	11	20
	<hr/>	<hr/>
Expenses arising from leases		
Expenses relating to short-term leases (i)	410	356

(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.

16. TAX EXPENSE

	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Current tax expense		
Current period	1,394	1,033
	<hr/>	<hr/>
Deferred tax expense		
Origination of temporary differences	-	35
	<hr/>	<hr/>
	1,394	1,068
	<hr/>	<hr/>
Effective tax rate	26%	26%

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.

17. REVIEW OF PERFORMANCE

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

The Group recorded revenue of RM32.175 million for the current period, representing an increase of 27% compared to the same period in the previous year of RM6.794 million. Growth in revenue was recorded from EPCC segment representing an increase of 67% mainly due to new EPCC contract secured which contributed to the revenue.

17. REVIEW OF PERFORMANCE (CONTINUED)

The Group recorded a gross profit of RM8.744 million for the current period, representing an increase of 20% compared to the same period in the previous year of RM1.481 million as compared to the increase in revenue by 27%. This is due to higher costs being incurred for the purchase of raw material, and higher manpower resources required for EPCC jobs as compared to I&M and SOFE.

The Group achieved profit after tax of RM4.021 million for the current period, representing an increase of 32% compared to the same period in the previous year by RM0.986 million.

18. 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.

19. LOANS AND BORROWINGS

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

	Note	30 June 2023 RM'000	31 December 2022 RM'000
Non-current			
<i>Secured:</i>			
Term loans		2,264	2,875
Hire purchase liabilities	19.1	564	269
		<u>2,828</u>	<u>3,144</u>
Current			
<i>Secured:</i>			
Term loans		1,444	1,620
Trade financing		2,846	363
Hire purchase liabilities	19.1	235	258
Bank overdraft		3,864	5,674
		<u>8,389</u>	<u>7,915</u>

19. LOANS AND BORROWINGS (CONTINUED)

19.1 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 2023			
Less than one year	268	33	235
Between one to five years	614	50	564
	<u>882</u>	<u>83</u>	<u>799</u>
31 December 2022			
Less than one year	274	16	258
Between one to five years	293	24	269
	<u>567</u>	<u>40</u>	<u>527</u>

20. EARNINGS PER ORDINARY SHARE

The calculations of earnings per ordinary share as at 30 June 2023 and 2022, 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 2023 RM'000	30 June 2022 RM'000
Net profit attributable to owners of the Company	<u>4,021</u>	<u>3,035</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>2.51</u>	<u>1.90</u>

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.