

Steel Hawk Berhad

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

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
SECOND HALF YEAR ENDED 31 DECEMBER 2023**

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR ENDED 31 DECEMBER 2023

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2023 RM'000	31 December 2022 RM'000
Assets		
Property, plant and equipment	6,387	3,320
Right-of-use assets	1,500	104
Total non-current assets	7,887	3,424
Inventories	568	158
Contract assets	21,539	11,410
Trade and other receivables	4,301	11,025
Pledged deposit	6,705	4,214
Cash and cash equivalents	10,687	12,091
Total current assets	43,800	38,898
Total assets	51,687	42,322
Equity		
Share capital	7,808	7,808
Restructuring reserve	(3,108)	(3,108)
Retained earnings	16,583	10,243
Total equity attributable to owners of the Company	21,283	14,943
Liabilities		
Loans and borrowings	4,089	3,144
Lease liabilities	465	34
Deferred tax liabilities	430	168
Total non-current liabilities	4,984	3,346
Loans and borrowings	13,632	7,915
Lease liabilities	770	77
Trade and other payables	10,764	13,893
Current tax liabilities	254	2,148
Total current liabilities	25,420	24,033
Total liabilities	30,404	27,379
Total equity and liabilities	51,687	42,322
Net assets per share attributable to owners of the Company (sen)	13.30	9.34

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR ENDED 31 DECEMBER 2023

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual 6 months ended		Cumulative 12 months ended	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	40,362	40,945	72,537	66,326
Cost of sales	(28,273)	(32,178)	(51,704)	(50,296)
Gross profit	12,089	8,767	20,833	16,030
Other income	92	67	153	76
Administrative expenses	(6,386)	(4,381)	(9,375)	(7,466)
Results from operating activities	5,795	4,453	11,611	8,640
Finance income	64	12	88	25
Finance costs	(930)	(373)	(1,355)	(470)
Profit before tax	4,929	4,092	10,344	8,195
Tax expense	(1,730)	(1,316)	(3,124)	(2,384)
Net profit and total comprehensive income attributable to owners of the Company	3,199	2,776	7,220	5,811
Basic earnings per ordinary share (sen)	2.00	1.74	4.51	3.63

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR ENDED 31 DECEMBER 2023

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Non-distributable</i>		<i>Distributable</i>	
	Share capital 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 year	-	-	5,811	5,811
Dividends to owners of the Company	-	-	(624)	(624)
At 31 December 2022	7,808	(3,108)	10,243	14,943
At 1 January 2023	7,808	(3,108)	10,243	14,943
Net profit and total comprehensive income for the financial year	-	-	7,220	7,220
Dividends to owners of the Company	-	-	(880)	(880)
At 31 December 2023	7,808	(3,108)	16,583	21,283

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR ENDED 31 DECEMBER 2023

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 12 months ended	
	31 December 2023	31 December 2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	10,344	8,195
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	707	593
Depreciation of right-of-use asset	82	194
Gain on disposal of plant and equipment	(59)	(10)
Gain on remeasurement of lease liabilities	-	(6)
Gain on derecognition of right-of-use asset	(11)	-
Interest expense	1,355	470
Interest income	(88)	(25)
Bad debts written off	-	69
Operating profit before changes in working capital	12,330	9,480
Changes in working capital:		
Inventories	(410)	211
Trade and other receivables	6,484	(10,327)
Trade and other payables	(3,129)	10,645
Contract assets	(10,129)	(5,721)
Cash generated from operations	5,146	4,288
Tax paid	(4,756)	(1,118)
Net cash from operating activities	390	3,170
Cash flows for investing activities		
Acquisition of property, plant and equipment	(3,000)	(671)
Proceeds from disposal of plant and equipment	196	10
Interest income	88	25
Changes in pledged deposits	(2,491)	(4,085)
Net cash used in investing activities	(5,207)	(4,721)
Cash flows for financing activities		
Interest paid	(1,355)	(470)
Net drawdown of term loan	471	3,197
Net drawdown of trade financings	5,303	363
Net repayment of hire purchase	(331)	(218)
Repayment to lease liabilities	(343)	(190)
Dividend paid	(880)	(624)
Net cash from financing activities	2,865	2,058
Net (decrease)/increase in cash and cash equivalents	(1,952)	507
Cash and cash equivalents at beginning of the year	6,417	5,910
Cash and cash equivalents at end of the year	4,465	6,417

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR ENDED 31 DECEMBER 2023

UNAUDITED CONSOLIDATED STATEMENT 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:

	31 December 2023 RM'000	31 December 2022 RM'000
Cash and cash equivalents	10,687	12,091
Bank overdraft	(6,222)	(5,674)
	<u>4,465</u>	<u>6,417</u>

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

	At 1.1.2023 RM'000	Acquisition of new hire purchase liabilities/ new lease RM'000	Net changes from financing cash flows RM'000	Derecognition of lease liabilities RM'000	At 31.12.2023 RM'000
Term loans	4,495	-	471	-	4,966
Trade financings	363	-	5,303	-	5,666
Hire purchase liabilities	527	671	(331)	-	867
Lease liabilities	111	1,518	(343)	(51)	1,235
	<u>5,496</u>	<u>2,189</u>	<u>5,100</u>	<u>(51)</u>	<u>12,734</u>

	At 1.1.2022 RM'000	Acquisition of new hire purchase liabilities RM'000	Net changes from financing cash flows RM'000	Remeasurement of lease liabilities RM'000	At 31.12.2022 RM'000
Term loans	1,298	-	3,197	-	4,495
Trade financings	-	-	363	-	363
Hire purchase liabilities	585	160	(218)	-	527
Lease liabilities	229	-	(190)	72	111
	<u>2,112</u>	<u>160</u>	<u>3,152</u>	<u>72</u>	<u>5,496</u>

A. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 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 2023.

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

Material accounting policy information

The Group also adopted amendments to MFRS 101, Presentation of Financial Statements and MFRS Practice Statement 2 – Disclosures of Accounting Policies from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group’s accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant

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 period under review.

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

On 22 January 2024, the Company has approved the following:

8.1 Proposed Transfer

- (i) Proposed voluntary withdrawal of listing of the Company from the LEAP Market of Bursa Securities pursuant to Rules 8.05 and 8.06 of the LEAP Market Listing Requirements of Bursa Securities ("LEAP Market Listing Requirements") ("Proposed Withdrawal"); and
- (ii) Proposed listing of the Company on the ACE Market of Bursa Securities pursuant to Rules 3A.02(1) and 3A.02(2) of the ACE Market Listing Requirements of Bursa Securities ("ACE Market Listing Requirements") ("Proposed Listing"),

collectively referred to as the ("Proposed Transfer").

8.2 Proposed Bonus Issue

Issuance of bonus issue of 240,000,000 bonus shares ("Bonus Shares") on the basis of 3 Bonus Shares for every 2 existing shares held on an entitlement date to be determined later ("Bonus Issue"). Upon completion of the Proposed Bonus Issue and prior to the Proposed Transfer, the issued share capital of the Company will increase from 160,000,000 shares to 400,000,000 Shares.

8.3 Proposed adoption

Proposed adoption of a new constitution of the Company to facilitate the implementation of the proposed transfer.

9. DIVIDENDS PAID

Since the end of the previous financial year, the Company paid a first and final single tier dividend of 0.55 sen per ordinary share amounting to approximately RM0.880 million in respect of the financial year ended 31 December 2022 on 6 March 2023.

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 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 installed at onshore or offshore exploration and production facilities (e.g., platforms, rigs or terminals) and overall improvement and maintenance of O&G facilities (i.e. oil rig platform, onshore and offshore) - upgrade and/ or replacement of corroded or damaged structures as well as removal, installation or modification of component parts of structures.
- Installation and Maintenance ("I&M") of oilfield equipment
Includes the supply of the oilfield equipment to be installed and maintained (i.e. repair, refurbishment, and replacement) at customers' sites.
- Supply of oilfield equipment
Includes the supply and delivery of specific oilfield equipment and / or parts and components to embarkation points.

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.

11. SEGMENTAL INFORMATION (CONTINUED)

	EPCC services and facilities improvement/ maintenance RM'000	I&M of oilfield equipment RM'000	Supply of oilfield equipment RM'000	Total RM'000
Cumulative 12 months ended 31 December 2023				
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	64,927	5,782	1,828	72,537
Cost of sales	(46,771)	(4,050)	(883)	(51,704)
Gross profit	<u>18,156</u>	<u>1,732</u>	<u>945</u>	<u>20,833</u>

Cumulative 12 months ended 31 December 2022

*Included in the measure of
segment profit are:*

Revenue from external customers	57,788	7,310	1,228	66,326
Cost of sales	(43,266)	(6,478)	(552)	(50,296)
Gross profit	<u>14,522</u>	<u>832</u>	<u>676</u>	<u>16,030</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. CAPITAL COMMITMENTS

	31 December 2023 RM'000	31 December 2022 RM'000
Capital expenditure commitments		
Property, plant and equipment		
<i>Authorised and contracted for</i>	-	2,400

15. 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.

There were no significant related party transaction during the financial year ended 31 December 2023

16. 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
31 December 2023		
Financial liabilities		
Term loans	4,308	4,966
Lease liabilities	1,033	1,235
Hire purchase liabilities	777	867
	6,118	7,068
31 December 2022		
Financial liabilities		
Term loans	4,331	4,495
Lease liabilities	105	111
Hire purchase liabilities	525	527
	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 Company at the reporting date.

17. PROFIT BEFORE TAX

	Individual 6 months ended		Cumulative 12 months ended	
	Unaudited		Unaudited	
	31	31	31	31
	December	December	December	December
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- Audit fees	115	75	115	115
- Non-audit fees	63	-	63	-
Material expenses/(income)				
Finance income	(64)	(12)	(88)	(25)
Gain on disposal of plant and equipment	(25)	(10)	(59)	(10)
Gain on derecognition of right-of-use assets	(11)	-	(11)	-
Gain on remeasurement of lease liabilities	-	(6)	-	(6)
Depreciation of property, plant and equipment	389	319	707	593
Depreciation of right-of-use assets	29	102	82	194
Personnel expenses (including key management personnel)				
- Contributions to state plans	274	236	470	433
- Directors fees	173	125	313	264
- Wages, salaries and others	12,330	7,945	18,127	13,295
Net foreign exchange loss	16	51	27	71
Listing expenses	754	-	754	-
Bad debts written off	-	69	-	69
Other expenses arising from leases				
Expenses relating to short-term Leases	1,829	(i) 581	2,239	937

- (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.

18. TAX EXPENSE

	Individual 6 months ended Unaudited		Cumulative 12 months ended Unaudited	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current year	1,458	1,280	2,911	2,297
Under/(Over) provision in prior year	10	-	(49)	51
	<u>1,468</u>	<u>1,280</u>	<u>2,862</u>	<u>2,348</u>
Deferred tax expense				
Origination of temporary differences	248	36	168	46
Under/(Over) provision in prior year	14	-	94	(10)
	<u>262</u>	<u>36</u>	<u>262</u>	<u>36</u>
	<u>1,730</u>	<u>1,316</u>	<u>3,124</u>	<u>2,384</u>
Effective tax rate	35%	32%	30%	29%

The overall effective tax rate of 30% 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.

19. REVIEW OF PERFORMANCE

Financial year to date against preceding financial year

The Group recorded revenue of RM72.537 million for the current financial year, representing an increase of 9.36% compared to the preceding financial year of RM66.326 million. Growth in revenue was recorded mainly from EPCC segment representing an increase of 12.35% which is RM7.139 million mainly due to new work orders secured by the Group.

The Group's profit after tax increased by 24.25% to RM7.220 million for the financial year ended 31 December 2023 from RM5.811 million in the preceding financial year. The increase was mainly contributed by the increase the in gross profit margin of RM4.803 million during the financial year.

20. COMMENTARY ON PROSPECTS

The current trajectory of the oil and gas industry is expected to continue, given modest 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.

21. LOANS AND BORROWINGS

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

	Note	31 December 2023 RM'000	31 December 2022 RM'000
Non-current			
<i>Secured:</i>			
Term loans		3,437	2,875
Hire purchase liabilities	a	652	269
		<u>4,089</u>	<u>3,144</u>
Current			
<i>Secured:</i>			
Term loans		1,529	1,620
Trade financing		5,666	363
Hire purchase liabilities	a	215	258
Bank overdrafts		6,222	5,674
		<u>13,632</u>	<u>7,915</u>
		<u>17,721</u>	<u>11,059</u>

a. 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
31 December 2023			
Less than one year	252	37	215
Between one to five years	698	46	652
	<u>950</u>	<u>83</u>	<u>867</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>

22. EARNINGS PER ORDINARY SHARE

The calculations of earnings per ordinary share as at 31 December 2023 and 2022, was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Individual 6 months ended		Cumulative 12 months ended	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the Company	3,199	2,776	7,220	5,811
Earnings per ordinary share attributable to owners of the Company				
Number of ordinary shares ('000)	160,000	160,000	160,000	160,000
Basic earnings per ordinary share (sen)	2.00	1.74	4.51	3.63

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.