ANNUAL
REPORT
2022

HANDAL

HANDAL ENERGY BERHAD
200801015549 (816839-X)

C-L29-07, KL Trillion, 338 Jalan Tun Razak,
50400 Kuala Lumpur, Malaysia

www.handalenergy.com

HANDAL ENERGY BERHAD

ANNUAL REPORT 2022

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200801015549 (816839-X)

ANNUAL REPORT **2022**

OUR **RELIABILITY** YOUR **ASSURANCE**



ANNUAL REPORT **2022**

14 Annual General Meeting

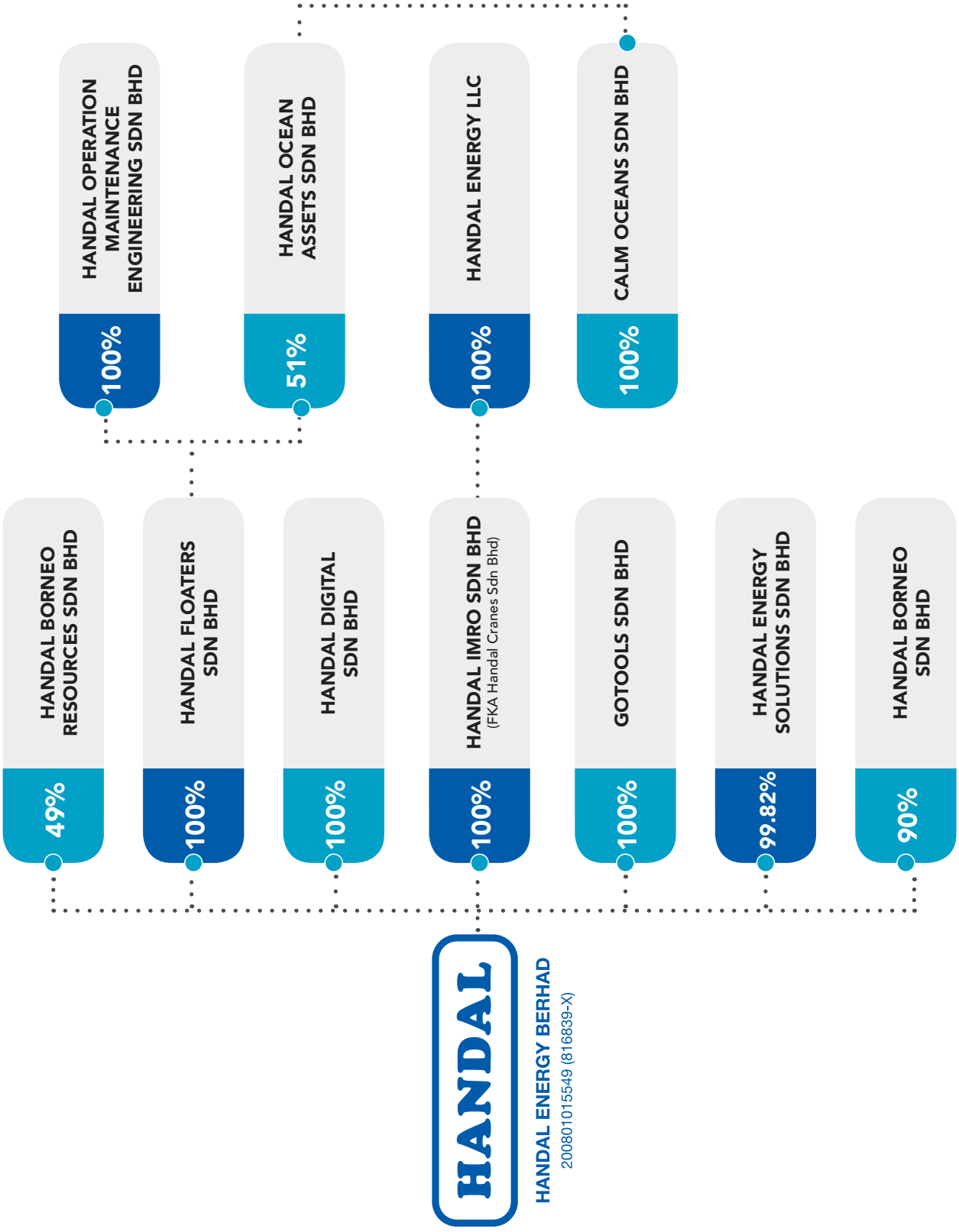
Date : **26 MAY 2023 AT 2.30PM**

Venue : **Meeting Room 1 & 2,**
Level 3, Hyatt Centric Kota Kinabalu,
18, Jalan Haji Saman, Kota Kinabalu,
88000 Sabah, Malaysia

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GROUP
CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS 2022

YAM TENGKU BADERUL ZAMAN IBNI SULTAN MAHMUD
Independent Non-Executive Chairman

SUNILDEEP SINGH DHALIWAL
Group Managing Director

YM TENGKU MUNAWIR ISLAHUDDIN BIN TENGKU NOONE AZIZ
Executive Director

DATUK MARY @ MARIATI ROBERT
Independent Non-Executive Director

DATO' MOHAMMAD MEDAN ABDULLAH
Independent Non-Executive Director

MIOR MOKHTAR BIN MIOR ABU BAKAR
Independent Non-Executive Director

JACQUELINE FONG YEAN YEE
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

- **Mior Mokhtar Bin Mior Abu Bakar**
  Chairman
- **Dato' Mohammad Medan Abdullah**
  Member
- **Datuk Mary @ Mariati Robert**
  Member
- **Jacqueline Fong Yean Yee**
  Member

NOMINATION COMMITTEE

- **Jacqueline Fong Yean Yee**
  Chairman
- **Mior Mokhtar Bin Mior Abu Bakar**
  Member
- **Dato' Mohammad Medan Abdullah**
  Member

REMUNERATION COMMITTEE

- **Jacqueline Fong Yean Yee**
  Chairman
- **Mior Mokhtar Bin Mior Abu Bakar**
  Member
- **Dato' Mohammad Medan Abdullah**
  Member

COMPANY SECRETARY

- **Soo Han Yee**
  (SSM PC No. 201908001907)
  (MAICSA 7008432)

REGISTERED OFFICE

C-L27-08, KL Trillion
338, Jalan Tun Razak, 50400
Kuala Lumpur
Wilayah Persekutuan, Malaysia.
Tel : +603 2733 5555

SHARE REGISTRAR

BOARDROOM SHARE REGISTRARS SDN BHD
11th Floor, Menara Symphony
No. 5, Jalan Semangat
(Jalan Professor Khoo Kay Kim)
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7890 4700
Fax : +603 7890 4670

CORPORATE OFFICE

C-L27-08, KL Trillion
338, Jalan Tun Razak
50400 Kuala Lumpur
Tel : +603 2733 5555
Fax : +603 2733 8225

AUDITORS

MESSRS HLB LER LUM CHEW PLT
B-7-7, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : +603-2161 2113
Fax : +603-2161 2119

PRINCIPAL BANKERS

AMBANK (M) BERHAD
HONG LEONG BANK BERHAD
RHB BANK BERHAD

STOCK EXCHANGE LISTING

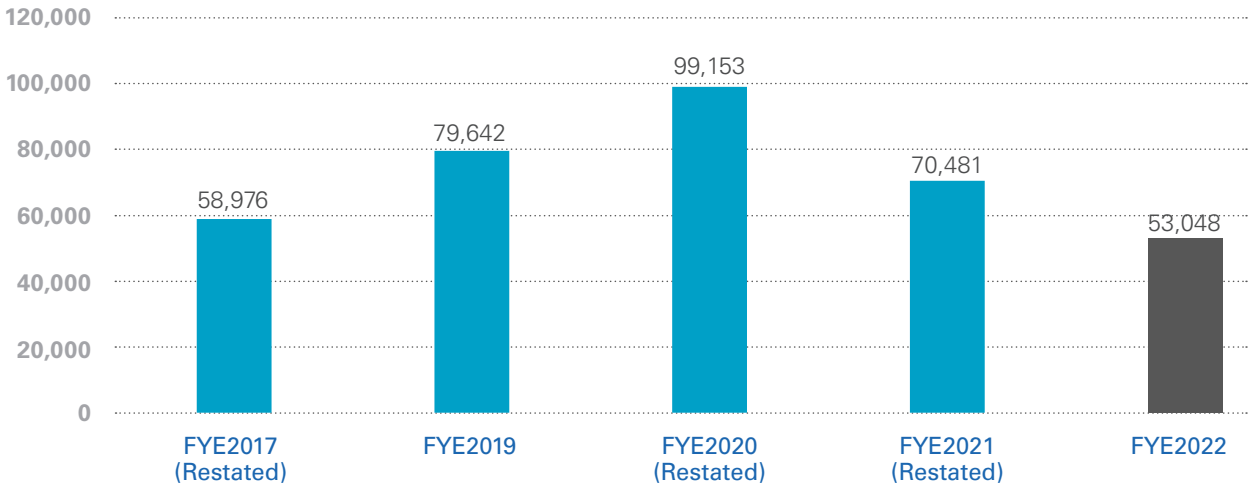
MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD
Stock Name : HANDAL
Stock Code : 7253

WEBSITE

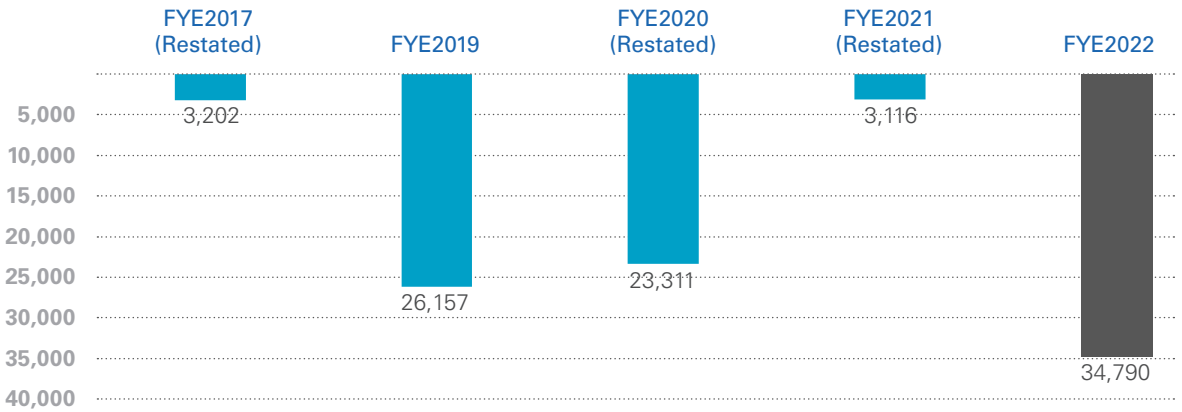
www.handalenergy.com

FINANCIAL **HIGHLIGHTS**

REVENUE
(RM52,836,615)

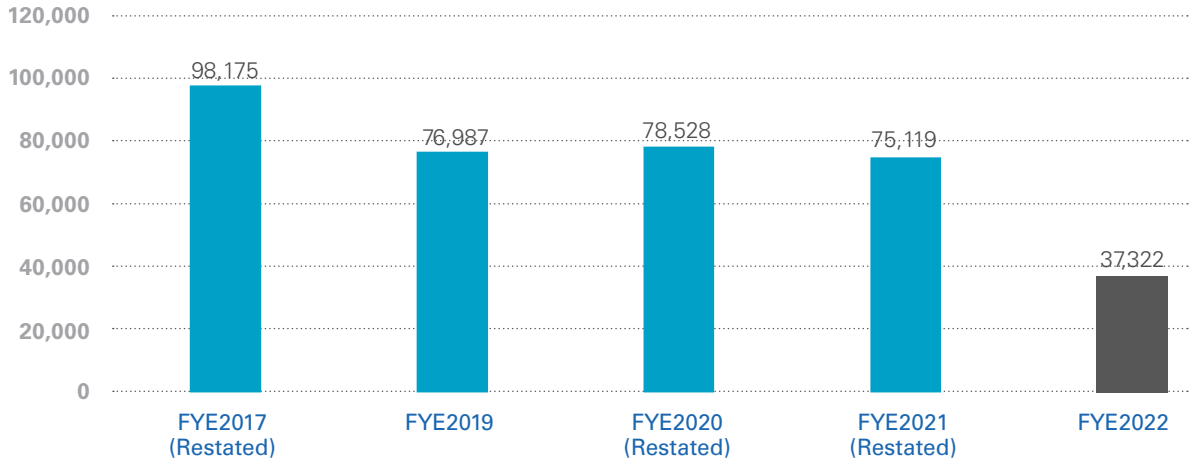


PROFIT AFTER TAX
(RM35,235,017)

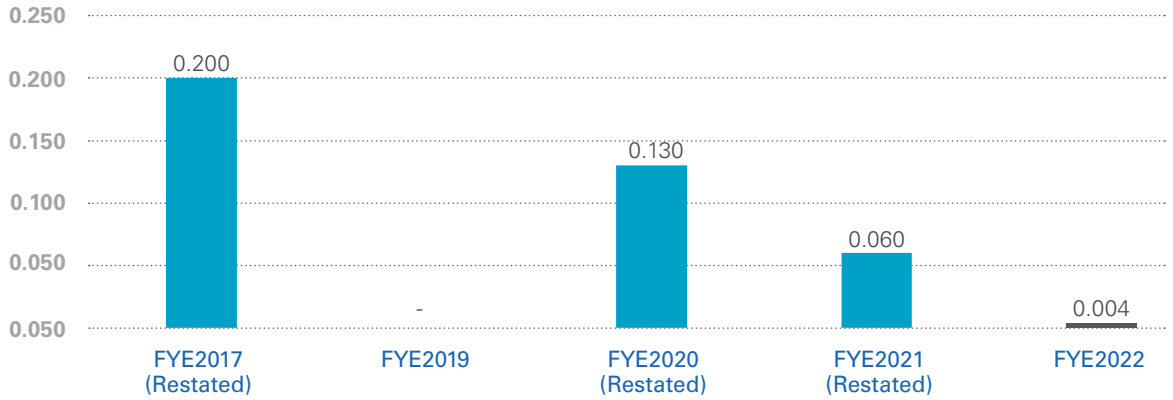


FINANCIAL HIGHLIGHTS

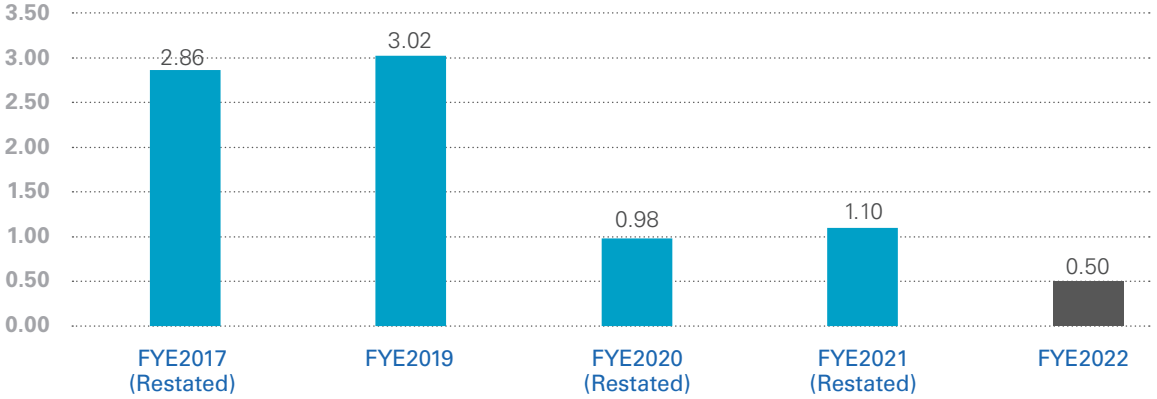
SHAREHOLDERS' EQUITY
(RM36,876,103)



GEARING RATIO
Times



CURRENT RATIO
Times



BOARD OF **DIRECTORS**

YAM Tengku Baderul Zaman Ibni Sultan Mahmud

Independent Non-Executive Chairman
Aged 49, Malaysian, Male

YAM Tengku Baderul Zaman Ibni Sultan Mahmud was appointed to the Board on 30 July 2018 as Independent Non-Executive Director and re-designated as Chairman on 1 January 2019. YAM Tengku holds a Degree in Business Administration from American University, United Kingdom.

After completing his higher education in England, YAM Tengku began his career with the Berjaya Group, a diversified conglomerate listed on Bursa Malaysia. Subsequently, he has worked in several other listed companies including a construction company and a company supplying industrial chemicals to the oil & gas industry.

Currently, he is a director of several other private companies

Sunildeep Singh Dhaliwal

Group Managing Director
Aged 49, Malaysian, Male

Sunildeep Singh Dhaliwal holds a Bachelor of Laws from the University of Wales in Swansea, United Kingdom.

Sunil previously proved himself in corporate reengineering when he was appointed as the executive director / chief operating officer of a government-linked company (GLC) which he successfully turned around to yield sustainable positive returns to its shareholders within two years at its helm.

He subsequently founded an oil & gas services start up in 2008 with the vision of building this into an integrated oil & gas service provider. Initially providing support vessels to the offshore drilling industry in Sabah, the business grew rapidly with expansion towards an integrated approach including maintenance services for pipelines in East Malaysia. Building on his strong international network, Sunil was able to secure an increasing number of contracts which included integrated service deliverables such as subsea well intervention.

In 2017, the oil & gas industry experienced a serious downturn which required all players to look towards an overall reduction in the cost of operations. In response, Sunil introduced the concept of gas turbine maintenance & overhauls being carried out by third party contractors instead of relying on original equipment manufacturers in order to achieve significant cost savings. This idea took a good 5 years to gain traction, culminating with Handal emerging as one of the pioneers to perform non-OEM gas turbine maintenance and overhaul services on General Electric gas turbines. Following this initiative, Sunil restructured Handal 's oil & gas division via the merger of several companies within the group to see a single integrated maintenance repair overhaul (iMRO) company, known as Handal iMRO Sdn Bhd.

As Group Managing Director of Handal, Sunil is renowned in the industry for his great foresight, substantial network and efficiency in incorporating new technology. As a result-oriented individual, he is the driving force of Handal's reputation and reliability.

BOARD OF DIRECTORS

YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz

Executive Director
Aged 48, Malaysian, Male

YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz was appointed to the Board on 1 March 2020 as Executive Director, Corporate Resources.

He holds a Bachelor of Business (Management) degree from the Wichita State University, Kansas, USA.

Since joining the workforce in 1999, Tengku Munawir has held various posts with responsibilities ranging from business development, sales, marketing, project management to consulting. He has considerable experience in technology and service businesses, as well as a broad background in establishing and developing start-ups.

Tengku Munawir became Director of Operations of Borneo Seaoffshore Engineering in 2005 overseeing the daily activities and managing expectations of the stakeholders and clients and dealing with the operational aspects of the contracts (post-award) to ensure project optimisation.

As the Executive Director overseeing Corporate Resources, his mandate covers the Group's Health Safety and Environment, Tender and Contracts, Human Resources Management and Administration Departments.

Dato' Mohammad Medan Abdullah

Independent Non-Executive Director
Aged 65, Malaysian, Male

Dato' Mohammad Medan Abdullah was appointed to the Board on 19 December 2016 as Independent Non-Executive Director.

He holds a Bachelor of Laws (Hons) from University of Malaya in 1982 and an Advanced Management Programme from Wharton Business School, University of Pennsylvania in 2007.

His career started in 1982 as a trainee Legal Officer in PETRONAS. He later served as a Legal Officer for five years at PETRONAS Carigali Sdn Bhd before his appointment as the Legal Adviser for Baram Delta Operations in 1988. Over the years, he has held numerous critical positions in PETRONAS and PETRONAS Carigali Group of Companies from 1990 until 2007.

With his outstanding performance, in 2007, he was appointed as the Managing Director and Chief Executive Officer of Malaysia LNG Group of Companies which comprises Malaysia LNG Sdn Bhd, Malaysia LNG Dua Sdn Bhd, Malaysia LNG Tiga Sdn Bhd and Asean LNG Trading Company Ltd (Altco).

Simultaneously, he was also appointed as the Chairman and Board Member of a UK-registered company, PETGAS UK Ltd, which primary responsibility covers trading of LNG and gas in the UK and European markets.

Prior to helming Bintulu Port Holdings Berhad Group, he served as the Managing Director and President (Asia Pacific) of Gazprom Marketing & Trading Pte Ltd (Singapore) where he was entrusted with the role of leading strategic business growth in the Asia Pacific region for Gazprom, a global gas giant.

Subsequently, he was appointed as Group Chief Executive Officer of Bintulu Port Holdings Berhad Group on 1 March 2017, bringing with him a vast experience of more than 30 years in the Oil & Gas industry

BOARD OF DIRECTORS

Datuk Mary @ Mariati Robert

Independent Non-Executive Director
Aged 70, Malaysian, Female

Datuk Mariati was appointed to the Board on 16 July 2021 as Independent Non- Executive Director.

Datuk Mariati graduated with a law degree from the University of Malaya in 1977 and was attached to the Attorney General's Chambers as a Deputy Public Prosecutor and Assistant Director of the Legal Aid Bureau (Sabah Branch).

She set up her own practice in 1991 and in 2013, she became the second woman after 46 years to be appointed as Sabah's Attorney General, a significant milestone for her and Sabah.

Prior to serving as Sabah's Attorney General, she also served as independent non-executive director as well as member of the audit and nomination committees of Innoprise Plantations Berhad (formerly known as Sinora Industries Berhad) between 1996 and 2014.

She has been active in various associations involving women empowerment at the state level.

From 2012 to 2016, she was the chairman of the Sabah Women's Advisory Council, which was set up to encourage, facilitate and increase opportunities for women's participation in the socio-economic development of the state.

She was also an active member of the Kota Kinabalu Mosque Women Syukbah as well as being involved in economic leadership programmes for rural women.

She was awarded the state-level Maulidur Rasul Award in 2019 for her services and contributions in promoting women empowerment.

Mior Mokhtar Bin Mior Abu Bakar

Independent Non-Executive Director
Aged 68, Malaysian, Male

Mior Mokhtar Bin Mior Abu Bakar was appointed to the Board on 28 November 2018 as Independent Non-Executive Director.

He is a qualified Association of Certified Chartered Accountants (ACCA) holder.

He had 29 years' experience with the PETRONAS Group of Companies in areas of financial management, commercial, internal audit & risk management and supply chain management. During his tenure in PETRONAS he held numerous positions including the Vice President Commercial of Trans Thai-Malaysia (Thailand) Pte Ltd, a joint venture between PETRONAS and the Petroleum Authority of Thailand.

After leaving PETRONAS, he was appointed as the Deputy General Manager of PT Radiant Bukit Barisan in Jakarta, and currently Director of Business Development at Cargomind Sdn Bhd, a company providing logistical support to the oil and gas industry in Malaysia.

BOARD OF DIRECTORS

Jacqueline Fong Yean Yee

Independent Non-Executive Director
Aged 47, Malaysian, Female

Jacqueline Fong Yean Yee was appointed to the Board on 30 July 2018 as Independent Non-Executive Director.

She holds a Master of Finance Degree from RMIT University in Melbourne, Australia and Bachelor of Laws from University of Bristol, United Kingdom.

Prior to CIMB, she started her career in Utama Merchant Bank Berhad where she was assigned roles in corporate banking, corporate recovery, debt restructuring and debt capital markets.

She was attached with CIMB Investment Bank for a total of 14 years in both Malaysia and Jakarta. During her tenure with the bank, she was assigned client coverage roles for various types of clients including multilateral development agencies, government, quasi-government and private sector corporates, and also involved in the origination of debt and equity capital market transactions. She left CIMB in 2015 as a Director in Investment Banking.

Save as disclosed above

- *None of the Directors has any family relationship with any director and/or major shareholder of the Company.*
- *None of the Directors has any conflict of interest with the Company.*
- *None of the Directors has any convictions for any offences other than traffic offences, if any, within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year*



PROFILE OF **KEY MANAGEMENT**

Thomas Varughese

EVP Group Finance
Handal Energy Berhad
59 Malaysian Male

Thomas joined Handal Energy Berhad in April 2022 as Executive Vice President of the Group. His role oversees the financial management of the companies within the Group, which includes finance, commercial, and supply chain. Since joining, his main focus has been on team creation and enhancing the overall financial framework of the Group.

He holds a Master of Business Administration majoring in Finance and a Master of Philosophy in Financial Economics from the University of Nottingham, England. Thomas began his career at HSBC Bank Berhad as a Treasury Corporate Dealer. His career at HSBC spanned over 25 years retiring in 2017 as Managing Director of Retail Banking and Wealth Management at HSBC Amanah.

Thomas also has broad business experience including business development and finance across various stages of business from turnarounds, growth, pre and post IPO, and debt restructuring.

Mazliza Mazlan

V.P Group Proposals Management
Handal Energy Berhad
42 Malaysian Female

Mazliza joined Borneo Seaoffshore Engineering in May 2014 as an executive in the Group Tender, Proposals & Contracts Department. She is primarily responsible in managing tender and bid proposals up to the award of contracts.
Mazliza holds a Bachelor's degree in Information Technology & Management (Hons) from Open University Malaysia.

She started in the construction industry in 2002 as an executive responsible for financial, licensing and tender matters. She then joined an engineering company in the oil and gas industry in 2007 in the administrative, finance and tender department.

PROFILE OF KEY MANAGEMENT

Sang Yew Chong

General Manager, Energy Business Malaysia
Handal iMRO
51 Malaysian Male

Sang joined Borneo Seaoffshore Engineering in January 2017, and tasked to lead riser maintenance and pipeline isolations contracts in our East Malaysian operations.

He holds a Bachelor's degree of Engineering (Biological & Agricultural) from Universiti Putra Malaysia (previously known as Universiti Pertanian Malaysia).
Sang began his career in Airod Sdn Bhd as an airframe and engine senior technician in 1990. Subsequently, he ventured into the engineering and construction sector specialising on horizontal directional drilling. Sang also has experience in various aspects of pipeline engineering, procurement, construction, installation and commissioning ("EPCIC") activities.

He joined Petronas Carigali Sdn Bhd – Sarawak Operations ("PCSB-SKO") in May 2008 as Senior Pipeline Engineer where he was assigned as Team Lead for strategy and placement of new maintenance contracts on pipeline pre-commissioning, commissioning & decommissioning, operation pigging, pig trap maintenance, onshore maintenance, pipeline isolation and riser maintenance. Sang was also appointed as the Team Lead for inspections and maintenance for PCSB-SKO pipeline team.

In 2022, he was promoted to General Manager, Energy Business for the Handal Group.

Azlin Juliana A. Razak

Group Finance Manager
Handal Energy Berhad
45 Malaysian Female

Azlin joined Handal Energy Berhad on 1 September 2020 as a Group Finance Manager and is responsible in oversee the financial operations of the companies within the Group and oversee the company's transaction and accounting system. She graduated from the MARA University of Technology with a Masters in Forensic Accounting and Financial Criminology.

Prior to joining Handal Energy Berhad, Azlin has more than 18 years of experience specializing in accounting and finance within the electronics and engineering industry. This has given her an opportunity to become an expert in SAP system applications and implementation and finance management.

Azlin began her career in 2001 at Samsung Electronics as an Accountant and in 2006 she joined H. Rosen Engineering as a Senior Accountant for 14 years.

CHAIRMAN'S **STATEMENT**

Dear Shareholders,

I would like to thank you for your continuous support as Handal Energy Berhad and its subsidiaries continues through this arduous stretch of our journey. Despite an uplift in the oil & gas industry, we were unable to achieve our targets in the 18-month financial period ended 31 December ("FPE") 2022 primarily resulting from unexpectedly low work orders relating to our various call out contracts.

In order to align our year end with our major clients, we changed our financial year end from 30 June to 31 December, hence our accounts were prepared for an 18 month period this time round.

On behalf of the Board, I would also like to express my utmost gratitude to the entire Handal team for their perseverance and resilience, supporting the Group in making sure that we emerge stronger and ready to face the challenges that this year may bring.





CHAIRMAN'S STATEMENT

THE YEAR UNDER REVIEW

As periodically announced throughout the year, the Group managed to secure several new contracts and also renewed existing contracts with the support of our loyal clients. In line with industry practice, these contracts do not have a specific contract value as they are on a call-out basis. However, due to lower than expected activity in the crane maintenance services and pipeline maintenance services, the Group received approximately only a portion from our estimated work orders. This resulted in a 25.0% drop in revenue from RM70.5 million in FY 2021 to RM2.8 million in FPE 2022.

The Group's administrative and other operating expenses increased by RM22.4 million or 82% from RM27.3 million in the previous year to RM49.6 million. This year saw RM6.1 million in impairment of intangible rights further dragging the Group down. Consequently, the Group recorded a loss after tax of RM35.2 million in FPE 2022 as compared to a loss after tax of RM3.1 million in the preceding financial year.

Despite the unfavourable environment in which the Group operated in, we maintained positive operational cash flows, of RM 7.8 millionreflecting our commitment to sound financial management. Proper cash flow management is a crucial strategy that the Group shall continue to improve on for its long-term financial success.

During the financial period ended 31 December 2022, the Group ventured into the telecommunication network infrastructure solutions industry and the sand mining industry. This is part of our business strategy to diversify our revenue streams and mitigate the cyclical nature of the oil & gas industry. Handal via its wholly owned subsidiary, Handal Digital Sdn Bhd secured a Network Facilities Provider License ("NFP License") from the Malaysian Communications and Multimedia Commission for a period of 10 years. This licence will enable the Group to venture into the business of building, operating, owning, and renting out space on telecommunication towers and structures. Separately, the Group entered into an agreement with Tanjung Aru Eco Development Sdn Bhd, a wholly owned subsidiary of the Chief Minister of Sabah, Inc, in respect of the extraction and sale of marine sand for a concession period of 15 years.

Our riser maintenance and pipeline engineering services previously carried out via Borneo Seaoffshore Engineering Sdn Bhd's ("BSOE") have been merged into Handal's wholly-owned subsidiary, Handal iMRO Sdn Bhd (formerly known as Handal Cranes Sdn Bhd) ("Handal iMRO") This was done to enable a larger company to provide integrated maintenance repair and overhauls for cranes and other oil & gas assets. Moving forward, all of Handal Group's oil and gas activities will be carried out via Handal iMRO and/or its subsidiaries.



CHAIRMAN'S STATEMENT



LOOKING AHEAD

FPE 31 December 2022 proved to be a challenging period for the Group, as we have been tested by instability and unpredictability both domestically and internationally. Even as nations and industries work to recover from COVID-19's devastating effects, we now face the ramifications of the Russia-Ukraine conflict, which may well outlast the hostilities themselves and which is likely to alter the industry landscape fundamentally and intricately. According to the International Monetary Fund, the global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and acute phase of COVID-19 pandemic. Meanwhile, global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 and subsequently decline to 6.5% in 2023.

In spite of the challenges, our past experience and strong fundamentals gave us the strength to persevere. We will continue to follow through on our long-term plan until we turn the corner. The transition to the endemic phase of the prolonged pandemic provided some relief but we have learned from the past that we must adapt to the evolving new normal while safeguarding our long-term financial stability.

For the current year, multiple contracts wins and extensions in FPE 2022 gave our orderbook an extremely promising boost. This will ensure that we remained cushioned from the challenging global environment. Some of the contracts that we have recently won or received extensions are from notable oil and gas companies such as ExxonMobil, PCSB, Sarawak Shell, and E&P O&M Services Sdn Bhd. We expect that as the economy keeps improving, there will be more demand for oil and gas-related industries.

Handal Group's oil and gas activities will continue grow as an integrated unit of the Group with the aim of improving efficiency and profitability of the Group as a whole.The Group aims to create a one-stop-shop for oil and gas customers, offering them a comprehensive range of services that will help them increase efficiency and productivity while offering a new way of contracting at lower costs. This approach will allow the Group to offer more value to our customers and enhance our competitiveness in the market.

We expect that as the global economy recovers, there will be more demand for oil and gas-related businesses. By integrating our oil and gas activities, we will be positioning ourselves to take advantage of this growth and capture a larger share of the

CHAIRMAN'S STATEMENT





market. This shows our commitment to improving our operations and providing our customers with high quality services.

However, we shall remain committed to pursuing growth opportunities domestically. While our expansion into the telecommunication network infrastructure solutions industry and sand mining industry is a significant step towards diversifying our revenue streams, we recognise that there are still many untapped opportunities that align with our core competencies and strategic direction.

Moving forward, the Group will continue to actively seek new profitable businesses that can contribute to our growth and profitability. We will explore new markets, leverage on emerging technologies and trends and capitalise our strengths to deliver value to our stakeholders. We are confident that with our solid track record and experienced management team, we are well-positioned to capitalise on opportunities that arise in today's rapidly evolving business landscape.

With these developments and barring any unforeseen circumstances, the Board remains cautiously optimistic on the prospects of the Group.

APPRECIATION

During the year, Handal saw the departure of Mr Mallek Rizal Bin Mohsin and Mr Terry Busing from Handal's Board. I wish to register my utmost gratitude for their outstanding effort and dedication during their tenure with the Group and wish them all the best in their future endeavours.

A special thanks to all of our stakeholders, including the shareholders of Handal for their unwavering support, our partners and business associates for continuing to have confidence in Handal, as well as our staff and the management team for their steadfastness and commitment in overcoming the difficulties during these times of prolonged turbulence and uncertainty.

On behalf of the Board of Directors of Group, I present Handal's annual report and audited financial statements for the FPE 31 December 2022.

YAMTengku Baderul Zaman Ibni Sultan Mahmud
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS



OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Handal Group, via its subsidiaries, provides integrated crane services and engineering & maintenance services to the oil and gas industry in Malaysia. During the FPE 31 December 2022, the Group operated from 6 operational bases and offices in Peninsular Malaysia, Sabah, Sarawak and Labuan.

Due to the change in Handal's financial year end, the financial statements for this period were prepared for eighteen (18) months ended 31 December 2022 and not directly comparable with the previous financial year ended 30 June 2021.

The performance of the respective operating business segments for the FPE 2022 as compared to the preceding year is analysed as follows:- For FPE 2022, pipeline engineering services represented the largest business segment contributing approximately 55% to the Group's revenue for the period, followed by integrated crane services which contributed approximately 36% to the Group's FPE 2022 revenue. Whilst we expect these two segments to continue providing most of our revenue, we will continue to explore other business segments as part of our strategic growth plan.

PIPELINE ENGINEERING SERVICES

This segment accounted for approximately 55% of the Group's revenue via its then 80% subsidiary, Borneo Seaoffshore Engineering ("BSOE"). The segment's revenue contribution for the FPE 2022 was RM29.2 million, compared to RM31.8 million recorded in FYE 2021. The overall decrease was mainly attributable to lower isolation work and riser section replacement work. Revenue was derived from piping isolation (RM4.8 million), riser maintenance (RM10.4 million) and operational pigging (RM4.4 million) and other engineering services (RM4.7 million). The loss before tax for this segment for the FPE 2022 was RM31.9 million due to cancellation of isolation works arising from several consecutive postponement of shutdown activities on the basis of COVID concerns and the significant portion of the Group's overheads were borne by this segment.

In FPE 2022, Handal managed to secure an extension of existing contracts and award of new contracts including:

a) Extension of contract from Petronas Carigali Sdn Bhd for provision of pipeline isolation services for a duration of one (1) year effective from 3rd April 2022 to 2nd April 2023.

b) New contract from EPOMS Sdn Bhd for pipeline isolation services which commenced in June 2022.

As the Group realigns its service delivery, the business and operations of BSOE have been merged into Handal's wholly-owned subsidiary, Handal iMRO Sdn Bhd (formerly known as Handal Cranes Sdn Bhd or "Handal iMRO").

INTEGRATED CRANE SERVICES

The Group provides integrated crane services through Handal iMRO, with its principal activities consisting of maintenance, refurbishment and overhaul of offshore pedestal cranes, offshore crane rental, workover projects, and other services such as supply of manpower and parts of all models of offshore pedestal cranes..

During the FPE 2022, Handal secured 2 new contracts from Petronas Carigali Sdn Bhd as follows:

a) Provision of offshore pedestal crane and JOB crane maintenance, services and supply of parts (Package B) for Sabah Assets.

b) Provision of other lifting equipment maintenance, services and supply of parts (Package C) for Sabah Assets.

The reported revenue of this business segment for the FPE 2022 was RM19.3 million, as compared to RM21.3 million recorded in FYE 2021. The decrease was due to the lower volume of work orders for the maintenance, operations and parts for offshore pedestal cranes. Revenue was contributed mainly from overhaul maintenance (RM12.6 million), parts trading (RM3.5 million), crane manufacturing (RM0.5 million) and other engineering services. The segment's loss before tax was RM8.2 million which was mainly due to lower revenue while fixed costs remained .

As Handal consolidates the service offering of Handal iMRO, the fixed assets of Handal shall be utilised across various equipment within the oil and gas industry whereby Handal's track record in maintenance, repair and overhaul of cranes shall be applied to these equipment offering a larger revenue base.

INVESTMENT HOLDING AND OTHER BUSINESSES

The Group's other businesses include manufacturing and fabrication of new offshore pedestal cranes, trading and project services; workover projects lifting solutions; manpower services; supply, fabrication and servicing industrial equipment and tank systems; consulting in engineering project support services; research and development in advance composite materials and well services.

This segment posted RM0.6 million in FPE 2022 as compared to RM8.9 million in FYE 2021. and a loss before tax of RM1.1 million.

FINANCIAL REVIEW

The Group reported a decrease of 25% in revenue at RM52.8 million for the FPE 2022 as compared to RM70.5 million recorded in FYE 2021. The majority of revenue was contributed from overhaul maintenance, parts trading, piping isolation, riser maintenance and other engineering services.

The Group posted a gross profit of RM9.2 million in FPE 2022 compared to RM24.2 million in FYE 2021 which was mainly due to increase in raw materials and supply, and the more competitive landscape of the sectors in which the Group operates in. Administrative and other operating expenses for the FPE 2022 was RM49.6 million, representing an increase of 82% as compared to the RM27.3 million recorded in FYE 2021. Included in the administrative cost were the impairment for Intellectual Property Right of RM 6.3 million in the period under review. The Group reported a loss after tax of RM35.2 million for the FPE 2022 as compared to a loss of RM3.1 million in FYE 2021.

The Group's shareholder's equity stood at RM34.0 million and total assets of RM90.9 million for the FPE 2022. Total borrowings decreased to RM11.0 million in FPE 2022 as compared to RM17.5 million recorded in FYE 2021

MANAGING OUR RISKS

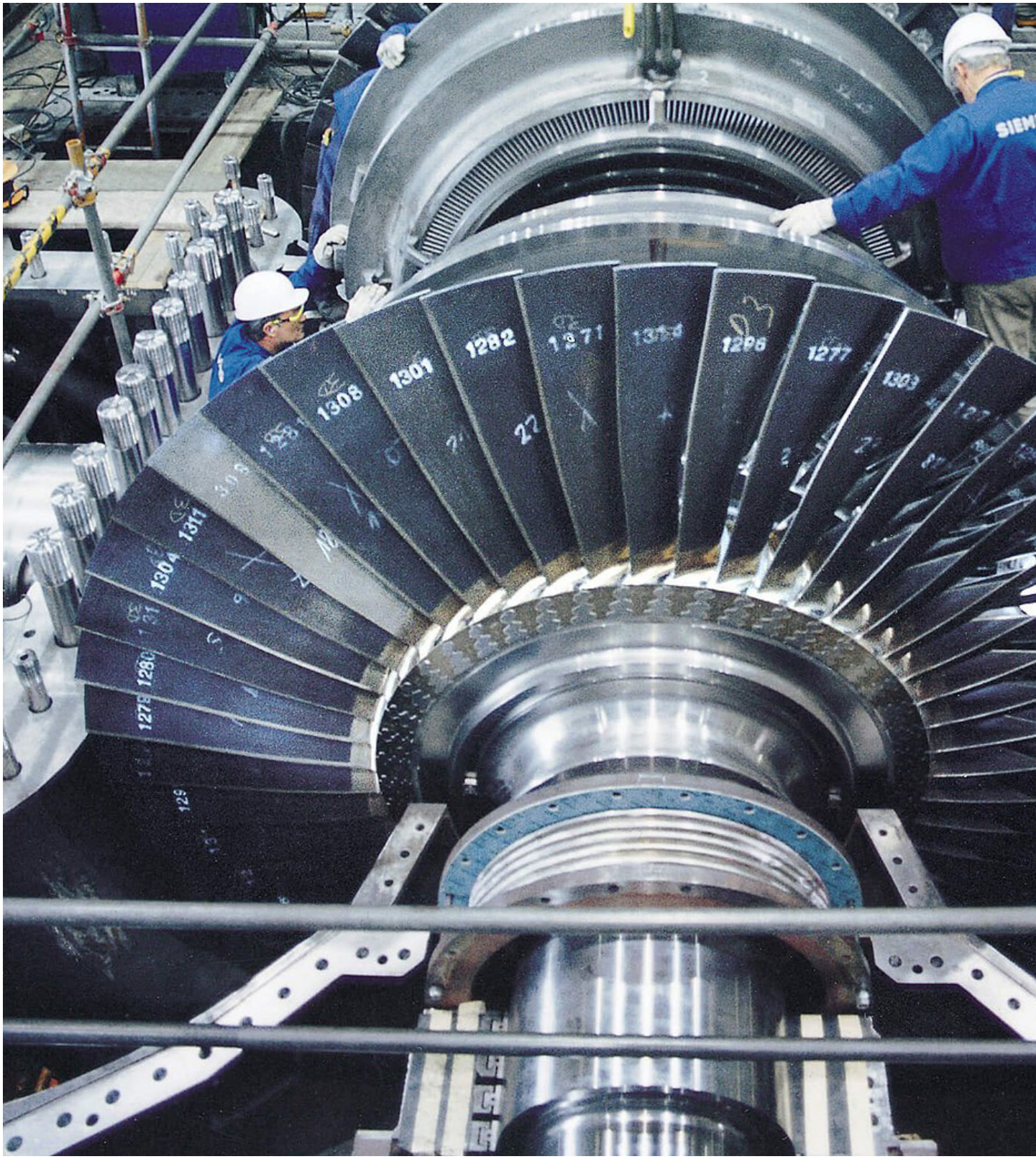
While the Group's trade receivables and payables are primarily transacted in MYR, we occasionally engage in business transactions in other currencies such as USD, EUR, AUD and SGD to cater to requirements of our customers or local businesses. However, since the volume of our transactions in these foreign currencies are not substantial, we do not expect their potential fluctuations to present significant risks of translation losses.

OUTLOOK

In FPE 2022, the Group faced various challenges including the impact of the ongoing COVID-19 pandemic and the Russia-Ukraine conflict, as well as a weakened global growth. However, the Group remained committed to its long-term plan and continued to improve its operational efficiency while being cautiously optimistic as the overall oil and gas industry recovers.

Despite in the decline in demand for crane manufacturing, the Group expanded its presence in new markets such as telecommunication network infrastructure solutions and sand

MANAGEMENT DISCUSSION & ANALYSIS



MANAGEMENT DISCUSSION & ANALYSIS



mining, leveraging its expertise in engineering and project management to provide high-quality services and solutions to clients. The Group also integrated its various oil and gas related services to create a one-stop-shop for oil and gas customers, aiming to increase efficiency, productivity, and competitiveness in the market.

While the FPE 2022 proved to be challenging for the Group, it also presented various opportunities for growth and profitability. Despite the forecasted global growth slowdown, the Group received multiple contract wins and extensions in FPE 2022, providing a promising boost to its orderbook and cushioning it from the challenging global environment. The Group's expansion into the new industries, as well as the integration of its oil and gas related services, positions it to take advantage of the expected growth in oil and gas related industries as the global economy recovers.

The Group remains committed to pursuing growth opportunities both domestically and abroad, leveraging its solid track record and experienced management team to explore new markets, capitalise on emerging technologies and trends and deliver value to its stakeholders and the Group will continue to actively seek new profitable businesses to contribute to its growth and profitability.

While we do not expect significant changes to our clients' business plan for the current period, we would expect a positive shift in business growth activities for 2023 and beyond as crude oil profile continue to increase and stabilise at around USD80/bbl. The Group is also hopeful that PETRONAS maintains a positive stance on its activity outlook for 2023, despite the Group may not be directly impacted by the state oil company's capital expenditure programme.

Handal is currently transitioning into a diversified holding company away from purely an oil and gas company. Via Handal Digital Sdn Bhd, Handal secured a network facility provider license from the Malaysian Communications and Multimedia Commission under the Minister of Telecommunications and Multimedia.

Handal also secured a 150 million cubic meter marine sand concession via Handal Borneo Resources Sdn Bhd that is expected to provide better stability to the Group and to fuel growth for 2023 and beyond.

SUSTAINABILITY **REPORT**

Shifting Focus to Sustainable Development

MESSAGE BY THE GROUP MANAGING DIRECTOR

(GRI 2-22)

After more than two years of operating in a pandemic environment, we are mindful of the growing concerns about the inextricable link between focus on material sustainability issues and the Group's financial performance to promote our growth. In the wake of COVID-19, Handal has gained a better understanding and higher appreciation of ESG considerations and their correlation with opportunities and risks inherent in any business venture.

The gradual easing of restrictions leading to a progressive return to normality throughout Financial Year 2022 ("FY2022") gave us the breathing space to focus on re-energising our business as a service provider in the oil and gas sector. Concurrently, we also adopted a more holistic approach by assimilating sustainability principles on Environmental, Social and Governance ("ESG") across the entire Group covering operations and other corporate affairs.

Thus, I am pleased to state that we are strengthening our commitment towards sustainable development by expanding the scope and scale of our sustainability reporting in this financial year's statement. Accordingly, the Group is taking the necessary steps as outlined in our Sustainability Roadmap to build the foundational blocks for planning and implementing sustainability measures while also tracking and reporting on their progress and performance.

During the financial year in review, we conducted a Materiality Survey to determine the economic and ESG issues deemed most critical by our stakeholders. Our identification of 'most material matters' will enable us to channel time, effort and resources in order to augment the positive impact or mitigate the negative effects of our activities on these selected areas.

Over and above this, we have also expanded our disclosures based on frameworks by the Global Reporting Initiative ("GRI") Standards and FTSE4Good Bursa Malaysia ("F4GBM") Sustainability Reporting Framework and have taken note of reporting requirements set by the Task Force on Climate-related Financial Disclosures ("TFCD").

In particular, Handal shares the global concern over climate change precipitated by greenhouse gas ("GHG") emissions from business and industrial activities. We intend to lower our carbon footprint going forward and have put in place the tracking mechanisms to calculate the Group's emission levels.

In the long run, we believe incorporating sustainability practices into every aspect of our operations will not only grow Handal's business but, more importantly, strengthen our resilience as we navigate through uncertainties. With the commitment of the Board, management team and all our people, we will push forward by leveraging our business strategies and plans to overcome the risks while identifying opportunities to thrive more effectively.

Mr Sunildeep Singh Dhaliwal
Group Managing Director

OVERVIEW

In FY2022, Handal took a more structured path towards increasing transparency towards its stakeholders on sustainability topics, aimed at viewing sustainability as a strategic element in the Group's business decisions. ¬While our journey is still in its initial phase, we are keen to evolve on the ESG front, stepping up on mainly identifying initiatives that will have meaningful outcomes. During the reporting period, we reassessed the Group's Sustainability Roadmap, and we are pleased to report that the first Materiality Matters survey was conducted and moving forward, we will focus on achieving the targets of the set key performance indicators ("KPIs").

This Statement has been prepared in compliance and accordance with:

- Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR")
- Bursa Malaysia Sustainability Reporting Guide (2nd Edition)
- Bursa Malaysia Corporate Governance Guide
- FTSE4Good Bursa Malaysia Index ("F4GBM")
- Global Reporting Initiative ("GRI") Standards

The relevant GRI indicators have been represented within parentheses against the respective headings and sub-headings whenever disclosure is in line with a GRI Standard disclosure.

This Statement should be read in conjunction with the Annual Report 2022, which includes information about Handal's ownership, control, and authority over the organisation in accordance with the Group's Corporate Structure.

REPORTING PERIOD AND SCOPE
(GRI 2.1, 2.2, 2.3)

Handal evaluates, updates and reports on the Group's sustainability performance annually, and this is the sixth Sustainability Statement ("Statement') for the financial year ("FY2022") in review. The Statement covers the Group's sustainability performance of our business operations in Malaysia for FY2022 from 1 July 2021 to 31 December 2022 unless otherwise specified. The scope of our disclosures encompasses all business entities under the Group, including our corporate headquarters as well as subsidiary companies under our direct control such as Handal Floaters Sdn Bhd, Handal Digital Sdn Bhd, Handal IMRO Sdn Bhd, Gotools Sdn Bhd, Handal Energy Solutions Sdn Bhd, Handal Borneo Sdn Bhd, Handal Operation Maintenance Engineering Sdn Bhd, Handal Ocean Assets Sdn Bhd, and Calm Oceans Sdn Bhd; where relevant. It excludes joint-ventures, affiliate firms, or enterprises outside our direct control.

PERFORMANCE DATA
(GRI 2-4, 2-5)

This Statement includes comparative data and information from the previous two years, where applicable. We are responsible for collecting, quantifying and presenting data, with disclosures used to draw the selection of criteria, which we believe provides the objective for measuring and reporting such sustainability disclosures. While every care is taken in completeness, accuracy and validity of the disclosures, measurement of certain disclosures includes estimates and assumptions based on the selection of different but acceptable measurement methods, input data or assumptions, which may result in different amounts or metrics being reported.

FEEDBACK
Please direct any enquiries, comments or suggestions to:

Handal Energy Berhad

C-L29-07, KL Trillion,
338, Jalan Tun Razak,
50400 Kuala Lumpur,
Malaysia.

Tel : +603-27335555
Fax : +603-27338225
Email : www.handalenergy.com

SUSTAINABILITY REPORT

Building the Foundation
SUSTAINABILITY ROADMAP

(GRI 2-22, 2-25)

In FY2021, the Group outlined a Sustainability Roadmap in collaboration with our sustainability consultants. The roadmap to guide the integration of sustainability values in all our operations and activities is based on five key steps towards a comprehensive framework for the implementation and reporting of ESG performance.



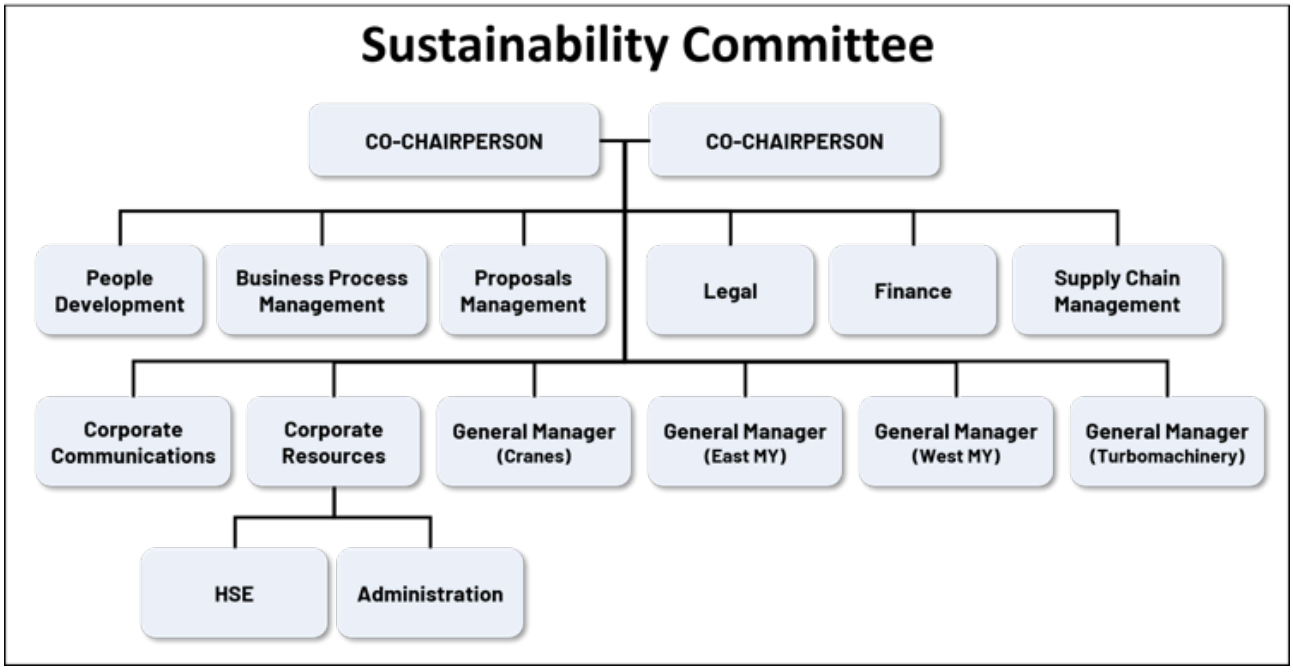
During the financial year in review, we completed the following tasks:

- Established a Sustainability Committee (SC) to oversee the integration of sustainability considerations across our operations as well as tracking and reporting on our sustainability performance;
- A Materiality Survey and Study, resulting in the selection of five most material matters that will become a focus for the Group's sustainability drive;
- Discussions on setting key performance indicators (KPIs) for the most material matters, action plans to achieve these targets as well as their respective reporting responsibilities; and
- Alignment of the group's most material matters to the United Nations Sustainable Development Goals (UNSDG).

SUSTAINABILITY GOVERNANCE

(GRI 2-9, 2-18)

The Group established a Sustainability Committee (SC) during the reporting period, which is jointly led by the Group Managing Director and Executive Director. The SC is further composed of representatives from four business divisions and eight other departments / units, as shown in the graphic on this page.



The SC serves as a critical coordinating function that steers ESG strategies into a competitive advantage for the Group. It is accountable for the sustainability strategy and performance of the business.

The committee is tasked with the following roles and functions:

- Implement, monitor and measure ESG initiatives within the Group;
- Mobilise the support of the workforce to adhere to ESG initiatives; and
- Set objectives, track progress and address issues that may arise.

The co-chairpersons report on a quarterly basis to the Board on the progress of the Group's sustainability programmes as the Board provides oversight over the strategic direction of Handal's sustainability commitments in the ESG aspects.

The SC held monthly meetings in FY2022, including a training session with a Board member in attendance. The appointed sustainability consultants conducted the training to gain insight into expanding Handal's scope of reporting and the importance of identifying key material matters amongst stakeholders.

SUSTAINABILITY REPORT

POLICY COMMITMENTS

(GRI 2-23 - 2-25)

Handal aims to be a service provider of choice in the oil and gas sector. We endeavour to act responsibly and ethically, balancing our priorities towards achieving sustainable Profit, sharing our successes with People and preserving the Planet. Driving value creation through Economic, Social and Governance best practices, we aim to maximise our potential to generate positive economic returns alongside focusing on environmental protection and dynamic equilibrium in our human capital and natural systems.

We aim to:

- Strive to integrate sustainability principles into the Group's strategies, policies and procedures,
- Ensure the proper implementation of identified programmes with reviews on our sustainability performance; and
- Create a culture of sustainability within Handal and its stakeholders with an emphasis on integrating Environmental, Social and Governance considerations into decision-making and the delivery of outcomes.
- Environmental: committed to identifying, managing and minimising the environmental impact of business operations.
- Social: focused on developing processes and programmes to continuously enhance human capital, strengthening stakeholder engagement and prioritising social capital.

	VALUE DELIVERY	IMPORTANCE OF ENGAGEMENT	ENGAGEMENT CHANNELS
Employees	• Competitive remuneration package • Work-life balance • Training and development • Enhanced career opportunities and growth	• To establish an empowered workforce that can effectively propel our business to new heights.	• Talent and management trainee development programs • Town hall engagements • Employee onboarding • Skills training programmes • Regular performance assessment
Investors and Shareholders	• To ensure returns on investment through business excellence and growth. • To ensure good corporate governance.	• To provide insights and instil confidence in our investors and shareholders.	• Annual general meetings • Annual report and sustainability report • Investor relations section in our website • Quarterly result announcements
Regulators and Certification bodies	• To ensure compliance with regulations, laws and international safety and quality standards	• To ethically manage health, security, environmental and economic risks. • To ensure our products and services are provided with the high standards that instil confidence in our clients.	• Internal and external audit exercises. • Submission of regulatory documentations and be audited by associated regulatory bodies. • Site inspections. • Briefings and trainings for our workforce.

Local communities	• To develop local communities through education and skills training	• We elevate the socioeconomic status of underprivileged communities by providing them with the skills needed for high value work in the oil and gas industry	• Outreach to communities to identify suitable candidates for our skills development programme.
Customers	• To deliver quality and safe solutions to our clients through our operational excellence.	• To ensure our solutions meet the demands of our clients and in turn achieve high client satisfaction.	• Regular meetings with our clients to ensure satisfactory product/ service delivery. • Marketing activities such as participating in exhibitions.
Vendors and suppliers	• To ensure supply chain security and procure quality materials.	• Our vendors and suppliers ensure we are able to deliver our services efficiently.	• Vendor registration • Regular meetings to ensure strong relationships with our vendors
Media	• To communicate our business activities, achievements and performance to our stakeholders.	• Our stakeholders should be transparently and effectively informed of any key messages	• Publishing press releases to report on our business performance and growth. • Website • Social media

SUSTAINABILITY REPORT

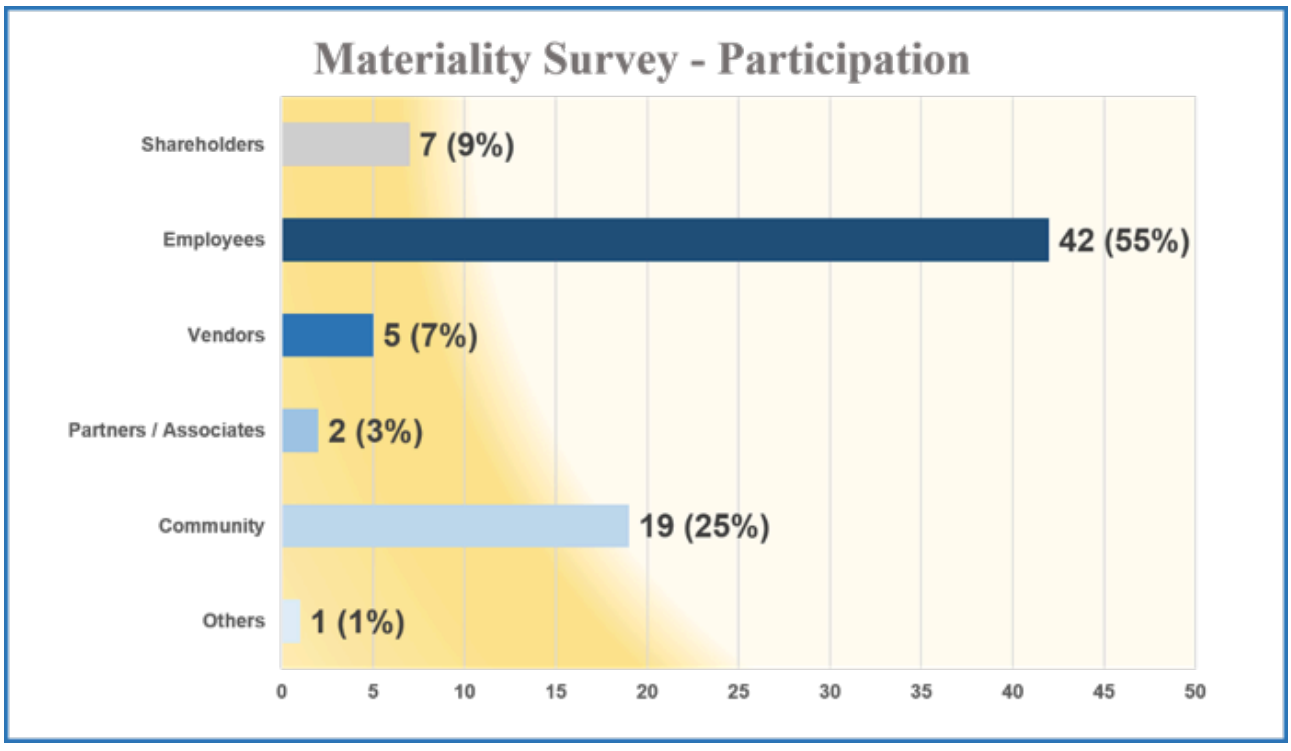
MATERIALITY MATTERS

(GRI 3-1 to 3-3, F4GBM)

A Materiality Survey and Study was carried out in June 2022 among various stakeholder groups, including shareholders, employees, vendors, business partners and associates, regulatory bodies, the community and others, including an independent professional.

As per the recommendations of F4GBM, the survey required respondents to value the importance of 33 materiality matters clustered under four EESG pillars: Economic, Environmental, Social and Governance).

The survey received a total of 76 responses, with the bulk of them from employees and members of the community, as shown in the bar chart on this page. The results were separated into 2 batches: one comprising only shareholders to represent their relevance to the company and the other by all other groups to signify their importance to stakeholders.



After averaging the values, the importance to stakeholders (represented by the y-axis) of each materiality matter was plotted against its relevance to the company (represented by the x-axis) on a Materiality Matrix.

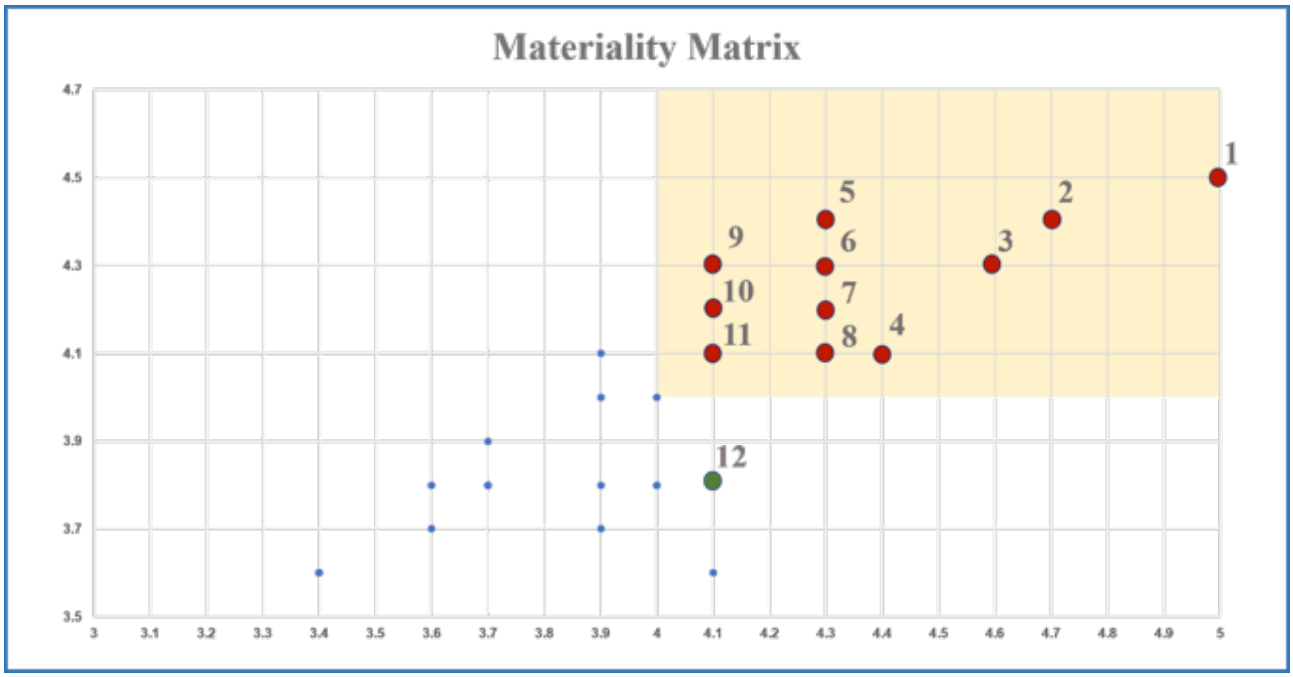
The matrix is a platform to achieve balance between the concerns of stakeholders and priorities of the company. The plot-points in a 'leader quadrant' (as shown in the shaded region in the matrix) represent the prospective 'most material matters'.

The materiality matters in the leader quadrant are as follows:

1. Economic & Business Performance (Economic)
2. Sustainability of the Business Strategy (Economic)
3. Customer Satisfaction (Social - Marketplace)
4. Sustainable Procurement & Supplier Assessment (Economic)
5. Risk Management (Governance)
   Quality of Products / Services (Social - Marketplace)
6. Public & Customer Safety (Social - Marketplace)

SUSTAINABILITY REPORT

7. Compliance (Social - Marketplace)
8. Business Ethics & Transparency (Governance)
   Recruiting & Retaining Employees (Social - Workplace)
9. Employee Training & Development (Social - Workplace)
10. Eliminating Bribery & Corruption (Governance)
11. Market Presence (Economic)
    Certification (Social - Marketplace)



Our criteria to selected Handal's most material matters was to ensure at least one from each of the ESG sustainability pillars, as shown in the table on this page.

SUSTAINABILITY REPORT

	MOST MATERIAL MATTERS	ESG PILLAR	IMPORTANCE TO VALUE CREATION	RISK	OPPORTUNITIES	STAKEHOLDERS AFFECTED	ALIGNMENT TO UNSDGS
1	Economic & Business Performance	Governance: Economic	Measuring performance is vital to monitor growth and progress.	External crisis factors, geopolitical threats and global economic impact.	Identifying solutions to strengthen operations and increase competitive edge.	Employees, Investors & Shareholders, Media	
2	Risk Managment	Governance	Addressing and tackling significant risks to business to increase resilience. Prioritising top risks through regular reviews and audits: ▯ Business Continuity Risk ▯ Operational Risk ▯ Financial Risk ▯ Cybersecurity Risk	Unrealised benefits, late-running projects, overspent budgets, unsatisfied customers, reputational damage and project failure.	Strengthening processes for performance improvement, identifying solutions for better internal controls in project management and finances.	Employees, Investors and Shareholders, Regulators, Customers, Vendors & Suppliers, Media	
3	Waste Managment	Environmental	More efficient use of products, reducing costs for purchasing new materials and improved financial performance.	Serious health effects and air and water pollution.	Cost savings from employing the circular economy methodology.	Employees, Certification Bodies, Regulators, Local Communities, Vendors and Suppliers	
4	Recruiting & Retaining Employees	Social - Workplace	Investing in the workforce, attract and retain talent.	Investing in the workforce, attract and retain talent.	Upskilling and reskilling talents, ensure good job fit in skills and capabilities to deliver business goals.	Employees, Local Communities, Media	

5	Customer Satisfaction	Social - Marketplace	Quality and reliability. Improving customer retention. Product innovation. Expanding customer portfolion, new markets.	Reduced sales lead to reduced revenue. Poor product quality and service levels. Threat to company's reputation.	Expanding product tiering and market share. Increasing sales volume: existing and potential customers.	Employees, Certification Bodies, Regulators, Customers, Vendors and Suppliers	

Following this selection, we will be setting KPIs, formulating Action Plans and assigning the respective tracking responsibility to different departments and units. We expect to report on these measures in the following financial year.

ENVIRONMENTAL

(GRI 301 - 308, F4GBM)

The intensity of hurricanes, typhoons, flooding, heatwaves, landslides and other natural disasters worldwide has recently been on the rise. This spate of extreme weather events underscores the consequences of human activities on fragile environmental systems.

Pollution, contamination and emission, particularly from business and industry, are progressively degrading land, water and air ecologies. If left unchecked, they will threaten the security of the food supply and the durability of habitats to the point of no return.

We accept our corporate responsibility to mitigate the impact of our operations and activities as a service provider for the oil and gas industry to protect and preserve the communities and environment where we operate.

In particular, the Group is concerned about climate change caused by greenhouse gas (GHG) emissions. We note that the current increase of more than 1oC in global temperature has already resulted in the Earth reaching several tipping points: which include sea levels rising to dangerous levels from the collapse of ice sheets in Antarctica and Greenland; and the deterioration of tropical coral reefs affecting marine life and a critical source of food.

In this regard, we fully support the goal of the Paris Agreement to suppress the rise in global temperature from pre-industrial levels below 2oC and ideally under 1.5oC via a 55% reduction in GHG emissions by 2030.

Handal has an existing Environmental Policy that guides our actions and activities towards protecting the environment.



HANDAL

Environmental Policy

HANDAL ENERGY BERHAD believes that we have a responsibility to care for and protect the environment in which we operate. We are committed to ensure that our business operation and processes are planned and performed to minimize hazardous discharges to the environment and to comply with the applicable legislative and contractual requirements.

In order to deliver this commitment, we strive to achieve the following policy objectives:

- Comply all applicable local legal law, regulations, codes of practice and other requirements that we have consented to, exceeding these requirements where possible.
- Carry out risk assessment of environmental affects prior work execution.
- Prevent environmental pollution and reduce waste detrimental to the environment.
- Minimize consumption and improve efficiency in managing these resources.
- Provide staff with information, instruction, and training to increase environmental awareness, proper management of hazardous waste and self-regulation environmental protection culture.
- Promote a culture that encourages staff to participate in environmental and sustainability campaign and initiatives.

In HANDAL ENERGY BERHAD, we believe that the protection to the environment is a fundamental value to business continuity, safeguarding the health of all individuals within **HANDAL ENERGY BERHAD** from environmental adverse effects as well as a contribution to the global environmental conservation.

Sunildeep Dhaliwal
Group Managing Director
Handal Energy Berhad
Date: 10 March 2020

The terms of the Policy Statement are binding for **HANDAL ENERGY BERHAD** and all its subsidiaries companies.

SUSTAINABILITY REPORT

In this section, we review our sustainability performance: in the consumption of materials, energy and water; in the discharge and disposal of emissions, effluent, and waste; the handling of chemicals and in the prioritisation of environmental initiatives.

SUSTAINABLE MATERIALS

(GRI 301, F4GBM)

As a manufacturer of cranes, pipeline rigging and other production facilities, materials we deal with include steel, rubber, plastics and other secondary items. In the case of office consumables, we adhere to the 3R principles of reuse, reduce and recycle as part of efforts towards a circular economy.

ENERGY MANAGEMENT

(GRI 302, F4GBM)

The Group believes in energy conservation for financial and environmental reasons. Apart from cost control, we consume energy prudently to conserve natural resources and reduce GHG emissions from burning fossil fuels in machinery/vehicles and for electricity generation.

During the period in review, our total electricity usage was 806,716 kWh over 18 months as compared to 531,473 kWh in the previous 12 months.

Electricity Consumption FY2022 (kWh)

MONTHS	2021	MONTHS	2022
July 2020	45,641	July 2021	19,859
August 2020	48,207	August 2021	20,867
September 2020	47,905	September 2021	21,767
October 2020	45,131	October 2021	24,246
November 2020	43,134	November 2021	23,734
December 2020	44,386	December 2021	15,560
January 2021	43,676	January 2022	13,969
February 2021	44,918	February 2022	12,501
March 2021	50,837	March 2022	16,126
April 2021	47,603	April 2022	12,274
May 2021	45,025	May 2022	13,245
June 2021	25,011	June 2022	15,014
		July 2022	13,031
		August 2022	13,609
		September 2022	10,854
		October 2022	12,988
		November 2022	8,610
		December 2022	6,989
TOTAL	**531,473**		**806,716**

We will compile data on fuel consumption, calculate our energy (fuel and electricity consumption) intensity ratio and energy consumption outside the organisation in subsequent reports at a time when we can fulfill the reporting requirements.

CHEMICAL MANAGEMENT

(F4GBM)

Handal uses various chemicals in its manufacturing / fabrication and maintenance activities including assorted oils, ozone-depleting substances, radioactive residues, mercury and biocides. We have stringent procedures to govern the safe storage, handling and use of these chemicals and adhere to all relevant regulations on chemical management at our project sites.

WATER MANAGEMENT

(GRI 303, F4GBM)

Dwindling water sources and worsening droughts are hampering efforts to provide sufficient water supply to growing populations in many parts of the world. According to the World Wildlife Fund ("WWF"), two thirds of the global population could face water shortages by 2025.

At home, the Association of Water and Energy Research Malaysia (AWER) has warned that urban areas such as Kuala Lumpur, Selangor and Putrajaya have little or no water reserve margin (difference between production capacity and water usage).

Against this backdrop, Handal subscribed to water conservation and regulates the use of water at all our corporate offices and project sites. During the reporting period, we consumed 40,025 litres of water in 18 months against 25,683 litres in the previous 12 months.

Water Consumption FY2022 (litres)

MONTHS	2021		2022
July 2020	2,347	July 2021	4,699
August 2020	3,568	August 2021	3,892
September 2020	2,477	September 2021	3,485
October 2020	3,541	October 2021	4,054
November 2020	1,840	November 2021	2,849
December 2020	341	December 2021	571
January 2021	689	January 2022	570
February 2021	235	February 2022	117
March 2021	808	March 2022	643
April 2021	457	April 2022	334
May 2021	2,489	May 2022	6,841
June 2021	6,891	June 2022	5,209
		July 2022	616
		August 2022	2,523
		September 2022	1,611
		October 2022	894
		November 2022	473
		December 2022	644
Total	**25,683**		**40,025**

SUSTAINABILITY REPORT

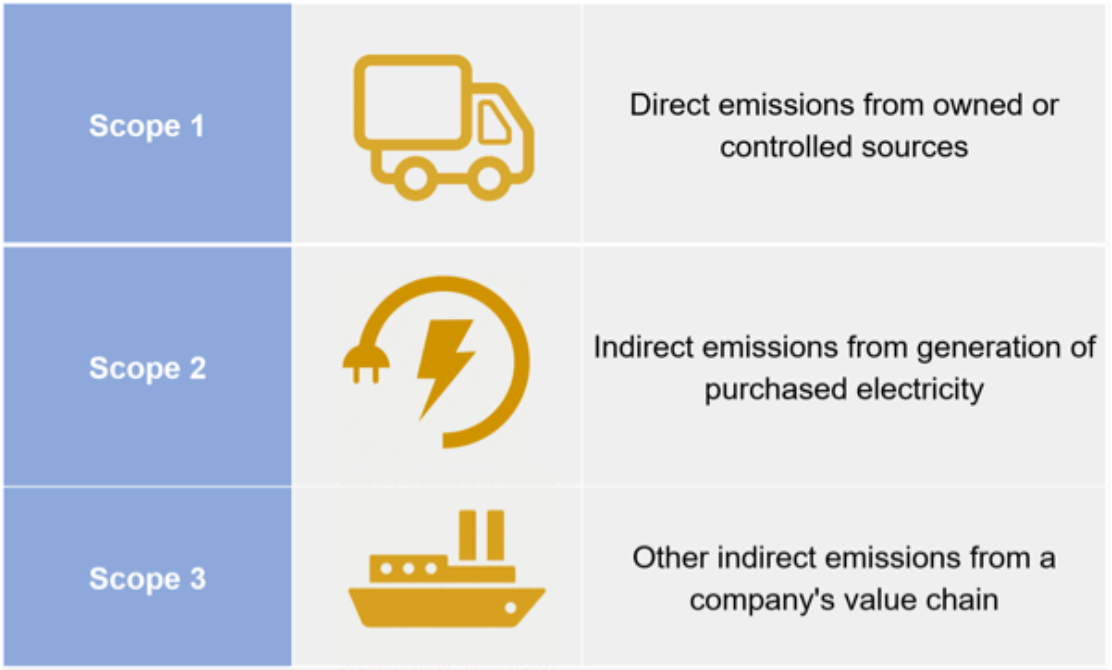
EMISSIONS AND INITIATIVES TO TACKLE CLIMATE CHANGE

(GRI 305, F4GBM)

The Group intends to reduce our GHG emissions as part of efforts to slow climate change. As a first step, we are conducting an inventory of all our emission sources, including fuel-based equipment and machinery, vehicles and refrigerants from cooling units.

For the period in review, we converted our electricity consumption (Scope 2) into metric tonnes of carbon dioxide equivalent (CO2-E mt) to provide an initial indication of our carbon footprint. We intend to quantify our emission from additional sources classified under Scope 1 and Scope 3 in the next financial period as recommended by the GRI, Intergovernmental Panel on Climate Change (IPCC), GHG Protocol and other organisations. Subsequently, we can plan and implement emission-reduction initiatives in the years to come.

Scope of Emissions



GHG Emissions FY2022

SCOPE	EMISSION SOURCE	FUEL TYPE	CONSUMPTION	CO_2-E (mt)
1	Stationary Combustion	Various	*Deferred to next financial period*	
	Mobile Combustion	Petrol	*Deferred to next financial period*	
		Diesel	*Deferred to next financial period*	
2	Purchased Electricity	Various	806,716 kWh	500.2
3	Employee Commuting	Various	*Deferred to next financial period*	
	Business Travel	Aviation Fuel	*Deferred to next financial period*	
TOTAL				**500.2**

- *Conversion of diesel to CO2E: litre x 2.64kg (Source: www.ecoscore.be)*
- *Conversion of petrol to CO2E: litre x 2.39kg (Source. www.ecoscore.be)*
- *Conversion of electricity to CO2E (Malaysia): kWh x 0.62kg (Source: www.worldbenchmarkingalliance.org)*
- *Conversion of air travel to CO2E: km x 115g per passenger (Source: www.carbonindependent.com)*
- *Rationale for conversion references:*
- *Ecoscore offers a more accurate conversion rate than other US-based references as Malaysia's diesel and petrol sources are either from Europe or Asia. In any case, the difference in conversion rates between Ecoscore and US-based converters are marginal and in the second decimal point*
- *The conversion rate for electricity generation varies according to the types of power generators in each specific country. World Benchmarking Alliance has estimated that Malaysia's unique mix of power generation sources will emit 0.62kg of CO2E by 2023 from 0.59 in 2017 after taking into consideration the development of new power plants during the 5-year 2018-2022 period. As such, we have opted to use 0.62kg (2023) as the emission factor.*

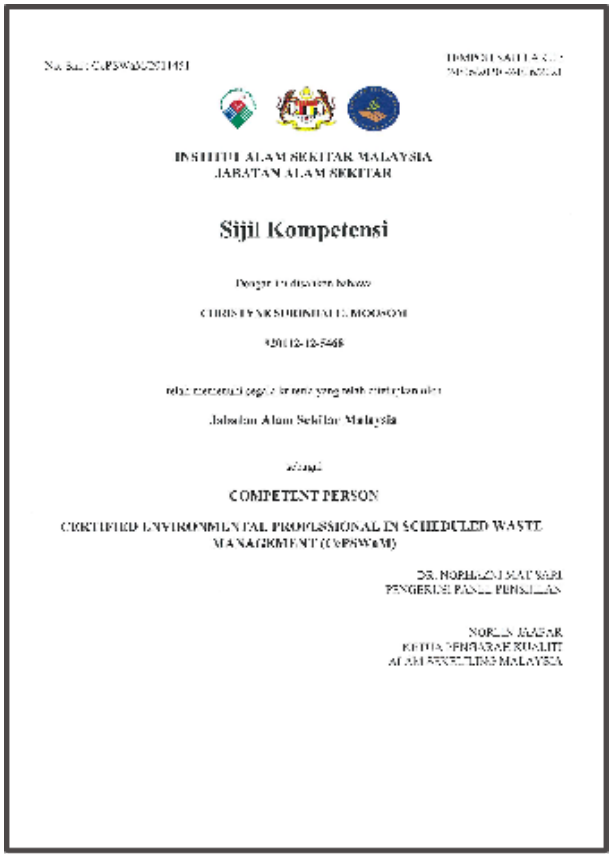
EFFLUENTS AND WASTE MANAGEMENT, CIRCULAR ECONOMY

(GRI 306, F4GBM)

Handal adheres to all statutory requirements on the discharge of effluent and disposal of waste to prevent pollution and contamination of the environment. As mentioned earlier, the Group also subscribes to the concept of the circular economy advocating the reuse and recycle of materials.

In the case of effluent from our manufacturing and maintenance activities, we comply at all times with relevant standards on effluent discharge such as the Environmental Quality (Industrial Effluents) Regulations 2009.

The Group practices proper waste management, with an in-house certified environmental professional in scheduled waste management ("CePSWaM") to supervise the storage of scheduled waste at our work sites in Kemaman, Sarawak and Labuan, all of which as registered with the Department of Environment ("DOE").



INSTITUT ALAM SEKITAR MALAYSIA
JABATAN ALAM SEKITAR

Sijil Kompetensi

Jabatan Alam Sekitar Malaysia

COMPETENT PERSON

CERTIFIED ENVIRONMENTAL PROFESSIONAL IN SCHEDULED WASTE MANAGEMENT (CePSWaM)

During the period in review, we disposed of 32.92 metric tonnes (MT) of scheduled waste as compared with 38.52 MT in FY2021, as shown in the tables here.

SUSTAINABILITY REPORT

Disposal of Scheduled Waste

TERENGGANU OPERATION (STORAGE @TK AND KSB)					DISPOSED BY 3RD PARTY SERVICE PROVIDER (APPROVED DOE)
NO	CODE	ITEM	QUANTITY STORED (MT)	QUANTITY DISPOSED (MT)	
1	SW 104	Spent hydraulic oil	-	16.600	Kualiti Alam
1	SW 305	Spent garnet	-	11.400	
2	SW 311	Waste oil / oily sludge	0.332	-	
3	SW 410	Contaminated containers	0.166	2.610	
		Total	**0.498**	**30.610**	

SARAWAK OPERATION (STORAGE @TK AND KSB)					DISPOSED BY 3RD PARTY SERVICE PROVIDER (APPROVED DOE)
NO	CODE	ITEM	QUANTITY STORED (MT)	QUANTITY DISPOSED (MT)	
1	SW 307	Spent Mineral Oil emulsion	2.109	-	E-Concern
1	SW 322	Contaminated used thinne	-	0.816	
2	SW 409	Waste cans	-	0.524	
3	SW 417	Waste of paint	-	0.974	
		Total	**2.109**	**2.314**	

SUPPLIER ENVIRONMENTAL ASSESSMENT

(GRI 308)

The Group has standard evaluation criteria and for new and existing vendors and service providers to adhere to. These stipulations are contained in purchasing control procedures that include requirements related to the environment.



SOCIAL

(GRI 2-7, 2-8, 2-19 to 2-21, 2-29, 401 – 406, 408 – 410, 413 - 416, 418, F4GBM)

The operations and activities of oil & gas service providers such as Handal cast a significant social footprint on its stakeholders including employees, customers and various groups among the community.

At the work sites, the Group is responsible for ensuring the welfare and wellbeing of our employees by providing a safe, healthy and inclusive environment. It is also our onus to create and maintain a culture of innovation and continuous improvement so employees can develop their talent and finetune their competencies.

In the marketplace, we have an obligation to consistently meet the expectations of our customers in terms of the safety, quality, reliability and integrity of our products and services to support their business activities.

For the community, we are committed towards societal enablement and empowerment via our efforts to create jobs, improve skillsets and employability, and contribute towards the upliftment of less fortunate groups.

At Handal, our sense of social sustainability has been amplified by the Covid-19 pandemic, which has given us a better grasp of the need to work side by side with all our stakeholder groups to find solutions for all.

EMPLOYMENT

(GRI 2-7, 2-8, 2-19 to 2-21, 401)

The Group significantly reduced its workforce in response to the slowdown in demand for oil & gas services throughout 2022. At the close of FPE2022, our total employee complement stood at 172 including 118 permanent employees as compared with 1,966 (1,225 permanent) at the start of the calendar year.

Total Employment FPE2022

PERIOD	TOTAL EMPLOYEES	PERMANENT EMPLOYEES
July 1 – Dec 31 2021	1,966	1,225
As at 31 Dec 2022	172	118

Consistent with the industry, our workforce was dominated by males who outstripped females by almost four times, and by Malays who accounted for almost two thirds of all employees. By the end of 2022, we had a completely local workforce, having let go of foreign contract workers during the year.

Employment by Gender (as at 31 Dec 2022)

GENDER	NO.	%	NEW EMPLOYEES
Male	137	79.7	4
Female	35	20.3	2
Total	**172**	**100.00**	**6**

Employment by Race (as at 31 Dec 2022)

Race	No.	%
Malay	114	66.3
Chinese	10	5.8
Indian	15	8.7
Others	33	19.2
Total	**172**	**100.00**

Handal continues to offer attractive remuneration packages consistent with the industry norm with basic wages augmented by various benefits such as the Employee Share Option Scheme (ESOS) Under the ESOS, eligible employees are offered options as a reward for their loyalty, determination and hard work.

Over and above financial rewards, our employees are also provided with a range of benefits including medical and insurance cover, annual leave and special leave such as maternity, paternity and sick days.

At Handal, we have a merit-based performance system in place for all levels of employment in the planning and development of their career paths, which include promotions or lateral transfers.

LABOUR MANAGEMENT RELATIONS

(GRI 402, F4GBM)

At Handal, we believe in the practice of regular interaction and communication as the hallmark of cooperative and collaborative relations between employer and employees. We have various platforms and channels for communications including meetings, where open discussions of challenges and issues are encouraged.

While we do not have a specified timeframe to notify employees of any major operational changes, we endeavour to ensure affected individuals are given a considerate period to adapt and adjust.

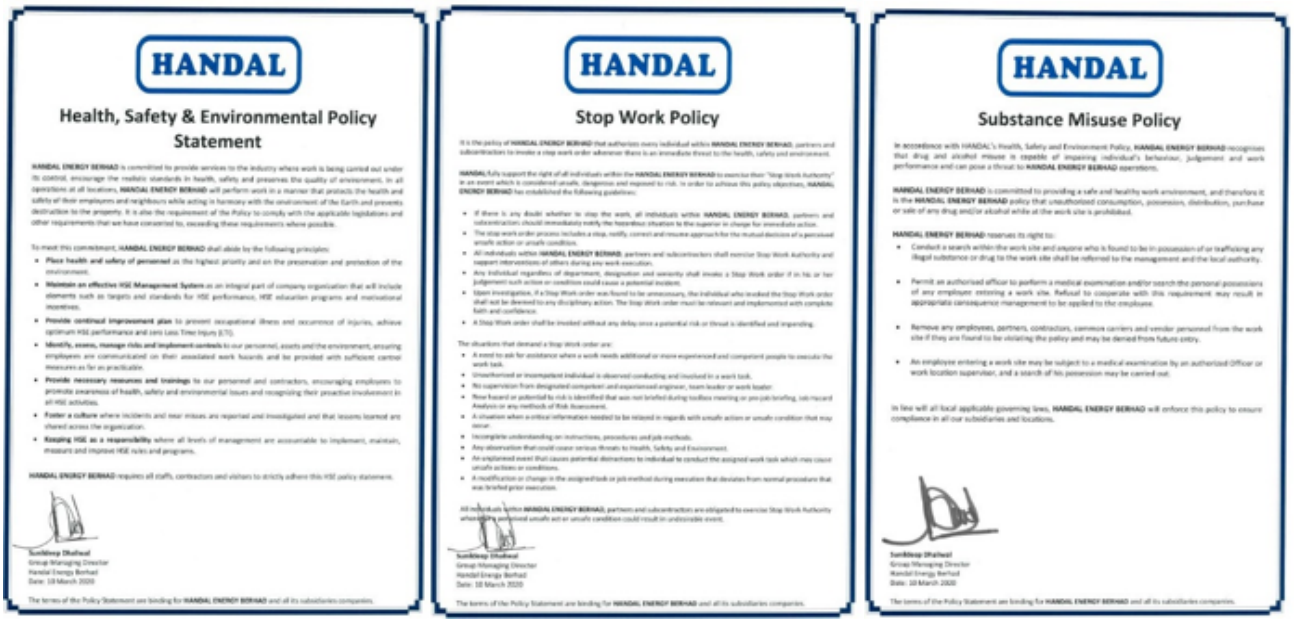
SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH & SAFETY

(GRI 403, F4GBM)

The Group has a six-member Health, Safety & Environment (HSE) unit that oversees the planning and implementation of safe work practices in the relatively high-risk operational conditions of the energy industry.

We have comprehensive policies and stringent procedures in place for the protection of all our operational and administrative employees and contract workers inclusive of a set of safety guidelines to deal with industry hazards.


HANDAL

Health, Safety & Environmental Policy Statement

HANDAL

Stop Work Policy

HANDAL

Substance Misuse Policy

During the period in review, we maintained a perfect HSE record with our last reported incident in 2020.

HEALTH & SAFETY INDICATORS	2022	2021	2020
Total Manhours worked	295,475	274,232	379,475
Fatalities	0	0	0
Lost Time Incidents	0	0	0
Lost Workday Cases	0	0	0
Numbers of Permanent / Partial Disabilities	0	0	0
Restricted Workday Cases	0	0	0
Medical Treatment Cases	0	0	0
First Aid Cases	0	0	1
Near Miss Incidents	0	0	1

SUSTAINABILITY REPORT

Total Recordable Case Frequency (TRCF) (FAT + PPD + LWC + RWC + MTC) /Manhours worked)/1,000,000	0	0	0
Total Lost Time Incident Frequency (LTIF) (FAT + PPD + LWC)/Manhours worked)/1,000,000	0	0	5.27



SUSTAINABILITY REPORT

TRAINING, EDUCATION & CAREER DEVELOPMENT

(GRI 404, F4GBM)

Handal places a premium on lifelong learning and skills development among our employees to ensure they have the requisite competencies to face challenges in the fast-evolving business and industrial landscape.

For this reason, we prioritise training particularly for our operational employees who need to keep abreast of the latest technical requirements in order for their various certifications and accreditations to remain valid.

During the reporting period, all of our operational personnel attended training cum certification programmes including our engineers, supervisors, painters, mechanics, inspectors, technicians and crane operators.

The Group also offers an internship programme to offer opportunities for students to gain real world experience while also providing the Group with a ready pipeline to recruit suitable talents once they graduate.

Crew Training FPE2022

JOB DESIGNATION	NUMBER TRAINED
Field Engineers	5
General Supervisors	5
Blaster Painters	10
Mechanics	7
Painting Inspectors	7
UT Technicians	3
Riggers / Firewatchers	36
Crane Technicians	7
Total	**80**

DIVERSITY AND EQUAL OPPORTUNITY

(GRI 405, F4GBM)

Handal embraces diversity as a strength with the conviction that it provides us with different perspectives and life experiences to draw from in cultivating a dynamic workplace capable of enhancing productivity and driving growth.

We are committed towards giving equal opportunities to employees of all races, religions, cultures, genders, ages and backgrounds and actively encourage interaction among our employees so they can learn from one another.

NON-DISCRIMINATION

(GRI 406, F4GBM)

The Group actively discourages any actions or behaviours that distinguishes individual employees apart from others. In line with this, we specifically prohibit any form of discrimination and employees are also reminded against using discriminatory language or other actions towards one another.

Instead, the senior management and employees are encouraged to at all times:

- Act honestly, fairly and professionally in all business dealings;
- Foster a culture of integrity;
- Work together to promote a safe, ethical and professional workplace;
- Comply with the laws, rules and regulations; and
- Respect the local communities wherever we operate.

There were no incidents of discrimination of any kind recorded during the period in review.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

(GRI 407)

Handal does not subscribe to collective bargaining in employment. Nevertheless, we are open to discussions with employees on various matters such as remuneration, benefits, workplace conditions and others.

CHILD LABOUR

(GRI 408)

We do not or intend to employ under-aged labour in accordance with the relevant employment laws and regulations in Malaysia, a condition extended to include our selection of vendors, suppliers and service providers.

FORCED OR COMPULSORY LABOUR

(GRI 409)

We do not condone any acts of forced or compulsory labour within the Group or among our third party contractors.

SECURITY PRACTICES

(GRI 410)

Our security is outsourced to external service providers, who are bound by our service agreement and have to comply with standard operating procedures ("SOP"). The conduct and behaviour of these security personnel are constantly monitored by our personnel.

HUMAN RIGHTS

(F4GBM)

FMHB is a strong advocate and supporter of human rights, at all times treating individuals with dignity and respect in the workplace, providing equal employment opportunities and creating a safe and harmonious work environment.

Our employees are expected to respect the personal dignity, privacy and rights of each individual they interact with during the course of work and will not in any way cause or contribute to the violation or circumvention of human rights. This clause is included in the Group's Corporate Code of Business Conduct and Work Ethics Policy.

COMMUNITY ENGAGEMENT

(GRI 413, F4GBM)

Handal continues to be a generous contributor to communities where we operate. Over the years, we have held numerous events to engage with and for the benefit of various community groups.

SUPPLIER SOCIAL ASSESSMENT

(GRI 414, F4GBM)

The Group does not currently evaluate our vendors and suppliers based on any social considerations. However, we may include this requirement in the future.

PUBLIC POLICY

(GRI 415)

The Group abstains from providing any donations or funding of any kind to political parties or individual politicians or towards political campaign or initiatives. However, we do not prevent any individual employee from exercising their human rights to contribute towards political causes of their own choice.

CUSTOMER / PUBLIC HEALTH AND SAFETY

(GRI 416, F4GBM)

Handal prioritises the health and safety of customers by ensuring our operations and activities conform to all local and international safety and health laws, regulations and standards.

During the year in review, we recorded no incidents of non-compliance to health and safety requirements that resulted in fines and penalties, and no incidents of non-compliance resulting in warnings.

CUSTOMER PRIVACY

(GRI 418-1, F4GBM)

At all times, we respect and strive to protect the confidentiality of the personal information of customers, employees, business partners and suppliers in accordance with the Personal Data Protection Act 2010 (PDPA). We did not register any complaints on this issue during the year in review.

SOCIAL COMPLIANCE

(F4GBM)

The Group stringently adheres to all legal provisions related to employment and other social requirements.

Employment Laws and Regulations

Employment Act 1955
Child Act 2001
Children Young Persons (Employment) Act 2010
Minimum Wages Order (Amendment) 2018
Minimum Retirement Age (Amendment of Schedule) Order 2016
Workmen's Compensation Act 1952

ECONOMIC

(GRI 2-6, 2-19, 2-20, 2-21, 201, 202, 203, F4GBM)

This pillar of sustainability revolves around the ability of a company to provide and maintain economic benefits to its stakeholders. They include investment returns for shareholders, employee income, business opportunities for partners and associates, government levies, and community contributions.

SUSTAINABILITY REPORT

For these reasons, disclosures in this section extend beyond the Group's financial performance for the reporting period to encompass areas such as business strategy, business continuity, market presence, as well as opportunities and indirect benefits for local businesses and social communities.

GRI's reporting framework for the Economic dimension also covers corporate governance, which supports the growth of sustainable values and reduces risks while protecting the appeal of a company to prospective investors and business partners.

Reporting on Governance considers areas such as risk management, supply chain management, business ethics and anti-corruption measures, approach to taxation, and the involvement of the Board.

ECONOMIC & BUSINESS PERFORMANCE

(GRI 201, F4GBM)

Although the Group secured new contracts and renewals on several master service agreements (MSA), the unfavourable operating environment led to a low take-up rate for work orders, thus resulting in a drop in revenue for the financial period in review. The lower revenue was compounded by an impairment of intangible rights, causing a significant loss from a profitable position in the previous financial year.

On a more positive note, we maintained a positive operational cash flow through sound financial management and improved operational efficiency. In addition, the four new contracts and one contract extension secured by our subsidiaries, Handal Cranes Sdn Bhd and Borneo Seaoffshore Engineering Sdn Bhd are poised to drive revenue and profits in the next financial period.

Details of the Group's financial results are presented in the Management Discussion & Analysis section on pages … of this Annual Report.

SUSTAINABILITY OF THE BUSINESS STRATEGY / BUSINESS CONTINUITY

(F4GBM)

Our strong fundamentals, industry experience and reputation for quality services can ensure that the Group is in a position to weather unfavourable circumstances such as the low industry activity during FPE2022.
For the long term, Handal will continue to enhance and expand our service capabilities by introducing new deployable technologies and innovative solutions that can improve our client's cost efficiency and asset management.

At the same time, we are also exploring other business opportunities at home in several industries to diversify our income streams to hedge against uncertainties in the energy market to generate stable and recurring cash flow.

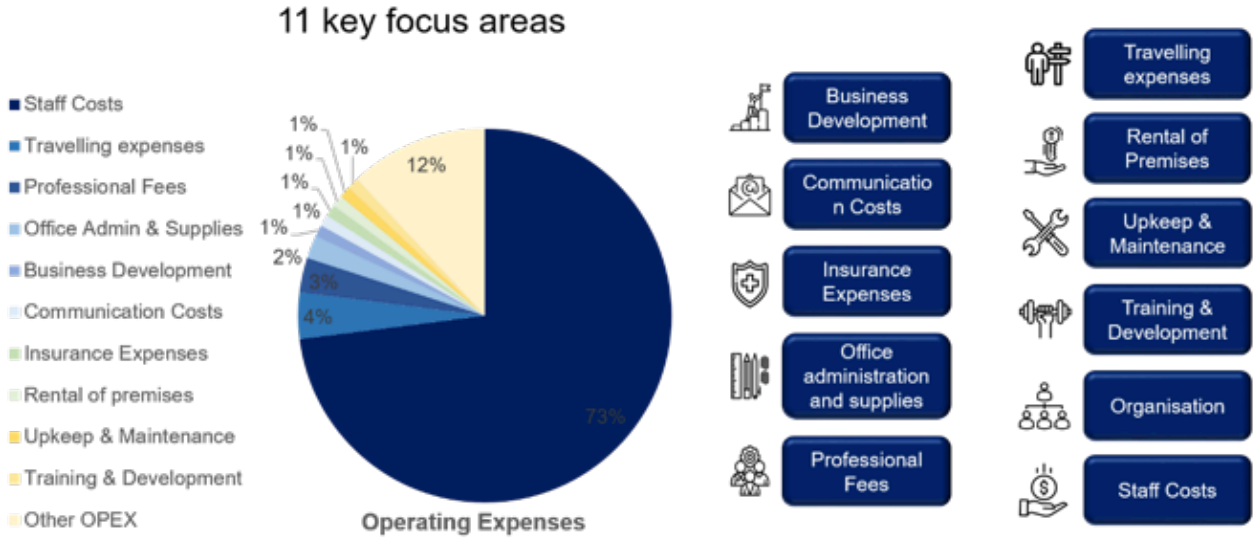
During the reporting period, we expanded into the telecommunication network infrastructure and sand mining industries. Apart from diversifying our revenue streams, operating activities in these new industries can also mitigate low demand for our traditional oil & gas services.

In the short term, we intend to realign our operations by transitioning the contract management operations to the headquarters in Kuala Lumpur and the operations centre in Kota Kinabalu as well as Tekul Kalong, Terengganu.

We have also merged the business activities of BSOE and Handal Cranes under a new name, Handal Integrated Maintenance Repair Overhaul (Handal IMRO) with crane activities expanded to include platform structures.

Meanwhile, we will maintain our cost reduction and optimisation drive first implemented in FY2020, which cuts across 11 focus areas, as shown on this page.

COST REDUCTION AND OPTIMISATION



The review of our business strategies is elaborated on in the Management Discussion & Analysis section on pages … of this Annual Report.

MARKET PRESENCE

(GRI 202, F4GBM)

In Malaysia, we operate two corporate offices in Kuala Lumpur and Kota Kinabalu as well as five operational sites in Terengganu, Sarawak and Labuan, providing employment to hundreds and many prospects to dozens of companies.

We are a preferred employer offering attractive remuneration and other benefits to employees that are on par or better than competitors of similar sizes and projects in all the markets where we operate.

HIRING FROM THE LOCAL COMMUNITY

(GRI 202-2, F4GBM)

The Group recognises our role in generating employment opportunities for local communities. Where possible, we always prioritise local over foreign talents, with the latter only hired if their expertise cannot be found on local shores.

INDIRECT ECONOMIC IMPACTS

(GRI 203)

Handal contributes to job creation and provide ample business opportunities for local vendors, suppliers and service providers. Such benefits are elaborated on in other segments of this Sustainability Report.

GOVERNANCE AND ETHICS

(GRI 205, F4GBM)

Handal subscribes to good business practices as the cornerstone to nurturing a culture of integrity among employees, gaining trust from investors and clients, and promoting transparency to relevant authorities.

We also recognise that sound ethics and solid values serve to motivate and enhance productivity among the workforce. The Group has a Code of Conduct which outlines our stance on anti-corruption and whistleblowing.

SUSTAINABILITY REPORT

Statutory Requirements, Best Practices & Guidelines

Companies Act 2016 (CA 2016)
Bursa Malaysia Main Market Listing Requirements (MMLR)
Malaysian Code of Corporate Governance (MCCG)
Corporate Governance Guide:
Moving from Aspiration to Actualisation (CG Guide)
Personal Data Protection Act 2010 (PDPA)

RISK MANAGEMENT

(GRI 2-16, 2-25, F4GBM)

Risk management is an essential and continuous process at Handal as it provides a framework to balance opportunities against the impact of internal or external events that may affect our financial position or operational status.

Managing risks effectively also leads to better decision-making and higher cost efficiency. In this regard, the Group has long established procedures for identifying, evaluating and managing significant risks.

Our Enterprise Risk Management Framework (ERM) includes a Risk Register, which listed risks and opportunities encompassing the financial, operational, liquidity, cybersecurity and other areas during the reporting period.

Further details are provided in the Statement on Risk Management and Internal Control on pages xxx of this Annual Report.

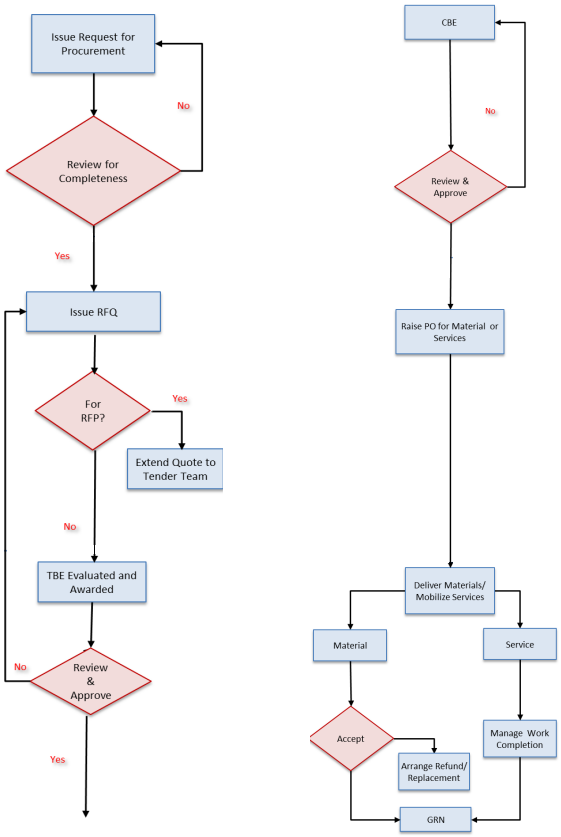
PROCUREMENT PRACTICES / SUSTAINABLE PROCUREMENT AND SUPPLIER ASSESSMENT

(GRI 204, F4GBM)

A robust supply chain is critical for smooth and seamless operations, a factor made even more evident when supply disruptions severely hampered business and industrial activities during the pandemic years.

At Handal, we understand that sustainable supply contributes to value creation and cost control. Over the years, we have focused on expanding and diversifying our supply base, prioritising local vendors whenever possible.

We have an established set of procedures for our procurement, which includes regular assessments of vendor performance, particularly in the case of high-risk and high-value acquisitions and projects.



ANTI-BRIBERY AND ANTI-CORRUPTION

(GRI 2-15, 2-23, 205, F4GBM)

The Group conducts an annual assessment of corruption risks on every aspect of our operations. During the reporting period, there were no reports of any cases of corruption.

Board members and employees are given training on our Anti-Bribery and Anti-Corruption ("ABAC") and Whistle Blower ("WB") policies. Vendors, suppliers and service providers are also issued a 3rd Party Declaration form to state their awareness and understanding the respective policies.

- **Code of Conduct**

  The Company has updated its Code of Conduct to formalise the ethical standards adopted by the Board in discharging its oversight role effectively and in an ethical manner. The Code of Conduct requires the Board to observe and display high ethical business standards and corporate behaviour and to apply these values to all aspects of the Group's business and professional practice. The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders and Stakeholders. The Board will be disciplined in carrying out its role, with emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities and decision-making process. The Company's Code of Conduct on Anti Bribery is also guided by the Malaysian Anti-Corruption Commission Act 2009 ("the MACC Act"), the Prime Minister's Office Guidelines on Adequate Measures (2018) (on Section 17A of the MACC Act) and A Guide for Anti-Corruption the Risk Assessment by UNITED NATIONS Global Compact (2013). The abridged version of the Company's Code of Conduct is available on the Company's website, www.handalenergy.com.

- **Whistleblowing Policy**

  The Board has updated the Whistleblowing Policy to improve the overall organisational effectiveness and uphold the Group's business ethics of honesty, integrity and transparency. The Whistle Blower Policy is intended to provide and facilitate a mechanism for employees and other stakeholders can report their concerns related to any suspected and/or known unethical, unlawful, fraud, corruption or other improper conduct without fear of reprisal or intimidation. The Board is also committed to foster a culture where people feel safe to speak up on matters of any illegal or improper nature. Employees and other stakeholders are encouraged to report genuine concerns of breach of legal obligation, miscarriage of justice, danger of health and safety or to the environment and the cover-up of any of these in the workplace. A copy of the Company's Whistle-blowing Policy is available on the Company's website, www.handalenergy.com.

Further details are provided in the CG Overview Statement on pages xxx of this Annual Report.

ANTI-COMPETITIVE BEHAVIOUR

(GRI 206)

Handal is not a monopoly in any of our business activities and as such is not subject to any legal actions or otherwise for anti-competitive behaviour or anti-trust practices.

TAX

(GRI 207)

The Group honours all our obligations with regard to taxation according to the respective laws in Malaysia, such as the Income Tax Act 1967.

BOARD MANAGEMENT AND OVERSIGHT

(F4GBM)

The Board's involvement in the Group's operations and activities is guided by Bursa Malaysia's Code on Corporate Governance. Board members exercise oversight on business and corporate matters via several Board committees, including Nomination Committee; Remuneration Committee; and Audit & Risk Management Committee.

The Group's Sustainability Committee reports to the Board via our co-chairpersons (Group Managing Director and Executive Vice President). The roles and responsibilities of Board Members in these committees are spelt out in the relevant sections in this Annual Report.

Handal's Board is comprised of seven members including five independent members, all of whom are suitably qualified to provide oversight to the Group's activities. The members include a former State Attorney General for Sabah, three members with deep experience in the oil & gas industry, a former Group CEO of another public-listed company, a chartered accountant and a young mind previously from the banking industry.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Handal's Board upholds the principles of good corporate governance by establishing and putting in place the necessary framework and controls to safeguard and enhance the value of Handal and its subsidiaries ("Handal Group" or the "Group") for shareholders and stakeholders and to put the Group's financial performance on a path of sustainable growth.

In accordance with Paragraph 15.25 of Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR"), the Board hereby provides an overview of how the Company applied the three (3) Principles set forth in the Malaysian Code of Corporate Governance ("MCCG") issued by the Securities Commission Malaysia during the 18-month financial period that ended 31 December 2022 ("FPE 2022"), in order to fulfil its regulatory obligations and fulfil its commitment to creating a long-term, sustainable business. The Corporate Governance Report further discloses any deviations from MCCG practises as well as their causes.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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

The Board assumes the following core responsibilities:

a) ensuring that Company's Goals are clearly established, and that strategies including those on economic, environmental, safety and health, social and governance consideration underpinning sustainability are in place for achieving its strategic aims and promoting long term sustainability;

b) setting up the Company's values and standards to ensure its obligations to its shareholders and other stakeholders are understood and met;

c) fostering healthy corporate governance culture which is founded on the principles of transparency, objectivity and integrity, together with the Management;

d) establishing policies to strengthen the performance of the Company including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;

e) providing effective leadership through strengthening its composition and reinforcing independence;

f) overseeing the Management in daily management of the business and affairs of the Company and having to assess the Management's performance to ensure the Management's strategy is moving towards achieving the Company's goals;

g) understanding the principal risks of Handal Group's business and ensuring that the Company has sound framework or policies for risk management, internal controls, and regulatory compliance;

h) deciding on whatever steps are necessary to protect Handal Group's financial position which includes ensuring the solvency of Handal Group and the ability to meet its contractual obligations and to safeguard its assets, and ensuring that such steps are taken;

i) ensuring the integrity of Handal Group's financial and non-financial reporting and that such reporting is in compliance with the relevant laws and regulations;

j) ensuring that the Company has in place procedures to enable effective communication with shareholders and stakeholders such as an appropriate corporate disclosure policy and procedure, which leverage on information technology for effective dissemination of information, to ensure comprehensive, accurate and timely disclosures;

k) ensuring that the Company has in place policies and procedures on whistleblowing to encourage employee reporting on genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace;

l) assessing the training needs of its members and ensuring its members have access to appropriate continuing education programmes which is in line with Paragraph 15.08 of the MMLR;

m) ensuring positions of Chairman and the Group Managing Director ("GMD") are held by different individuals to ensure both carry out different nature of responsibilities effectively;

n) appointing the GMD, whom with the sufficient calibre, setting the terms of his employment contract and, where necessary, terminating his employment with the Company;

o) ensuring that there is in place an appropriate succession plan for members of the Board and Senior Management;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

p) establishing and reviewing the Board Charter periodically to ensure it remains relevant and making it available publicly on the Company's website.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Employee Share Option Scheme ("ESOS") Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The Board is continually guided by the Board Charter, which sets out the role and responsibilities of the Board and those functions delegated to Management, to discharge their respective roles, authority and duties and functions effectively and efficiently. The Board Charter was reviewed and adopted on 27 February 2018 to streamline with the MCCG and MMLR and will be reviewed and updated periodically whenever the need arises. The abridged version of the Company's Board Charter is available on the Company's website, www.handalenergy.com.

Code of Conduct

The Company has updated its Code of Conduct to formalise the ethical standards adopted by the Board in discharging its oversight role effectively and in an ethical manner. The Code of Conduct requires the Board to observe and display high ethical business standards and corporate behaviour and to apply these values to all aspects of the Group's business and professional practice. The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders and Stakeholders. The Board will be disciplined in carrying out its role, with emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities and decision-making process. The Company's Code of Conduct on Anti Bribery is also guided by the Malaysian Anti-Corruption Commission Act 2009 (the "MACC Act"), the Prime Minister's Office Guidelines on Adequate Measures (2018) (on Section 17A of the MACC Act) and A Guide for Anti-Corruption the Risk Assessment by UNITED NATIONS Global Compact (2013). The abridged version of the Company's Code of Conduct is available on the Company's website, www.handalenergy.com.

Whistle Blower Policy

The Board has updated the Whistle Blower Policy to improve the overall organisational effectiveness and uphold the Group's business ethics of honesty, integrity, and transparency. The Whistle Blower Policy is intended to provide and facilitate a mechanism for employees and other stakeholders can report their concerns related to any suspected and/or known unethical, unlawful, fraud, corruption, or other improper conduct without fear of reprisal or intimidation. The Board is also committed to foster a culture where people feel safe to speak up on matters of any illegal or improper nature. Employees and other stakeholders are encouraged to report genuine concerns of breach of legal obligation, miscarriage of justice, danger of health and safety or to the environment and the cover-up of any of these in the workplace. A copy of the Company's Whistle-blowing Policy is available on the Company's website, www.handalenergy.com.

Decision-making Process

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

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

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

The Board meets on a quarterly basis and additionally as and when required. Prior to the Board meetings, all Board members are provided with the notice and agenda of the meetings at least seven (7) days in advance as guided by the Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board papers containing information relevant to the business of the meeting are circulated to them in a timely manner (at least 5 days prior to the meetings) to enable them to obtain further explanations, where necessary, from the Management, or seek consultation from the Company Secretary or independent advisors, in order to be properly briefed before the meetings to enable constructive and effective deliberation during meetings.

Risk Management and Internal Control

Risk management, as a continuous process, plays an essential role in the Group's business operations. The Board recognizes that risk management is an integral part of the Group's business operations and as such, has in place the tools for identifying, evaluating, and managing the significant risks faced by the Group on an ongoing basis through the Audit and Risk Management Committee.

The Board also ensures its effectiveness by monitoring the performance of the Group and ensures that a proper internal control system is in place.

Details of the Group's implementation of risk management and internal control are set out in the Group's Statement on Risk Management and Internal Control on pages [x to x].

Promoting Sustainability

With the objective of achieving greater efficiency and better performance for the Group, the Board takes into consideration the environment, social and governance aspects of the Company's business activities when implementing business policies and sustainable strategies. Generally, our Group endorses only actions and projects that would not have any detrimental implications to the environment and public at large.

Details of the Group's sustainability initiatives are set out in our 6th Sustainability Report on pages [x to x]

Shareholder Communication Policy

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

- Annual General Meetings ("AGM");
- Annual Report;
- Circular to shareholders;
- Engagement with the media;
- Various disclosures and announcements to Bursa Securities; and
- Company's and investor relations' website at www.handalenergy.com.

The Board upholds its commitment to effective communication with shareholders by adopting the practice of timely and continuing disclosure of information to its shareholders as well as the general investing public via the established communication channels through announcements, press releases and the Company's website.

The Board will use its best endeavours to familiarize itself with issues of concern to shareholders and promote timely and balanced disclosure. It will also encourage shareholder participation in general meetings.

II. BOARD COMPOSITION

The Board of Directors consists of seven (7) members comprising an Independent Non-Executive Chairman, two (2) Executive Directors, and four (4) Independent Non-Executive Directors as at the date of this Annual Report. The Board has complied with Paragraph 15.02 of the MMLR of Bursa Securities that at least two or one-third of the Board, whichever is the higher are independent directors.

All Independent Non-Executive Directors discharge the duties required of them independently of the Board and Management. They are not involved in any other relationship with the Group that may impair their independent judgment and decision-making.

Board Committees are established to assist the Board in discharging its duties and responsibilities. The Board delegates specific responsibilities to four (4) committees, namely the Audit and Risk Management Committee, Nomination Committee, Remuneration Committee and ESOS Committee. Each Committee operates within its respective written terms of references governing the discharge of their responsibilities and the Board receives reports on their activities, proceedings, and deliberations periodically from the Chairman of the respective Committees, which are minuted and recorded accordingly.

Given the existing scope and nature of the Group's business operations, the current composition of the Board has facilitated a balanced opinion in order to fairly reflect, through board representation, the interests of the minority shareholders of the

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Company. The Board is led by an Independent Non-Executive Chairman whose role and responsibilities are clearly divided from those reserved for the Executive Directors as stated in the Board Charter.

The Board directs and supervises the management of the business and affairs of the Company whilst the GMD is responsible for the implementation of the Board's decisions and overall responsibilities on the day-to-day management of the Company, with the assistance of the Executive Directors. Thereafter, the GMD shall report to the Board on all important matters pertaining to the daily operations of the Company.

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

Clear Division of Functions between the Board, Board Committees, and the Management

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

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

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

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

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

Separation of Position of the Chairman and GMD

The positions of Chairman and GMD are separately held by YAM Tengku Baderul Zaman Ibni Sultan Mahmud as the Independent Non-Executive Chairman and Mr Sunildeep Singh Dhaliwal as the GMD to ensure appropriate balance of power and authority with accountability and clear division of roles and responsibilities.

Day-to-day management of the Company is in the hands of Management and under the stewardship of the GMD, while keeping the Board informed of any material issues that may significantly affect the Company's policies, strategies, or performance.

Company Secretary

The Board is regularly updated by the Company Secretary, who is qualified to advise on the new statutory requirements to be observed by the Company and the Directors arising from new statutes and listing rulings issued by the regulatory authorities. To keep updated of the latest developments on corporate governance the Company Secretary attended relevant training and professional development programmes. The Company Secretary briefs the Board on the requirements and timing of material announcements to be made to Bursa Securities. The Company Secretary also serves notices to the Directors and Principal Officers to notify them of closed periods for dealing in the Company's securities pursuant to Chapter 14 of the MMLR of Bursa Securities.

The Company Secretary attends and ensure that all Board and Committee meetings are properly convened. Records of the deliberation, issues discussed, and conclusion are recorded by the Company Secretary who attends 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, regulatory requirements, and their implications on the Company.

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Nomination Committee

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It is also tasked to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director.

The present Nomination Committee comprises of three (3) members, all of whom are Independent Non- Executive Directors are as follows:-

MEMBERS	DESIGNATION
MS JACQUELINE FONG YEAN YEE (Chairperson of Nomination Committee)	Independent Non- Executive Director
DATO' MOHAMMAD MEDAN ABDULLAH	Independent Non- Executive Director
EN MIOR MOKHTAR BIN MIOR ABU BAKAR	Independent Non- Executive Director

The summary of activities undertaken by the Nomination Committee during the financial period included the following :

i) Reviewed and assessed the effectiveness of the Board, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Directors;

ii) Reviewed and recommended the re-election of Directors who were retiring and seeking for re- election at the Annual General Meeting;

iii) Reviewed and assessed the independence of its Independent Non-Executive Directors; and

iv) Reviewed and recommended the appointment of Datuk Mary @ Mariati Robert as Independent Non-Executive Director and member of Audit and Risk Management Committee of the Company.

Appointment to the Board

The final decision on the appointment of Director in respect of a candidate recommended by the Nomination Committee rests with the Board. The Company Secretary ensures that all appointments are properly made upon obtaining all necessary information from the Director. During the financial period under review, the Nomination Committee met to assess the Board, Board Committees, and individual Directors in relation to their performance and to consider, review, assess and recommend any of the appointment and redesignation of the Board members. The Nomination Committee also reviewed the Board composition, gender diversity and whether the Board possesses the right mix of skills and balance as well as considering the Board's succession planning and identifying training programmes for the Board.

The Nomination Committee also recommends to the Board those Directors who are retiring at the forthcoming Annual General Meeting for re-election. Pursuant to the MCCG, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify and seek annual shareholders' approval should the Board wishes to retain such Director as an Independent Director. As at 31 December 2022, none of the Independent Directors of the Company has served as an Independent Director for a cumulative term of nine (9) years for a particular appointment. In identifying suitable candidates, the Nomination Committee shall:

(i) consider candidates from a wide range of backgrounds and skills as considered appropriate;

(ii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

Other Board Appointments

A Director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

Any Director while holding office is at liberty to accept other Board appointments so long as the appointment is not in conflict with the business and does not affect his performance as a Director.

Succession Plan

The Board recognizes the importance of succession planning in maintaining long-term sustainable performance excellence. Through the Nomination Committee, the Board ensures that an appropriate succession plan is in place for members of the

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Board and to identify and groom Senior Management to maintain continuity of key positions in day-to-day management of the Company.

In the succession planning program, the Nomination Committee will take into consideration the skills and depth of experience required for the Board to continue to function effectively.

Annual Assessment and Performance Evaluations

The Nomination Committee carries out an annual self-assessment and performance evaluation on the following areas:-

(i) The Board's effectiveness as a whole;
(ii) The performance of the Board Committees; and
(iii) The performance assessment of each individual Director.

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

The annual assessments and performance evaluations carried out by the Nomination Committee are aligned with the recommendations of MCCG and the Corporate Governance Guide 4th Edition issued by Bursa Securities. The assessments and evaluations are based on key areas including but not limited to, the board composition, character, experience, integrity, competence, and performance of each Director. These assessments and evaluations are properly documented by the Company Secretary, as recommended by MCCG.

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

Following the annual self-assessment and evaluation carried out for FPE 2022, 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.

Annual Assessment of Independent Directors

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

The Board has undertaken an assessment of the independence of its Independent Directors and will continue as part of the Policy adopted to do this on an annual basis.

The Nomination Committee and the Board have upon their annual assessment which was based on the criteria as prescribed by the MMLR and MCCG, concluded that each of the four (4) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfil the definition of independence as set out in the MMLR of Bursa Securities.

Based on the assessment, the Nomination Committee and the Board are of the unanimous opinion that the independence of YAM Tengku Baderul Zaman Ibni Sultan Mahmud, Ms. Jacqueline Fong Yean Yee, En. Mior Mokhtar Bin Mior Abu Bakar, Dato' Mohammad Medan Abdullah and Datuk Mary @ Mariati Robert has not been compromised or impaired in any way.

Tenure of Independent Directors

The Group has adopted Practice 4.2 of the MCCG that an Independent Director will hold office for a term not exceeding a cumulative term of nine (9) years unless duly approved by the shareholders at a general meeting or redesignated as a Non-Independent Director.

Re-election and Re-appointment of Directors

In accordance with the Company's Constitution, at least one-third of the Directors for the time being shall retire from office and be subject to retirement by rotation at each AGM. The Constitution 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 26 April 2023 conducted its meeting and has made their recommendation to the Board for re-electing the following directors who retire pursuant to Clause 115 of the Company's Constitution:-

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(a) YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz (Clause 115)
(b) Ms Jacqueline Fong Yean Yee (Clause 115)
(c) Dato' Mohammad Medan Abdullah (Clause 115)

Being eligible, these directors have offered themselves for re-election; for approval of the Shareholders at the forthcoming AGM set on 26 May 2023.

The profiles of the Directors who are due for re-election and re-appointment are set out on pages [x to x] of this Annual Report. The Board has considered the assessment of the Directors standing for re-election and re-appointment and collectively agrees that they meet the criteria of character, experience, integrity, competence, and time to effectively discharge their respective responsibilities as Directors.

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.

In its efforts to implement a gender diversity policy or target, the Nomination Committee is also mindful of its responsibilities to conduct all Board appointment processes in a manner that promotes gender diversity while taking into consideration that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment and integrity in order to enhance the composition of the Board. The Board is also mindful and does not practice gender discrimination and will give equal opportunity to suitably qualified persons to be appointed to the board irrespective of their gender. The Nomination Committee will continue to source and identify potential candidates.

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

Currently, our Board comprises two (2) female Directors, representing approximately 28.6% of total numbers of the Board. In line with the country's aspirational target of 30% representation of women on Board, the Board will evaluate and match the criteria of the potential candidates as well as considering the appointment of other female directors onto the Board in future to bring about a more diverse perspective.

Board Meetings and Time Commitment

During the FPE 2022, 8 Board Meetings were held and the Directors' attendances at the Board Meetings were as follows:-

NAME OF DIRECTOR	ATTENDANCE
YAM Tengku Baderul Zaman Ibni Sultan Mahmud	8/8
Ms. Jacqueline Fong Yean Yee	8/8
En. Mior Mokhtar Bin Mior Abu Bakar	8/8
Dato' Mohammad Medan Abdullah	8/8
Mr. Sunildeep Singh Dhaliwal	8/8
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	8/8
Datuk Mary @ Mariati Robert (appointed on 16 July 2021)	7/7

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the FPE 2022.

All Directors have thus adequately complied with the minimum requirements of at least 50% on attendance at Board meetings as stipulated in the MMLR of Bursa Securities.

Access to Continuing Education Programmes

Apart from the Mandatory Accredited Programme (MAP) as required by Bursa Securities, Board members are also encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Company's operations and business. Through the annual assessments of each Director, the Nomination Committee

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identifies the appropriate training needs and continuing education programmes, together with the Human Resources Department for its Board members to assist them in keeping abreast of the dynamic environment in which the Group operates, enhance their knowledge with the latest development in the industry and better themselves in discharging their fiduciary and leadership functions more effectively.

All trainings, seminars and briefings attended by the Board members during the financial period are as follows:-

NAME OF DIRECTOR	TRAININGS, SEMINARS AND/OR CONFERENCES
YAM Tengku Baderul Zaman Ibni Sultan Mahmud	Nil
Ms. Jacqueline Fong Yean Yee	1. Hasanah Forum 2021: From Charity to Justice – A Vision of a Just and Equal Malaysia 2. Kuala Lumpur Creative Economy Forum 3. International k@Borneo Virtual Forum: Borneo – Information on Diversity and Heritage
En. Mior Mokhtar Bin Mior Abu Bakar	Nil
Dato' Mohammad Medan Abdullah	1. World Hydrogen 2022 Summit 2. 2022 Asia Economic & Entrepreneurship Summit
Mr. Sunildeep Singh Dhaliwal	Nil
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	1. Group Anti-Bribery and Anti-Corruption Training 2. Malaysian Anti-Corruption Commission Act 2009 – Section 17A Workshop
Datuk Mary @ Mariati Robert (Appointed on 16.07.2021)	Nil

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

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III. REMUNERATION

The Board is assisted by the Remuneration Committee in reviewing the framework of Executive Directors' remuneration and the remuneration package for each Executive Director and any performance related pay schemes for Executive Directors and annually reviews Executive Directors' scope of service contracts.

The present members of Remuneration Committee are as follows:

MEMBERS	DESIGNATION
MS JACQUELINE FONG YEAN YEE (Chairperson of Nomination Committee)	Independent Non- Executive Director
DATO' MOHAMMAD MEDAN ABDULLAH	Independent Non- Executive Director
EN MIOR MOKHTAR BIN MIOR ABU BAKAR	Independent Non- Executive Director

The Remuneration Committee takes into consideration the Group's overall financial performance in each financial period. The Board 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. Each of the Non-Executive Directors receive a fixed Director's fee and meeting allowance for each Board and Committee meeting that they attend as members. The Chairman of any of the Committee receives additional fees. The fees and other benefits for Directors are subject to the approval of the shareholders at the AGM.

The summary of activities undertaken by the Remuneration Committee during the financial period included the following :

i) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors of the Company;

ii) Reviewed and recommended the revision of the Directors' fee payable to the Non-Executive Directors of the Company;

iii) Reviewed and recommended the renewal of the service agreement of the GMD;

iv) Reviewed and recommended the allocation of Employees' Share Option Scheme ("ESOS") option to Datuk Mary @ Mariati Robert; and

v) Reviewed and recommended the Key Performance Indicators for the senior management.

FYE2022	Company (RM'000)							Subsidiaries (RM'000)							Total
	Fees	Allow-ance^	Salaries	Bonus	Benefits-in-kind	Other emolu-ments	Pension Fund	Fees	Allow-ance^	Salaries	Bonus	Benefits-in-kind	Other emolu-ments	Pension Fund	
Executive Directors															
Mr. Sunildeep Singh Dhaliwal	-	-	-	-	-	-	-	-	-	1,713	-	-	-	206	1,919
Mr. Tengku Munawir Islahuddin Bin Tengku Noone Aziz	-	-	-	-	-	-	-	-	-	435	-	36	1	57	529
Non-Executive Directors															
YAM Tengku Baderul Zaman Ibni Sultan Mahmud	112	-	-	-	-	-	-	271	-	-	-	-	-	-	383
Dato' Mohammad Medan Abdullah	32	-	-	-	-	-	-	73	-	-	-	-	-	-	105
Ms. Jacqueline Fong Yean Yee	32	-	-	-	-	-	-	73	-	-	-	-	-	-	105
En. Mior Mokhtar Bin Mior Abu Bakar	32	-	-	-	-	-	-	73	-	-	-	-	-	-	105
Datuk Mary @ Mariati Robert (appointed on 16 July 2021)	31	-	-	-	-	-	-	73	-	-	-	-	-	-	104

Note:
^ Meeting allowances

ith the recommendation by the MCCG, the Remuneration Committee has revised its Terms of Reference to expand its scope to review the remuneration of key senior management. While the Company notes the need for corporate transparency in the remuneration of its key senior management executives, the Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the competitive human resource environment for personnel with the requisite knowledge in the oil and gas industry, expertise and experience in the Company's business activities, where poaching has become common place.

In addition, the remuneration of the key senior management personnel which is a combination of annual salary, bonus and benefits-in-kind are determined in a similar manner as other management employees of the Group. The basis of determination has been consistently applied and is based on individual performance and the overall performance of the Group. The aggregate remuneration of the top five (5) key senior management received for the FPE 2022 was RM1,270,178 representing 6% of the total employees' remuneration of the Group.

The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top five (5) key senior management personnel who are not Directors.

The Board is of the opinion that disclosure of remuneration of the Directors of the Board by appropriate components and the top five (5) key senior management's total combined remuneration package should meet the intended objectives of the MCCG.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

The Board is responsible for presenting a balanced, clear, and comprehensive assessment of the Group's financial performance and prospects through the quarterly and annual financial statements to shareholders within the stipulated timeframe and in compliance with regulatory reporting requirements and applicable approved accounting standards in Malaysia. The role of the Audit and Risk Management Committee is to assist the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

The Audit and Risk Management Committee meets periodically to carry out its functions and duties as set out in its Terms of Reference. Upon invitation of the Audit and Risk Management Committee, other Board Members also attend the Committee meetings. During the financial period, the Audit and Risk Management Committee met with the External Auditors, without the presence of the Management, to discuss on pertinent issues arising from the interim and final audits and ensuring the Management is responsive to their findings and recommendations.

Financial Statements

In compliance with the Companies Act 2016, the Board is responsible for the preparation of the financial statements for each financial period, 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 period then ended. In preparing the financial statements for the FPE 2022, the Directors have:-

- adopted the appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and
- ensured that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting records of the Group and Company are kept and the records disclose with reasonable accuracy the financial position of the Group and the Company.

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

External Auditors

The Board, via the Audit and Risk Management Committee, has established a formal and transparent arrangement for maintaining an appropriate relationship with the External Auditors.

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 and Risk Management Committee. The Audit and Risk Management Committee Chairman will then report to the Board on the performance and their independent evaluation of the External Auditors. The re-appointment of the External Auditors is subject to Board deliberation and shareholders' approval in the next AGM.

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Further elaboration on the composition and activities of the Audit and Risk Management Committee is stated in the Audit and Risk Management Committee Report on pages [x to x].

Risk Management and Internal Control

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

Internal Audit Function

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

The Group had incurred RM18,320 during the FPE 2022 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 Controls in pages [x to x] of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Corporate Disclosure Policy and Procedures

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

The Board has established dedicated sections for corporate information on the Company's website to encourage effective communication with its shareholders and stakeholders. Information on the Company's annual reports, announcements, financial information, and changes to shareholdings can be accessed at www. handalenergy.com.

All shareholders receive the Annual Report of the Company and the Notice of AGM, which is also released on Bursa Malaysia's website and advertised in newspapers.

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.handalenergy.com.

Integrated Reporting

The Company is not categorised as a large company as defined in the MMLR. The Group's annual report for the FPE 2022 partially adopted the integrated reporting approach which covers the Group's strategy, performance, governance, and future business prospects are connected towards achieving value creation for its shareholders.

II. CONDUCT OF GENERAL MEETINGS

Shareholder Participation at General Meeting

The main forum for dialogue with shareholders remains at the 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.

As recommended by the MCCG, the Board aims to despatch its notice of AGM twenty-eight (28) days before the meeting and mindful that the sufficient notice and time given would allow

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the shareholders to make necessary arrangements to attend and participate the AGM. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published at least in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution. However, for this forthcoming 14th AGM, the notice period is less than 28 days due to the finalisation of the audited financial statements.

At the AGM, the Board will brief the shareholders on the progress and performance of the Group and the shareholders are given the opportunity to raise questions pertaining to the annual report, corporate developments, resolutions, and businesses of the Group at the AGM.

In view of the number of shareholders and the size of the Company, the participation of shareholders of the Company at the general meetings is currently by way of attending in person or by proxy. If necessary, the Group would embark on electronic voting and remote shareholder participation if our shareholders request for such services.

Poll Voting

With the implementation of Para 8.29A of the MMLR, all resolutions put forth to the shareholders for approval at the 13th AGM held on 24 November 2021 were duly passed by way of poll. All resolutions set out in the Notice of the forthcoming AGM will be voted by poll.

Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that all the Directors is able to make the necessary arrangement to attend the planned AGM to engage directly with shareholders and be accountable for their stewardship of the Company.

COMPLIANCE WITH MCCG

The Board of Directors consider the Group is substantially in compliance with the key principles of the MCCG throughout the FPE 2022. Where a specific Practice of the MCCG has not been observed during the financial period under review, the departure has been explained in the Corporate Governance Report.

The Board is committed and will continue to enhance compliance with the MCCG within the Company and the Group.

This Corporate Governance Overview Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 26 April 2023 This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report.

OTHER COMPLIANCE INFORMATION

Other information required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

1. UTILISATION OF PROCEEDS

The Company had on the following date announced the private placement of 9,586,000 new ordinary shares ("Placement Shares") and the listing of and quotation for the said shares were approved by Bursa Securities:-

Date of Announcement	No. of Placement Shares	Issue Price per share (RM)	Gross Proceeds Raised
7 July 2022	9,586,000	0.1180	1,131,148

Status of Utilisation	Amount Utilised (RM)
Repayment of bank borrowings	1,131,148
Amount Unutilised	Nil
Total	

2. AUDIT AND NON-AUDIT FEES

	Group (RM)	Company (RM)
Audit fees paid and payable to the External Auditors for the FPE 31 December 2022	224,500	55,500

No non-audit services were rendered by the external auditors to the Group for the FPE 31 December 2022.

3. MATERIAL CONTRACTS WITH RELATED PARTIES

On 29 July 2022, Handal announced that it subscribed for 529,200 new ordinary shares representing approximately 49% of the enlarged issued and paid up share capital in Handal Borneo Resources Sdn Bhd for a total cash consideration of RM529,200 only.

OTHER COMPLIANCE INFORMATION

4. RELATED PARTYTRANSACTIONS ("RRPT")

Transacting Party	Related Party	Nature of trans-action	Actual value transacted since last AGM to FPE2022 (RM'000)
Borneo Seaoffshore Engineering Sdn. Bhd.	Seaoffshore Engineering Sdn. Bhd.	Construction, testing, commissioning & reliability run on gas turbine generator.	548
Borneo Seaoffshore Engineering Sdn. Bhd.	Seaoffshore Capital Sdn. Bhd.	Sales of pipe wraps	449

5. INFORMATION ON EMPLOYEES' SHARE OPTION SCHEME ("ESOS") DURING THE FPE 31 DECEMBER 2022.

Handal's ESOS received shareholders' approval in an Extraordinary General Meeting ("EGM") on 5 August 2019. Subsequently, the Company's ESOS Committee approved the allocation for the Scheme and issued offer letters to eligible employees of Handal and its subsidiaries on 11 June 2020.

a) the number of schemes currently in existence during the FPE 2022, and brief details of each scheme including –

i) total number of options or shares granted;
6,281,000

ii) total number of options exercised or shares vested; and
-

iii) total options or shares outstanding;
6,281,000

b) In regard to options or shares granted to the directors and chief executive:

i) aggregate options or shares granted;
4,060,000

ii) aggregate options exercised or shares vested; and
-

iii) aggregate options or shares outstanding;
4,060,000

c) In regard to options or shares granted to the directors and senior management:

i) aggregate maximum allocation applicable to directors and senior management in percentage; and
28.1%

ii) the actual percentage granted to them,
25.9%

during the financial year and since commencement of the scheme respectively; and

OTHER COMPLIANCE INFORMATION

d) a breakdown of the options offered to and exercised by, or shares granted to and vested in (if any) non-executive directors pursuant to an Employee Share Scheme in respect of the financial year in tabular form as follows:

No	Name of director	Amount of options/ Shares	Amount of options exercised / shares vested
1	Tengku Baderul Zaman Ibni Sultan Mahmud	720,000	-
2	Jacqueline Fong Yean Yee	480,000	-
3	Mior Mokhtar Mior Abu Bakar	480,000	-
4	Dato Mohammad Medan Abdullah	480,000	-
	Total	2,160,000	-

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The primary objective of the Audit and Risk Management Committee is to assist the Board in discharging its duties and responsibilities and fulfilling its corporate governance responsibilities in relation to financial reporting, annual reporting, internal control structure, related party transactions, external audit and internal audit functions of Handal Energy Berhad and its subsidiaries ("Handal Group").

Independence of the Audit and Risk Management Committee

The Company recognises the need to uphold the independence of its external auditors and that no possible conflict of interest whatsoever should arise . Currently, none of the members of the Board nor the Audit and Risk Management Committee were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit and Risk Management Committee was a key audit partner of the external auditors of the Group.

Financial Literacy of the Audit and Risk Management Committee Members

Collectively, the members of the Audit and Risk Management Committee have the relevant experience and expertise in finance and accounting and have carried out their duties in accordance with the terms of reference of the Audit and Risk Management Committee. The qualification and experience of the individual Audit and Risk Management Committee members are disclosed in the Profiles of Directors on page [x] of this Annual Report. The Audit and Risk Management Committee members continuously keep themselves abreast of the latest developments in accounting and auditing standards, statutory laws, regulations and best practices to enable them to discharge their duties effectively.

The Board, through the recommendation of the Nomination Committee where available and with the exception of the Directors who are also members of the Audit and Risk Management Committee, are generally satisfied that all the Audit and Risk Management Committee members are financially literate and have sufficient understanding of the Company's business.

TERMS OF REFERENCE

The Terms of Reference is available on the Handal Group's website at
https://handalenergy.listedcompany.com/agm_ar.html.

COMPOSITION OF MEMBERS

The present Audit and Risk Management Committee comprises of four (4) Independent Non-Executive Directors. The composition of the Audit and Risk Management Committee are as follows:-

Mior Mokhtar Bin Mior Abu Bakar : Chairman
Dato' Mohammad Medan Abdullah : Member
Datuk Mary @ Mariati Robert : Member
Jacqueline Fong Yean Yee : Member

MEETINGS AND ATTENDANCE

During the FPE 31 December 2022, a total of nine (9) Audit and Risk Management Committee meetings were held and the details of attendance of each member are as follows:-

Name	Attendance
Mior Mokhtar Bin Mior Abu Bakar	9/9
Dato' Mohammad Medan Abdullah	9/9
Datuk Mary @ Mariati Robert	7/8
Jacqueline Fong Yean Yee	9/9

SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

During the FPE 31 December 2022, the Audit and Risk Management Committee engaged with the management, Internal Auditors and the External Auditors to keep abreast of matters affecting the Handal Group. The Chairman of the Audit and Risk Management Committee reports on key issues discussed at each meeting to the Board.

In discharging its functions in accordance with the Terms of Reference, the Audit and Risk Management Committee carried out the following activities during the FPE 31 December 2022:-

1. Financial Reporting

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

I. Changes in accounting policies and practices;

II. Significant and unusual events, if any;

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

III. Significant adjustments arising from the audit;

IV. The going concern assumption;

V. Whether the Company had adopted appropriate accounting policies and made appropriate estimates and prudent judgments, taking into account the external auditor's views on the financial statements; and

VI. Compliance with accounting standards and other legal requirements.

Reviewed any other formal statements relating to its financial performance or containing any financial information prior to Board's approval and reported to the Board on significant financial reporting issues.

In addition, the Audit and Risk Management Committee also undertook the review of the annual audited financial statements of the Handal Group including the accompanying directors' report. The Audit and Risk Management Committee ensured that the financial results and statements were prepared in a timely and accurate manner, complying with applicable accounting, regulatory requirements and financial reporting standards.

2. External Audit

The Audit and Risk Management Committee reviewed and discussed with the External Auditors on their scope of work and audit plan for FPE 31 December 2022. In reviewing the audit plan, the Audit and Risk Management Committee discussed significant and elevated risk areas identified by the External Auditors. The Audit and Risk Management Committee also held discussions with the External Auditors on audit status, 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 for the FPE 31 December 2022.

In line with best practices of corporate governance, the Audit and Risk Management Committee met with the External Auditors, without the presence of the Management, to discuss on pertinent issues arising from the audits and ensuring the Management was responsive to their findings and recommendations. On 24 August 2021 and 26 April 2023, the Audit and Risk Management Committee met privately with the External Auditors without the presence of the Management.

3. Internal Audit

The Audit and Risk Management Committee is aware of the importance of independent and adequately resourced internal audit function for the effectiveness of the internal controls system. The Company has outsourced its internal audit function to an independent professional firm entrusted with the role of providing an independent and systematic review on the systems of internal control of the Handal Group.

Details on the internal audit function are set out in the Statement of Risk Management and Internal Control on page [x].

The Audit and Risk Management Committee reviewed the internal audit function carried out by the Internal Auditors, including the requisite skills, expertise, and industry knowledge to effectively audit the Handal Group and was satisfied with the Internal Auditors' performance and competency in completing the audit.

During the year, the Audit and Risk Management Committee met the Internal Auditors 5 times to review and discuss the internal audit function and the soundness of internal controls system on all operating units within the Handal Group. The Audit and Risk Management Committee reviewed the internal audit reports which were tabled during the Audit and Risk Management Committee meetings, the audit recommendations made and Management's response to these recommendations. Where appropriate, the Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

Corrective actions taken on the outstanding audit issues is also monitored to ensure all the key risks and control lapses have been addressed through the internal audit reports presented.

4. Related Party Transaction/Recurrent Related Party Transaction

The Audit and Risk Management Committee deliberates with the management on any related party transaction or recurrent related party transaction entered into between the Handal Group and any related party to deliberate whether such transactions are to the best interest of the Handal Group. In addition, the Audit and Risk Management Committee also reviewed the guidelines and procedures for recurrent related party transactions during the financial year under review.

During the financial year under review, save as disclosed in this Annual Report 2022, Handal Group did not enter into any other material new related party transactions. On 26 April 2023, the

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Audit and Risk Management Committee had also reviewed the circular to shareholders on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature ("RRPT Circular"). Please refer to the RRPT Circular for further information on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature undertaken by the Handal Group.

5. Risk Management and Internal Controls

The Audit and Risk Management Committee has assessed the risk and control environment of the Handal Group through the Enterprise Risk Management Framework as well as the overall effectiveness of the risk management and internal control system of the Handal Group. The Audit and Risk Management Committee had also reviewed the Statement on Risk Management and Internal Controls prior to the recommendation to the Board for approval for inclusion in this Annual Report.

6. Others

The Audit and Risk Management Committee reviewed and made recommendations to the Board for this Annual Report pertaining to the Audit and Risk Management Committee Report, Corporate Governance Statement and the Statement of Risk Management and Internal Controls.

In addition, the Chairman and members of the Audit and Risk Management Committee also engaged on a continuous basis with other Board members, the Executive Directors and with the management of the Handal Group in order to be kept informed of the operations and management of the Handal Group including any material events and/or matters affecting the operations of the Handal Group as a whole and ensure that the risk mitigation actions are being implemented progressively.

This Audit and Risk Management Committee Report was approved by the Board of Handal Energy Berhad on 26 April 2023.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

INTRODUCTION

The Board acknowledges the importance of, and remains committed to maintaining a sound system of risk management and internal controls to safeguard shareholders' investments and the assets of Handal Energy Berhad and its subsidiaries ("Group").

In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Controls (the "Statement") which outlines the nature and scope of risk management and internal control of the Group during the FPE 31 December 2022. The Group had changed the financial year end from 30 June to 31 December.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for determining the Group's level of risk appetite and risk policies, and overseeing the design, implementation and monitoring of the Group's system of internal control (including financial, operational, compliance and information technology controls) and risk management systems. Continuous reviews of the processes are undertaken by the Board to ensure adequacy and integrity of the system. This system is established by the Board and the Management team to manage, as opposed to eliminating the risks that may impede the achievement of the Group's objectives. The system can therefore only provide reasonable but not absolute assurance against material misstatements, frauds, or losses.

APPROACH TO RISK MANAGEMENT

With the increasingly dynamic and complex business environment, amidst prolonged impact on global economies and commodities prices resulting from the COVID-19 pandemic wave, the Group recognises that risks arise in many forms and can have positive or negative impacts on achieving strategic priorities, reputation, as well as compliance, operational and financial performances. Management of risk is aimed at integrating risk management into business and inculcate a desired risk culture within the organisation. Consistent with our approach in the prior year, the Group adopted the international standard ISO 31000: 2018 Risk Management – Principles and Guidelines, to achieve a systematic and structured approach towards the effective management of risk that will promote a more stable and informed environment for the Group to meet its intended objective.

The Group is committed to adhere to the following principles:

- Financial, operational, and managerial systems can directly support the management of risks which may impact the Group's objectives.
- The Enterprise Risk Management ("ERM") framework functions in an efficient and effective manner and integrates with key business processes and other risk and assurance related processes and aligns with the key objectives of the Group.
- The risk management process is properly documented and constantly updated based on best available information through constant consultation and communication with the appropriate stakeholders.
- Assignment of risk management to respective risk owners to foster a sense of responsibility and accountability to instill strong internal control principles in the Group.
- Full compliance with relevant applicable legal and regulatory requirements.
- Decision makers are provided with the appropriate information for decision making.
- There is a common understanding of risks and priorities at every level within the Group.
- Staff are trained on ERM framework and provided with appropriate risk management training to keep abreast of developments.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

RISK GOVERNANCE STRUCTURE

We have refined our risk governance structure by adopting a "Three Line of Defence" model.



the 1st level of the control environment is the ***business operations*** which perform day to day risk management activity

the 2nd line of defence provide ***oversight function*** and set directions, define policy and provide assurance

internal and external audit are the 3rd line of defence, offering ***independent*** challenge to the levels of assurance provided by business operations and oversight functions

THE AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

The ARMC is in charge of evaluating the adequacy and effectiveness of the system of internal controls through a series of review of the results of work performed by the internal auditors and external auditors and discussions with the management team of the Group. The ARMC's main responsibilities are also to oversee the risk management process, recommend the ERM strategies, frameworks and policies of the Group, implement and maintain sound ERM frameworks, develop and cultivate a risk awareness culture within the Group. The ARMC comprises of four (4) Independent Non-Executive Directors. The ARMC Report is disclosed on (pages) of this Annual Report.

MANAGEMENT RISK COMMITTEE ("MRC")

The MRC was formed during the FPE 30 June 2020, comprised of various senior management team members including all three (3) Executive Directors, the Risk Management Team, and selected heads of departments and other members from key functions and operations. Other members or professionals could be invited on need basis. The MRC serves as the driving force behind the routine risk management activities and is accountable to the ARMC and the Board for the effectiveness of the Group's ERM framework, policies and resources employed to identify, manage and report risks relating to the Group's activities. The MRC, with the support of the Risk Owners and Risk Management Team, is in charge to monitor and review the Group's ERM framework and align the same to the Group's strategies. This includes but not limited to performing evaluation on the Group's risk profiles and review any emerging risks arising from either internal or external environment. Progress updates of the mitigation measures are also being discussed and reported to the ARMC on quarterly basis.

Risk Owners

The risk owners are appointed from various departments including but not limited to: Business Development, Legal and Compliance, Commercial, Corporate Affairs, Cranes Services, Energy Solutions, Finance and Operations. Risks owners being

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

the first line of defence in the entire risk governance structure, have the responsibility to review and highlight risks, analyse and identify gaps in internal control, propose relevant risk mitigating measures, ensure proper risk monitoring and periodic review of the identified risks.

RISK MANAGEMENT PROCESS

The Group adopts an integrated top-down and bottom-up risk review process to enable a comprehensive identification and prioritisation of all material risks throughout the Group. An integral part of our process towards effective risk management is a continuous communication and consultation process with internal and external stakeholders. This enables the Group to understand the importance of risk management, to understand and appreciate the decisions that are taken within the Group, and to implement the best policies necessary for the overall benefit of the Group.

Key Initiatives driven by the MRC in Financial Year 2022

- Robust awareness sessions for all business units across the Group
- Focused risk assessment sessions with risk owners to ascertain key risks and mitigation plans
- Communicating mitigation measures to the relevant key persons in the Group to ensure effective implementation
- Review of risk parameters to quantify potential risks at both Group level and departmental level

INTERNAL AUDIT FUNCTION

The Board of Directors has outsourced the internal audit function to a professional firm of consultants, which is independent of the activities it reviews. The internal audit function reviews the auditable areas based on the risk-based internal audit plan approved by the ARMC 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 ARMC, which receives reports of audit findings and recommendations arising from each audit review on a quarterly basis. The Management is responsible for ensuring that corrective actions are taken on reported weaknesses and the Internal Audit function will carry out subsequent follow-up review to ensure the highlighted areas are rectified for control improvement.

During the FPE 31 December 2022, the internal audit consultants performed the following internal audit review:-

a) Supply Chain Management
b) Group Human Resource Management

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 financial period.

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

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 OFTHE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Group's Annual Report for the FPE 31 December 2022. Their review was carried out in accordance with the Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 26 April 2023.

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DIRECTOR'S REPORT

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial period ended 31 December 2022.

Principal Activities

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are stated in Note 6 to the financial statements.

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

Financial Results

	Group RM	Company RM
Loss for the financial period attributable to:		
- Owners of the Company	(35,235,017)	(46,943,891)
- Non-controlling interests	(3,927,539)	-
	(39,162,556)	(46,943,891)

Change of Financial Year End

The Company changed its financial year end from 30 June to 31 December. The financial statements have therefore been made up for a period of 18 months from 1 July 2021 to 31 December 2022.

Dividend

No dividend was paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial period.

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Reserves and Provisions

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

Issue of Shares and Debentures

During the financial period, the Company increased its total issued and paid-up share capital from RM103,044,598 to RM104,434,564 by way of issuance of 10,686,000 ordinary shares of RM0.13 per share upon the issuance of new shares under a private placement exercise. The new ordinary shares issued during the financial period ranks pari-passu in all respect with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial period.

Directors

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

Dato' Mohammad Medan bin Abdullah	
Sunildeep Singh Dhaliwal	
YAM Tengku Baderul Zaman Ibni Sultan Mahmud	
Jacqueline Fong Yean Yee	
Mior Mokhtar Bin Mior Abu Bakar	
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	
Mallek Rizal Bin Mohsin	(resigned on 27 May 2022)
Terry Biusing	(resigned on 15 July 2022)
Datuk Mary @ Mariati Robert	(appointed on 16 July 2021)

The names of Directors of subsidiaries are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

DIRECTOR'S REPORT

Registration No.: 200801015549 (816839-X)

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial period held any shares or debentures in the Company or its subsidiaries during the financial period except as follows:

	Number of ordinary shares			
	At 1.7.2021	Acquired	Disposed	At 31.12.2022
Interest in the Company				
Direct interest:				
Sunildeep Singh Dhaliwal	17,645,100	90,200	-	17,735,300
Jacqueline Fong Yean Yee	1,420,500	-	-	1,420,500
Y.A.M Tengku Baderul Zaman Ibni Sultan Mahmud	229,700	242,000	-	471,700
Indirect interest:				
Sunildeep Singh Dhaliwal*	52,104,100	426,000	-	52,530,100

* *Deemed interested through his shareholding in SeaOffshore Capital Sdn. Bhd., Seaoffshore Energy Sdn. Bhd. (formerly known as Borneo Seaoffshore Sdn. Bhd.) and his spouse by virtue of Section 8 of the Companies Act, 2016.*

By virtue of their interest in shares of the Company, Sunildeep Singh Dhaliwal, Jacqueline Fong Yean Yee and Y.A.M Tengku Baderul Zaman Ibni Sultan Mahmud are also deemed to have interest in the shares of the subsidiaries to the extent that the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial period did not hold any interest in shares or debentures in the Company or its subsidiaries during the financial period.

Directors' Benefits

Since the end of the previous financial period, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown 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.

There were no arrangements during and at the end of the financial period which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the ESOS.

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Directors' Remuneration

Directors' remuneration is as follows:

	Group RM	Company RM
Directors' remuneration:		
- Fees	797,890	-
- Salaries and other emolument	2,185,802	-
- Contributions to Employees Provident Fund	262,124	-
- Share-based payment under ESOS	148,347	148,347
	3,394,163	148,347

Subsidiary Companies

Details of the subsidiary companies are disclosed in Note 6 to the financial statements.

Auditors' Remuneration

Auditors' remuneration is as follows:

	Group RM	Company RM
HLB Ler Lum Chew PLT		
- Statutory	213,000	55,500
- Non-statutory	5,000	5,000
	218,000	60,500

Indemnity and Insurance Costs

There was no indemnity given to or insurance effected for Directors or officers of the Company in accordance with Section 289 of the Companies Act, 2016.

DIRECTOR'S REPORT

Registration No.: 200801015549 (816839-X)

Employees' Share Option Scheme

At an Extraordinary General Meeting held on 5 August 2019, shareholders approved the Group's Employees' Share Option Scheme ("ESOS"). The establishment of the ESOS is governed by the By-Laws which was approved by the Board of Directors and administered by the ESOS Committee.

ESOS is the share option scheme of the Company's ordinary shares offered for subscription to the eligible person of the Group. The scheme is designed to provide, among others, long-term incentives for the Group's eligible employees and Directors to deliver long-term shareholder returns.

The salient features and other terms of the ESOS are disclosed in Note 17 to the financial statements.

Other Statutory Information

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

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

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

At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statement of the Group and of the Company inadequate to any substantial extent; or

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) any amount stated in the financial statements of the Group and of the Company misleading.

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Other Statutory Information (Continued)

No contingent or other liability of any company in the Group has become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

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

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

Subsequent Events

The subsequent events are disclosed in Note 36 to the financial statements.

Auditors

The auditors, HLB Ler Lum Chew PLT (201906002362 & AF0276) have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

SUNILDEEP SINGH DHALIWAL	YM TENGKU MUNAWIR ISLAHUDDIN BIN TENGKU NOONE AZIZ

STATEMENT BY DIRECTORS

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, SUNILDEEP SINGH DHALIWAL and YM TENGKU MUNAWIR ISLAHUDDIN BIN TENGKU NOONE AZIZ, being two of the Directors of HANDAL ENERGY BERHAD do hereby state that in the opinion of the Directors, the financial statements set out on pages 17 to 117 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2022 and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

SUNILDEEP SINGH DHALIWAL	YM TENGKU MUNAWIR ISLAHUDDIN BIN TENGKU NOONE AZIZ

KUALA LUMPUR
28 APRIL 2023

STATUTORY DECLARATION

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, SUNILDEEP SINGH DHALIWAL, being the Director primarily responsible for the financial management of HANDAL ENERGY BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 17 to 117 are to the best of my knowledge and belief, 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 SUNILDEEP SINGH)
DHALIWAL)
at KUALA LUMPUR)
on this date of 28 APRIL 2023)

SUNILDEEP SINGH DHALIWAL

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HANDAL ENERGY BERHAD
Registration No: 200801015549 (816839-X)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HANDAL ENERGY BERHAD which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 117.

In our opinion, 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 2022, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Registration No.: 200801015549 (816839-X)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group and the Company *(Refer Note 33 - Liquidity risk to the financial statements)* The Group is facing delay in the commencement of the secured contracts and increased of the project costs. This may continue to adversely impact the Group's financial performance and liquidity position for the next twelve months. In assessing the liquidity position of the Group and the Company, management has considered the repayment obligations for borrowings, other liabilities and cost overheads which are due in the next 12 months, taking into consideration the following: (a) Availability of cash flows over the next 12 months; (b) Utilisation of credit facilities available to the Group; (c) Ability of the Group to generate sufficient cash flows from its existing contracts; and (d) Execution of the Group's cost-cutting measures. We considered this as an area of audit focus due to the significant degree of judgements and estimates used by management in arriving at the cash flow forecast.	Our audit procedures included the following: • Inquired management as to its knowledge of events or conditions beyond the period of management's going concern assessment; • Evaluated management's going concern assessment that covers twelve months from the date of financial statements through review of the cash flow forecast; • Assessed the reasonableness of the management's key assumptions used and judgements exercised on its cash flow forecast; • Assessed the availability of unutilised financing facilities and review the covenants associated with these financing facilities; • Performed sensitivity test for a range of reasonable possible scenarios; and • Considered the completeness and accuracy of disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT

Registration No.: 200801015549 (816839-X)

Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition on integrated crane services and pipeline isolation services *Refer to Note 2.3(a), 2.5(s) and 24 to the financial statements* The Group's revenue during the financial period is mainly contributed by the integrated crane services and pipeline isolation services amounting to RM19,104,315 and RM15,085,367 respectively. We focused on this area because the accounting for integrated crane services and pipeline isolation services are inherently complex as it involves the use of significant estimates and judgements made by management which includes the following: (a) Estimation of the total budgeted project costs and the assessment of costs to complete; (b) Determination of the progress towards satisfaction of the performance obligations and overall progress of the Group's projects; and (c) Consideration of variation orders and claims with the Group's customers.	In addressing this area, our procedures included, among others: • Obtained an understanding and tested the Group's internal controls over project budget approval and revenue recognition process; • Evaluated the management's key judgements used in the estimation of budgeted costs by examining documentation such as letter of awards issued, contracts, historical evidence or results and retrospective review of these estimates; • Verified the budgeted revenue by examining the contracts' approved letters of award and purchase orders; • Discussed with the management to understand the nature of variation orders and claims included in budgeted revenue and inspected correspondences from the customers; • Inspected the costs incurred to date and compared against suppliers' claim certificates and certifications of work performed to corroborate the projects' progress towards satisfaction of the performance obligations and reasonableness of the estimated project budgets; • Performed re-computations on the calculation of the stage of completion to ascertain there is no mathematical error in the profit recognition; and • Assessed the reasonableness of the total budgeted project costs by reviewing the historical trends and reviewing budgets for upcoming projects; and • Considered the completeness and accuracy of the disclosures.

Registration No.: 200801015549 (816839-X)

Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of contract assets - accrued billings and trade receivables *Refer to Notes 2.3(b), 2.5(g)(iv) and 10 to the financial statements* As at 31 December 2022, the Group's gross contract assets - accrued billings and trade receivables amounted to RM1,334,704 and RM1,829,530 respectively. Management's assessment of impairment loss for contract assets - accrued billings and trade receivables includes consideration of historical payment trends of customers, adjusted for forward-looking factors specific to the industry of the customer, and any known adverse condition in respect of customers that would affect the recoverability of these balances. We focus on these areas due to the complexity and significant judgement involved in assessing the impairment loss allowance for the contract assets - accrued billings and trade receivables.	In our audit procedures included, among others, the following: • Recalculated the probability of default using historical data and forward-looking information adjustments applied by the management; • Assessed the appropriateness and reasonableness of the assumptions applied in the management's assessment of expected credit loss, taking into account specific known customers' circumstances; • Reviewed the project schedules and investigated any contract assets - accrued billings which are long outstanding; • Scrutinised the trade receivables ageing and investigated unusual trends and conditions that may indicate objective evidence of impairment; • Verified receipts from trade receivables subsequent to the financial year end; and • Considered the completeness and accuracy of the disclosures.

INDEPENDENT AUDITORS' REPORT

Registration No.: 200801015549 (816839-X)

Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill *Refer Note 2.3(c),2.5(e)(i) and 4 to the financial statements* As at 31 December 2022, the Group's carrying amount of goodwill is RM35,256,982. The in goodwill is tested for impairment annually. We focused on this area due to the significant degree of judgements and estimates used by the management on the discounted cash flow forecast in determining the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections.	We have assessed the appropriateness of the discounted cash flow forecast prepared by the management. Our audit procedures included, among others, the following: • Assessed the appropriateness of the determination of cash-generating units; • Assessed the methodology adopted and the mathematical accuracy of the discounted cash flow forecast calculations; • Reviewed the budgeted cash flow forecast prepared and approved by the management; • Assessed the reasonableness of the management's key assumptions used and judgements exercised on its discounted cash flow forecast such as revenue growth rate, profit margins and discount rates; • Performed sensitivity tests for a range of reasonable possible scenarios; and • Considered the completeness and accuracy of disclosures in the financial statements.

Registration No.: 200801015549 (816839-X)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

Registration No.: 200801015549 (816839-X)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Registration No.: 200801015549 (816839-X)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

Other Matters

1. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

2. The financial statements of the Group and of the Company for the financial year ended 30 June 2021 were audited by another firm of chartered accountants who expressed an unmodified opinion on these financial statements in their report dated 29 October 2020.

HLB LER LUM CHEW PLT
(201906002362 & AF0276)
Chartered Accountants

TEH WEIL XUAN
Approved Number: 03453/10/2023 J
Chartered Accountant

KUALA LUMPUR
28 APRIL 2023

STATEMENTS OF FINANCIAL POSITION

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	Group 31.12.2022 RM	30.06.2021 RM Restated	01.07.2020 RM Restated
ASSETS				
Non-Current Assets				
Property, plant and equipment	3	27,724,253	30,934,023	30,826,625
Intangible assets	4	35,256,982	41,538,055	41,538,055
Right-of-use assets	5	215,819	769,496	1,170,264
Investment in joint venture	7	-	-	-
		63,197,054	73,241,574	73,534,944
Current Assets				
Inventories	9	7,380,021	9,225,656	10,054,037
Trade receivables	10	2,902,302	10,339,641	12,837,236
Other receivables	11	2,957,209	13,261,835	5,404,273
Contract cost assets	12	2,455,192	7,679,043	2,034,165
Financial assets at fair value through profit or loss	13	-	102,268	100,083
Tax recoverable		564,876	392,509	907,712
Fixed deposits	14	11,034,787	13,380,808	20,193,222
Cash and bank balances		363,654	449,389	1,946,003
		27,658,041	54,831,149	53,476,731
TOTAL ASSETS		90,855,095	128,072,723	127,011,675

STATEMENTS OF FINANCIAL POSITION

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONTINUED)

	Note	Group 31.12.2022 RM	30.06.2021 RM Restated	01.07.2020 RM Restated
EQUITY AND LIABILITIES				
EQUITY				
Share capital	15(a)	104,434,564	103,044,598	100,468,926
Treasury shares	15(b)	(72,044)	(72,044)	(72,044)
Irredeemable convertible preference shares	16	9,407,625	9,407,625	9,407,625
Employees share options scheme ("ESOS") reserve	17	601,868	441,423	-
Accumulated losses		(77,495,910)	(37,703,097)	(34,419,947)
Equity attributable to owners of the Company		36,876,103	75,118,505	75,384,560
Non-controlling interests		(2,920,880)	128,849	(9,655,103)
TOTAL EQUITY		33,955,223	75,247,354	65,729,457
LIABILITIES				
Non-Current Liabilities				
Lease liabilities	19	493,753	1,103,982	1,225,031
Deferred tax liabilities	20	394,699	1,840,813	2,491,701
		888,452	2,944,795	3,716,732
Current Liabilities				
Trade payables	21	25,087,055	25,303,776	18,520,221
Other payables	22	18,892,609	6,040,885	5,634,141
Amount owing to a Director	23	108,212	107,682	100,000
Contract liabilities	12	-	50,000	2,166,280
Borrowings	18	11,038,690	17,469,147	29,870,562
Lease liabilities	19	630,003	908,084	1,274,236
Current tax liabilities		254,851	1,000	46
		56,011,420	49,880,574	57,565,486
TOTAL LIABILITIES		56,899,872	52,825,369	61,282,218
TOTAL EQUITY AND LIABILITIES		90,855,095	128,072,723	127,011,675

STATEMENTS OF FINANCIAL POSITION

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONTINUED)

		Company	
		31.12.2022	30.06.2021
	Note	RM	RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	2,226,967	2,696,684
Right-of-use assets	5	-	336,829
Investment in subsidiary companies	6	30,489,178	66,897,397
Amounts owing by subsidiary companies	8	-	-
		32,716,145	69,930,910
Current Assets			
Other receivables	11	569,824	938,774
Financial assets at fair value through profit or loss	13	-	102,268
Cash and bank balances		191,166	161,205
		760,990	1,202,247
TOTAL ASSETS		33,477,135	71,133,157
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15(a)	104,434,564	103,044,598
Treasury shares	15(b)	(72,044)	(72,044)
Irredeemable convertible preference shares	16	9,407,625	9,407,625
Employees share options scheme ("ESOS") reserve	17	601,868	600,586
Accumulated losses		(102,563,762)	(55,759,551)
TOTAL EQUITY		11,808,251	57,221,214
LIABILITIES			
Non-Current Liabilities			
Lease liabilities	19	-	104,130
Deferred tax liabilities	20	20,966	20,966
		20,966	125,096
Current Liabilities			
Other payables	22	5,155,904	930,958
Amounts owing to subsidiary companies	8	16,491,824	12,603,315
Lease liabilities	19	-	252,574
Current tax liabilities		190	-
		21,647,918	13,786,847
TOTAL LIABILITIES		21,668,884	13,911,943
TOTAL EQUITY AND LIABILITIES		33,477,135	71,133,157

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

STATEMENTS OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

		Group		Company	
	Note	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM Restated	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Revenue	24	52,836,615	70,481,294	-	-
Cost of sales		(43,663,314)	(46,276,044)	-	-
Gross profit		9,173,301	24,205,250	-	-
Other operating income		2,045,177	3,309,804	6,623	2,839,578
Administrative expenses		(39,281,842)	(24,832,444)	(1,858,056)	(2,480,634)
Other operating expenses		(10,366,467)	(2,450,944)	(45,071,148)	(5,100,000)
(Loss)/Profit from operations		(38,429,831)	231,666	(46,922,581)	(4,741,056)
Finance costs		(1,985,689)	(1,594,293)	(21,120)	(20,112)
Loss before taxation	25	(40,415,520)	(1,362,627)	(46,943,701)	(4,761,168)
Taxation	26	1,252,964	749,266	(190)	-
Loss/Total comprehensive loss for the financial period/year		(39,162,556)	(613,361)	(46,943,891)	(4,761,168)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
(Loss)/Profit/Total comprehensive (loss)/income for the financial period/year attributable to:					
- Owners of the Company		(35,235,017)	(3,115,899)	(46,943,891)	(4,761,168)
- Non-controlling interests		(3,927,539)	2,502,538	-	-
		(39,162,556)	(613,361)	(46,943,891)	(4,761,168)
Loss per share attributable to Owners of the Company (sen)					
- Basic	28	(15.34)	(1.40)		
- Diluted	28	(15.34)	(1.40)		

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

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HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

		← Attributable to Owners of the Company →							
		← Non-distributable →							
Group	**Note**	**Share Capital** **RM**	**Treasury Shares** **RM**	**Irredeemable Convertible Preference Shares ("ICPS")** **RM**	**ESOS Reserve** **RM**	**Accumulated Losses** **RM**	**Total** **RM**	**Non-Controlling Interests** **RM**	**Total Equity** **RM**
At 1 July 2021									
- As previously stated		103,044,598	(72,044)	9,407,625	441,423	(31,211,471)	81,610,131	128,849	81,738,980
- Effect of prior year adjustments	38	-	-	-	-	(6,491,626)	(6,491,626)	-	(6,491,626)
- As restated		103,044,598	(72,044)	9,407,625	441,423	(37,703,097)	75,118,505	128,849	75,247,354
Loss/Total comprehensive loss for the financial period		-	-	-	-	(35,235,017)	(35,235,017)	(3,927,539)	(39,162,556)
Issue of new shares, net of transaction costs	15(a)	1,389,966	-	-	-	-	1,389,966	-	1,389,966
Acquisition of additional interest in subsidiary company	6(b)	-	-	-	159,163	(4,697,476)	(4,538,313)	333,313	(4,205,000)
Acquisition of a subsidiary company	6(c)	-	-	-	-	-	-	544,487	544,487
Incorporation of a subsidiary company	6(d)	-	-	-	-	-	-	10	10
ESOS forfeited	17	-	-	-	(139,680)	139,680	-	-	-
Share-based payment under ESOS	17	-	-	-	140,962	-	140,962	-	140,962
At 31 December 2022		104,434,564	(72,044)	9,407,625	601,868	(77,495,910)	36,876,103	(2,920,880)	33,955,223

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HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

		← Attributable to Owners of the Company →							
		← Non-distributable →							
Group	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Irredeemable Convertible Preference Shares ("ICPS") RM**	**ESOS Reserve RM**	**Accumulated Losses RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
At 1 July 2020									
- As previously stated		100,468,926	(72,044)	9,407,625	-	(31,276,748)	78,527,759	(9,655,103)	68,872,656
- Effect of prior year adjustments	38	-	-	-	-	(3,143,199)	(3,143,199)	-	(3,143,199)
- As restated		100,468,926	(72,044)	9,407,625	-	(34,419,947)	75,384,560	(9,655,103)	65,729,457
Loss/Total comprehensive loss for the financial year									
- As previously stated		-	-	-	-	232,528	232,528	2,502,538	2,735,066
- Effect of prior year adjustments	38	-	-	-	-	(3,348,427)	(3,348,427)	-	(3,348,427)
- As restated		-	-	-	-	(3,115,899)	(3,115,899)	2,502,538	(613,361)
Issue of new shares, net of transaction costs	15(a)	2,575,672	-	-	-	-	2,575,672	-	2,575,672
Acquisition of additional interest in subsidiary companies		-	-	-	-	(167,251)	(167,251)	17,251	(150,000)
Additional contributions by non-controlling interest		-	-	-	-	-	-	7,105,000	7,105,000
Share-based payment under ESOS	17	-	-	-	441,423	-	441,423	159,163	600,586
At 30 June 2021		103,044,598	(72,044)	9,407,625	441,423	(37,703,097)	75,118,505	128,849	75,247,354

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

		← Non-distributable →					
Company	**Note**	**Share Capital RM**	**Treasury Shares RM**	**Irredeemable Convertible Preference Shares ("ICPS") RM**	**ESOS Reserve RM**	**Accumulated Losses RM**	**Total RM**
At 1 July 2021		103,044,598	(72,044)	9,407,625	600,586	(55,759,551)	57,221,214
Loss/Total comprehensive loss for the financial period		-	-	-	-	(46,943,891)	(46,943,891)
Issue of new shares, net of transaction costs	15(a)	1,389,966	-	-	-	-	1,389,966
ESOS forfeited	17	-	-	-	(139,680)	139,680	-
Share-based payment under ESOS	17	-	-	-	140,962	-	140,962
At 31 December 2022		104,434,564	(72,044)	9,407,625	601,868	(102,563,762)	11,808,251
At 1 July 2020		100,468,926	(72,044)	9,407,625	-	(50,998,383)	58,806,124
Loss/Total comprehensive loss for the financial year		-	-	-	-	(4,761,168)	(4,761,168)
Issue of new shares, net of transaction costs	15(a)	2,575,672	-	-	-	-	2,575,672
Share-based payment under ESOS	17	-	-	-	600,586	-	600,586
At 30 June 2021		103,044,598	(72,044)	9,407,625	600,586	(55,759,551)	57,221,214

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

STATEMENTS OF CASH FLOWS

Registration No.: 200801015549 (816839-X)

HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

	Note	Group 01.07.2021 to 31.12.2022 RM	Group 01.07.2020 to 30.06.2021 RM Restated	Company 01.07.2021 to 31.12.2022 RM	Company 01.07.2020 to 30.06.2021 RM
Cash flows from operating activities					
Loss before taxation		(40,415,520)	(1,362,627)	(46,943,701)	(4,761,168)
Adjustments for:					
Bad debt written off		177,639	-	-	-
Depreciation of property, plant and equipment	3	3,488,944	2,418,901	469,717	337,682
Depreciation of right-of-use assets	5	845,099	1,106,686	407,360	334,778
Interest income		(350,645)	(99,412)	(466)	(1,732)
Interest expense		1,985,689	1,594,293	21,120	20,112
Fair value changes on financial assets at fair value through profit or loss		(156)	(2,185)	(156)	(2,185)
Impairment losses on:					
- Amount owing from a subsidiary company	8	-	-	-	5,100,000
- Intangible assets	4	6,281,073	-	-	-
- Investment in subsidiary companies	6	-	-	45,064,974	-
- Trade receivables	33	35,433	226,499	-	-
- Other receivables	33	3,804,810	-	-	-
- Property, plant and equipment	3	-	53,524	-	-
Gain on disposal of property, plant and equipment		(263)	(966)	-	-
Gain on disposal of a subsidiary company	6(e)	(617,247)	-	(1)	-
Loss on acquisition of a subsidiary company	6(c)	6,066	-	-	-
Loss/(Gain) on early termination of lease		6,174	(3,711)	6,174	-
Property, plant and equipment written off	3	190,517	-	-	-
Share-based payment under ESOS		140,962	600,586	224,031	189,509
Unrealised loss/(gain) on foreign exchange		313,980	(15,215)	-	-
Operating (loss)/profit before changes in working capital		(24,107,445)	4,516,373	(750,948)	1,216,996

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HANDAL ENERGY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM Restated	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Changes in working capital:					
Inventories		1,845,635	828,381	-	-
Trade and other receivables		12,302,867	1,607,556	368,950	(634,525)
Contract cost assets		5,223,851	(5,644,878)	-	-
Contract liabilities		(50,000)	(2,116,280)	-	-
Trade and other payables		14,367,167	7,198,713	4,224,946	(18,005)
Amounts owing by/to subsidiary companies		-	-	1,697,906	8,875,369
Amount owing to a Director		-	(1,315)	-	-
		33,689,520	1,872,177	6,291,802	8,222,839
Cash generated from operations		9,582,075	6,388,550	5,540,854	9,439,835
Interest received		350,645	99,412	466	1,732
Interest paid		(1,985,689)	(1,594,293)	(21,120)	(20,112)
Tax paid		(111,666)	(272,548)	-	-
Tax refund		-	857,005	-	-
		(1,746,710)	(910,424)	(20,654)	(18,380)
Net cash generated from operating activities		7,835,365	5,478,126	5,520,200	9,421,455

STATEMENTS OF CASH FLOWS

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HANDAL ENERGY BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM Restated	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Cash flows from investing activities					
Proceeds from disposal of financial assets at fair value through profit or loss		102,424	-	102,424	-
Proceeds from disposal of property, plant and equipment		4,232	75,001	-	-
Proceeds from disposal of investment in a subsidiary company		-	-	1	-
Purchase of property, plant and equipment	30(a)	(153,714)	(1,970,582)	-	(57,373)
Investment in subsidiary companies	6(b)	(4,205,000)	(150,000)	(6,549,221)	(11,702,090)
Acquisition of a subsidiary company, net of cash acquired	6(c)	554,341	(323,215)	-	-
Incorporation of a subsidiary company, net of cash acquired	6(d)	10	-	-	-
Disposal of a subsidiary company, net of cash disposed of	6(e)	(16,825)	-	-	-
Proceeds from issuance of shares via private placement, net of transaction costs	15(a)	1,389,966	2,575,672	1,389,966	2,575,672
Net cash (used in)/generated from investing activities		(2,324,566)	206,876	(5,056,830)	(9,183,791)
Cash flows from financing activities					
Decrease in pledged fixed deposits		2,346,021	6,812,414	-	-
Repayment of banker's acceptance	30(b)	(520,934)	(12,207,768)	-	-
Repayment of lease liabilities	30(b)	(1,512,098)	(1,592,615)	(433,409)	(320,182)
Net cash generated from/(used in) financing activities		312,989	(6,987,969)	(433,409)	(320,182)

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM Restated	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Net increase/(decrease) in cash and cash equivalents		5,823,788	(1,302,967)	29,961	(82,518)
Cash and cash equivalents at the beginning of the financial period/year		(15,634,054)	(14,331,087)	161,205	243,723
Cash and cash equivalents at the end of the financial period/year		(9,810,266)	(15,634,054)	191,166	161,205
Cash and cash equivalents at the end of the financial period/year comprises:					
Cash and bank balances		363,654	449,389	191,166	161,205
Fixed deposits	14	11,034,787	13,380,808	-	-
Bank overdrafts	18	(10,173,920)	(16,083,443)	-	-
		1,224,521	(2,253,246)	191,166	161,205
Less: Fixed deposits pledged with licensed banks		(11,034,787)	(13,380,808)	-	-
		(9,810,266)	(15,634,054)	191,166	161,205

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

NOTES TO THE FINANCIAL STATEMENTS

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HANDAL ENERGY BERHAD
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NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are stated in Note 6 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The principal place of business is located at C-L27-8, KL Trillion, 338, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia and Lot PT7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu Darul Iman, Malaysia.

The registered office of the Company is located at C-L27-8, KL Trillion, 338, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared on a going concern basis despite the challenges face by the Group and the Company arising from facing delay in the commencement of the secured contracts and increased of the project costs as management having assessed the sources of liquidity and funding available to the Group and the Company, believes that the Group and the Company can continue as a going concern for the foreseeable future.

In assessing the liquidity position of the Group and the Company, management has considered the repayment obligations for borrowings, other liabilities and cost overheads which are due in the next 12 months, taking into consideration the following:

(a) Availability of cash flows over the next 12 months;
(b) Utilisation of credit facilities available to the Group;
(c) Ability of the Group to generate sufficient cash flows from its existing contracts; and
(d) Execution of the Group's cost-cutting measures.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.1 Basis of preparation (continued)

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical 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 reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgemental or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

Amendments to accounting standards that are effective for the Group's and the Company's financial period beginning on or after 1 July 2021 are as follows:

- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform - Phase 2:
  - Amendments to MFRS 4, "Insurance Contracts"
  - Amendments to MFRS 7, "Financial Instruments: Disclosures"
  - Amendments to MFRS 9, "Financial Instruments"
  - Amendments to MFRS 16, "Leases"
  - Amendments to MFRS 139, "Financial Instruments: Recognition and Measurement"

The above amendments to accounting standards effective during the financial period do not have any significant impact to the financial results and position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.1 Basis of preparation (continued)

Accounting standards and amendments to accounting standards that are applicable for the Group and the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2022

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

Annual periods beginning on/after 1 January 2023

- MFRS 17, "Insurance Contracts"
- Amendments to MFRS 17, "Insurance Contracts" (Initial application of MFRS 17 and MFRS 9 - Comparative Information)
- Amendments to MFRS 101, "Presentation of Financial Statements" (Classification of Liabilities as Current or Non-current)
- Amendments to MFRS 101, "Presentation of Financial Statements" (Disclosure 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)

Annual periods beginning on/after 1 January 2024

- Amendments to MFRS 16, "Leases" (Lease Liability in a Sale and Leaseback)
- Amendments to MFRS 101, "Presentation of Financial Statements" (Non-Current Liabilities with Covenants)

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.1 Basis of preparation (continued)

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10, "Consolidated Financial Statements" and MFRS 128, "Investments in Associates and Joint Ventures" (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The adoption of the accounting standard and amendments to accounting standards are not expected to have any significant impact to the financial statements of the Group and of the Company.

2.2 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or 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 financial year are set out below:

(a) Revenue from integrated crane services and pipeline isolation services

The Group recognises revenue from integrated crane services and pipeline isolation services in the profit or loss using the percentage of completion method. The percentage of completion is determined by the proportion of costs incurred for work performed to date bear to the estimated total project costs.

NOTES TO THE FINANCIAL STATEMENTS

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.3 Significant accounting estimates and judgements

(a) Revenue from integrated crane services and pipeline isolation services (continued)

Significant judgement is required in determining the extent of the costs incurred, the estimated total project costs and gross profit margins, as well as the recoverability of the project. In making the judgement, the Group evaluates by relying on past experience and the work of specialists.

(b) Measurement of expected credit loss allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When such indicators exist, recoverable amounts of the cash-generating unit are determined based on the value-in-use calculation. These calculations require the estimation of the expected future cash flows from the cash generating unit and a suitable discount rate is applied in order to calculate the present value of those cash flows.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Basis of consolidation

(a) Subsidiary companies

Subsidiaries are entities, including structured entities, controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised in the profit or loss as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Basis of consolidation (continued)

(a) Subsidiary companies (continued)

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

(b) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The classification either as joint operations or joint ventures depends upon on the contractual rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.4 Basis of consolidation (continued)

(b) Joint arrangements

A joint venture is accounted for in the financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and subsequently adjusted to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

2.5 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, unless otherwise stated.

(a) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(b) Operating segments

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director that makes strategic decisions.

(c) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the translation reserve.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(d) Property, plant and equipment

(i) Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

(ii) Depreciation and impairment

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Other property, plant and equipment are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives as follows:

Long term leasehold land	60 years
Building	50 years
Crane and machineries	5 years
Motor vehicles	5 years
Furniture, fittings and office equipment	4 to 10 years
Workshop equipment	10 years
Renovation	3 to 7 years

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Depreciation and impairment (continued)

Depreciation methods, useful lives and residual values are reassessed at each reporting period, and adjusted as appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Intellectual property

Intellectual property acquired are measured initially at cost. Following initial acquisition, intellectual property is measured at cost less any accumulated impairment losses.

Intellectual property is tested for impairment annually, irrespective of whether there is any indication of impairment. The useful life of intellectual property 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.

Intellectual property 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.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

NOTES TO THE FINANCIAL STATEMENTS

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(g) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(iii) Subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, financial assets at fair value through profit or loss, trade and other receivables and amounts owing by subsidiary companies.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(g) Financial assets (continued)

(iii) Subsequent measurement (continued)

Debt instruments (continued)

- FVOCI

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

- FVTPL

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Group's and Company's right to receive payments is established.

Registration No.: 200801015549 (816839-X)

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.5 Significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Impairment

The Group and the Company assess expected credit losses associated with its debt instruments carried at amortised cost and at FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

In measuring expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking factors affecting the ability of the customers to settle the receivables.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Impairment (continued)

The Group and the Company define a financial instrument as default, which is aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- The debtor is in breach of financial covenants
- Concessions have been made by the Group and the Company related to the debtor's financial difficulty
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- The debtor is insolvent

Financial assets that are credit-impaired are assessed for impairment on an individual basis.

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

Registration No.: 200801015549 (816839-X)

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.5 Significant accounting policies (continued)

(h) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

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

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Equity

(i) Share capital

Ordinary shares and irredeemable convertible preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(ii) Treasury shares

Where the Company or its subsidiaries purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Company's equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, are included in equity attributable to the Company's equity holders.

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(m) Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

(q) Share-based payments

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(s) Revenue and income recognition

(i) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(s) Revenue and income recognition (continued)

(i) Revenue from contracts with customers (continued)

Fabrication of cranes

Contracts for fabrication of cranes comprise multiple deliverables which include a significant integration of service and are therefore recognised as a single performance obligation.

Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and discounts. Revenue from fabrication of cranes is recognised over time in the period in which services are rendered as the entity's performance does not create an asset with an alternative use and the entity has an enforceable right compensation for performance completed to date should the project is cancellable. The Group uses input method to measure the progress, determined based on the Group's effort or inputs to the satisfaction of the performance obligation.

Integrated crane services

Integrated crane services refer to overhaul and maintenance of crane services provided by the Group. Contracts for integrated crane services comprise multiple deliverables such as overhaul services, repair services, rental of portable crane systems, rental of special tools and equipment, supply of tools and equipment, supply of spare parts and materials which is significantly integrate with each other and therefore recognised as a single performance obligation.

Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and discounts. Revenue from providing integrated crane services is recognised over time in the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

A contract asset is recognised when integrated crane services are rendered and billings have not been raised. It has been included within trade receivables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(s) Revenue and income recognition (continued)

(i) Revenue from contracts with customers (continued)

Workover projects lifting solutions

Workover projects lifting solutions refer to rental of offshore pedestal crane services for lifting solutions by the Group.

Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and discounts. Revenue from providing workover project lifting solutions is recognised over time in the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

A contract asset is recognised when workover projects lifting solutions are rendered and billings have not been raised. It has been included within trade receivables in the statements of financial position.

Pipeline isolation services

Pipeline isolation services refer to pipeline isolation system installations with effective and reliable pressure monitoring environment for a highest safety replacement works. Contracts for offshore pipeline isolation services comprise multiple deliverables such as hot tapping and piping isolation maintenance services and supply pigging and pig trap equipment which is significantly integrate with each other and therefore recognised as a single performance obligation.

Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives. Revenue from providing pipeline isolation services is recognised over time in the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

A contract asset is recognised when pipeline isolation services are rendered and billings have not been raised. It has been included within trade receivables in the statements of financial position.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(s) Revenue and income recognition (continued)

(i) Revenue from contracts with customers (continued)

Riser maintenance

Riser maintenance refers to maintenance of offshore pipelines which comprises of multiple deliverables such as manpower services, blasting, painting, coating, fabrication, cold cutting, sectional replacement and pig trap maintenance which is significantly integrate with each other and therefore recognised as a single performance obligation.

Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives. Revenue from providing riser maintenance services is recognised over time in the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

A contract asset is recognised when riser maintenance services are rendered and billings have not been raised. It has been included within trade receivables in the statements of financial position.

Trading and project services

Trading and project services mainly refer to sale of spare parts for crane. Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(s) Revenue and income recognition (continued)

(i) Revenue from contracts with customers (continued)

Well services

Well services refer to well productivity improvement study which comprises of multiple deliverables such as fines migration, critical velocity testing, static testing and other testings which is recognised as a single performance obligation.

Transaction price is computed based on the price specified in the supplier's invoice and adjusted for a charged margin. Revenue from providing well services is recognised over time in the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Accrued revenue is recognised when well services are rendered and billings have not been raised. It has been included within trade receivables in the statements of financial position.

(ii) Other revenue and income

Revenue and income from other sources are recognised as follows:

Rental income

Rental income is recognised on a straight-line basis over the tenure of the lease.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

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2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(t) Leases

(i) Accounting by lessee

Leases are recognised as right-of-use assets and a corresponding liability at the commencement date on which the leased asset is available for use by the Group and the Company.

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that the lease will be extended or terminated.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

NOTES TO THE FINANCIAL STATEMENTS

Registration No.: 200801015549 (816839-X)

2. **Basis of Preparation and Significant Accounting Policies (Continued)**

2.5 Significant accounting policies (continued)

(t) Leases (continued)

(i) Accounting by lessee (continued)

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(ii) Accounting by lessor

The Group and the Company determine at lease inception whether each lease is a finance lease or operating lease. To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee.

Operating leases

The Group and the Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Company recognises lease payments received under operating leases as lease income on a straight-line basis over the lease term.

3. **Property, Plant and Equipment**

	Long term leasehold land RM	Building RM	Crane and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
Cost									
At 1 July 2021	4,769,380	16,247,933	24,063,217	3,080,387	5,654,699	2,607,704	2,419,215	7,229,256	66,071,791
Additions	-	-	-	372,277	60,479	-	24,349	22,801	479,906
Disposals	-	-	-	-	(16,178)	-	-	-	(16,178)
Write-off	-	-	-	-	-	-	-	(190,517)	(190,517)
Disposal of a subsidiary company	-	-	-	(97,488)	(250,718)	-	-	-	(348,206)
Reclassification	-	-	-	-	183,457	-	-	-	183,457
At 31 December 2022	4,769,380	16,247,933	24,063,217	3,355,176	5,631,739	2,607,704	2,443,564	7,061,540	66,180,253

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3. **Property, Plant and Equipment (Continued)**

	Long term leasehold land RM	Building RM	Crane and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
Accumulated depreciation									
At 1 July 2021	836,597	3,612,611	22,063,593	1,887,675	3,436,627	1,752,628	1,494,513	-	35,084,244
Charge for the financial period	119,294	478,872	676,702	589,573	887,254	376,529	360,720	-	3,488,944
Disposals	-	-	-	(10,730)	(1,479)	-	-	-	(12,209)
Disposal of a subsidiary company	-	-	-	(97,488)	(244,472)	-	-	-	(341,960)
Reclassification	-	-	-	-	183,457	-	-	-	183,457
At 31 December 2022	955,891	4,091,483	22,740,295	2,369,030	4,261,387	2,129,157	1,855,233	-	38,402,476
Accumulated impairment									
At 1 July 2021/31 December 2022	-	-	-	-	-	-	-	53,524	53,524
Carrying amount									
At 31 December 2022	3,813,489	12,156,450	1,322,922	986,146	1,370,352	478,547	588,331	7,008,016	27,724,253

3. **Property, Plant and Equipment (Continued)**

30.06.2021 Group	Long term leasehold land RM	Building RM	Crane and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
Cost									
At 1 July 2020	4,769,380	16,247,933	22,123,365	3,569,479	5,586,972	2,602,554	1,857,303	7,101,483	63,858,469
Additions	-	-	107	-	189,990	5,150	11,334	1,764,001	1,970,582
Disposals	-	-	-	(489,092)	(122,263)	-	-	-	(611,355)
Acquisition of a subsidiary company	-	-	854,095	-	-	-	-	-	854,095
Reclassification	-	-	1,085,650	-	-	-	550,578	(1,636,228)	-
At 30 June 2021	4,769,380	16,247,933	24,063,217	3,080,387	5,654,699	2,607,704	2,419,215	7,229,256	66,071,791

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3. **Property, Plant and Equipment (Continued)**

30.06.2021 **Group**	**Long term leasehold land** **RM**	**Building** **RM**	**Crane and machineries** **RM**	**Motor vehicles** **RM**	**Furniture, fittings and office equipment** **RM**	**Workshop equipment** **RM**	**Renovation** **RM**	**Capital work-in-progress** **RM**	**Total** **RM**
Accumulated depreciation									
At 1 July 2020	757,069	3,250,533	21,424,258	1,933,290	2,938,367	1,513,717	1,214,610	-	33,031,844
Charge for the financial year	79,528	362,078	468,516	370,113	619,852	238,911	279,903	-	2,418,901
Disposals	-	-	-	(415,728)	(121,592)	-	-	-	(537,320)
Acquisition of a subsidiary company	-	-	170,819	-	-	-	-	-	170,819
At 30 June 2021	836,597	3,612,611	22,063,593	1,887,675	3,436,627	1,752,628	1,494,513	-	35,084,244
Accumulated impairment									
At 1 July 2020	-	-	-	-	-	-	-	-	-
Impairment during the financial year	-	-	-	-	-	-	-	53,524	53,524
At 30 June 2021	-	-	-	-	-	-	-	53,524	53,524
Carrying amount									
At 30 June 2021	3,932,783	12,635,322	1,999,624	1,192,712	2,218,072	855,076	924,702	7,175,732	30,934,023

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3. **Property, Plant and Equipment (Continued)**

Company	Long term leasehold land RM	Renovation RM	Furniture, fittings and office equipment RM	Total RM
31.12.2022				
Cost				
At 1 July 2021/31 December 2022	2,110,090	360,325	1,182,941	3,653,356
Accumulated depreciation				
At 1 July 2021	184,632	249,250	522,790	956,672
Charge for the financial period	52,753	111,027	305,937	469,717
At 31 December 2022	237,385	360,277	828,727	1,426,389
Carrying amount				
At 31 December 2022	1,872,705	48	354,214	2,226,967
30.06.2021				
Cost				
At 1 July 2020	2,110,090	360,325	1,125,568	3,595,983
Additions	-	-	57,373	57,373
At 30 June 2021	2,110,090	360,325	1,182,941	3,653,356
Accumulated depreciation				
At 1 July 2020	149,464	152,227	317,299	618,990
Charge for the financial year	35,168	97,023	205,491	337,682
At 30 June 2021	184,632	249,250	522,790	956,672
Carrying amount				
At 30 June 2021	1,925,458	111,075	660,151	2,696,684

Leasehold land and buildings of the Group with a carrying amount of RM1,940,784 (30.06.2021: RM2,007,325) have been pledged to secure banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

Included in the property, plant and equipment of the Group are motor vehicles acquired under hire purchase financing with carrying amount of RM986,145 (30.06.2021: RM1,192,711).

NOTES TO THE FINANCIAL STATEMENTS

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4. **Intangible Assets**

Group	Goodwill on consolidation RM	Intellectual property RM	Total RM
31.12.2022			
Cost			
At 1 July 2021	35,630,951	11,958,567	47,589,518
Disposal of a subsidiary company	(75,303)	-	(75,303)
At 31 December 2022	35,555,648	11,958,567	47,514,215
Accumulated impairment loss			
At 1 July 2021	373,969	5,677,494	6,051,463
Impairment during the financial period	-	6,281,073	6,281,073
Disposal of a subsidiary company	(75,303)	-	(75,303)
At 31 December 2022	298,666	11,958,567	12,257,233
Carrying amount			
At 31 December 2022	35,256,982	-	35,256,982
30.06.2021			
Cost			
At 1 July 2020/30 June 2021	35,630,951	11,958,567	47,589,518
Accumulated impairment loss			
At 1 July 2020/30 June 2021	373,969	5,677,494	6,051,463
Carrying amount			
At 30 June 2021	35,256,982	6,281,073	41,538,055

(a) Goodwill on consolidation

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to the operation and business segments.

The management carries out an annual review of recoverable amounts of its goodwill each financial year. Management determined financial budgets based on past performance and its expectations of market developments.

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period (30.06.2021: three-year period). Cash flows beyond the five-year period (30.06.2021: three-year period) is extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

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4. **Intangible Assets (Continued)**

(a) Goodwill on consolidation (continued)

The key assumptions used for the value-in-use calculations are as follows:

	Group	
	31.12.2022	**30.06.2021**
Revenue growth rate (per annum)	0.00%	1.00%
Terminal growth rate	0.00%	0.00%
Pre-tax discount rate	14.50%	10.00%

(b) Intellectual property

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

Management has decided to fully impair the intellectual property as the management is of the view that the Group currently does not have the economies of scale to fabricate these cranes in light of increased logistics costs on long lead item that form an integral part of the crane fabrication process.

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5. **Right-of-use assets**

Group	Apartment RM	Yard RM	Land RM	Office RM	Total RM
31.12.2022					
Cost					
At 1 July 2021	-	-	143,777	1,906,241	2,050,018
Additions	-	-	-	341,314	341,314
Termination	-	-	(30,085)	(1,748,467)	(1,778,552)
At 31 December 2022	-	-	113,692	499,088	612,780
Accumulated depreciation					
At 1 July 2021	-	-	43,349	1,237,173	1,280,522
Charge for the financial period	-	-	34,108	810,991	845,099
Termination	-	-	(30,085)	(1,698,575)	(1,728,660)
At 31 December 2022	-	-	47,372	349,589	396,961
Carrying amount					
At 31 December 2022	-	-	66,320	149,499	215,819
30.06.2021					
Cost					
At 1 July 2020	103,875	816,734	30,085	1,241,303	2,191,997
Additions	-	-	113,692	768,813	882,505
Termination	(103,875)	(816,734)	-	(103,875)	(1,024,484)
At 30 June 2021	-	-	143,777	1,906,241	2,050,018
Accumulated depreciation					
At 1 July 2020	1,732	445,492	21,235	553,274	1,021,733
Charge for the financial year	12,118	371,242	22,114	701,212	1,106,686
Termination	(13,850)	(816,734)	-	(17,313)	(847,897)
At 30 June 2021	-	-	43,349	1,237,173	1,280,522
Carrying amount					
At 30 June 2021	-	-	100,428	669,068	769,496

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5. **Right-of-use assets (Continued)**

	Company	
	31.12.2022	**30.06.2021**
	RM	**RM**
Office		
Cost		
At the beginning of the financial period/year	997,551	506,935
Additions	120,423	490,616
Termination	(1,117,974)	-
At end of the financial period/year	-	997,551
Accumulated depreciation		
At the beginning of the financial period/year	660,722	325,944
Charge for the financial period/year	407,360	334,778
Termination	(1,068,082)	-
At end of the financial period/year	-	660,722
Carrying amount		
At end of the financial period/year	-	336,829

6. **Investment in Subsidiary Companies**

	Company	
	31.12.2022	**30.06.2021**
	RM	**RM**
At cost		
Unquoted shares	82,816,183	82,701,893
Unquoted irredeemable convertible preference shares	24,930,873	24,930,873
Capital contribution to subsidiary companies	14,937,970	10,816,039
Advances to subsidiary companies treated as quasi-investment (Note 6(f))	4,702,883	2,595,349
	127,387,909	121,044,154
Less: Impairment loss	(96,898,731)	(54,146,757)
Carrying amount	30,489,178	66,897,397

The movement of impairment loss is as follows:

	Company	
	31.12.2022	**30.06.2021**
	RM	**RM**
At beginning of the financial period/year	54,146,757	54,146,757
Charge during the financial period/year	45,064,974	-
Disposal of a subsidiary company	(2,313,000)	-
At end of the financial period/year	96,898,731	54,146,757

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6. **Investment in Subsidiary Companies (Continued)**

The subsidiary companies and shareholdings therein are as follows:

Name of companies	Country of incorporation and place of business	Effective ownership and voting interest (%) 31.12.2022	30.06.2021	Principal activities
Direct holding:				
Handal iMRO Sdn. Bhd. ("HISB") (formerly known as Handal Cranes Sdn. Bhd.)	Malaysia	100	100	Overhaul and maintenance of offshore pedestal cranes, offshore crane rental business, workover projects and other services such as supply of manpower and parts.
Borneo Seaoffshore Engineering Sdn. Bhd. ("BSOE")	Malaysia	80	51	Provision of engineering services, maintenance services, steel fabrication, mechanical piping works and installation of electrical and instrumentation equipment in oil and gas industry. BSOE has ceased and sold its pipeline, riser and gas turbine business to HISB.
Handal Engineering Sdn. Bhd. ("HESB")	Malaysia	-	100	Selling of industrial plant and equipment and telecommunication equipment.
Handal Energy Solutions Sdn. Bhd. ("HESSB")	Malaysia	99.82	99.82	Project management services for gas turbine.
Handal Digital Sdn. Bhd. ("HDSB") (formerly known as Gotools Solutions Sdn. Bhd.)	Malaysia	100	100	Owning and operating telecommunication towers, and renting them out to mobile operator companies.
Handal Borneo Sdn. Bhd. ("HBSB")	Malaysia	90	-	Engaged in business relates to power generation.

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6. **Investment in Subsidiary Companies (Continued)**

The subsidiary companies and shareholdings therein are as follows: (continued)

Name of companies	Country of incorporation and place of business	Effective ownership and voting interest (%) 31.12.2022	30.06.2021	Principal activities
Direct holding: (continued)				
Handal Floaters Sdn. Bhd. ("HFLSB")	Malaysia	100	100	Reproduction of machinery components, engineering services and repair and general workshop practices.
Gotools Sdn. Bhd. ("Gotools")	Malaysia	100	100	Leasing of compressors, pumps and related equipment used in oil and gas industry.
Handal Borneo Resources Sdn, Bhd. ("HBRSB") (formerly known as Orissa Wicomm Borneo Sdn. Bhd.)	Malaysia	49	-	Extraction, operations management and sales of marine sea sand
Indirect holding through:				
Handal iMRO Sdn. Bhd.				
Handal Energy LLC*#	USA	100	100	Explore for potential business opportunities in United States and to provide technical and logistical support for existing businesses. However, it has not commenced business.
Handal Floaters Sdn. Bhd.				
Handal Operation Maintenance Engineering Sdn. Bhd. ("HOME")	Malaysia	100	100	Developing and providing new technologies and innovative solutions for the oil and gas industry.

* *Not required to be audited in its country of incorporation and the Company is dormant.*

\# *Company not audited by HLB Ler Lum Chew PLT.*

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6. **Investment in Subsidiary Companies (Continued)**

(a) Additional investment in HDSB

On 17 June 2022, the Company has increased its investment in HDSB by RM738,000 by way of new subscription of 738,000 new ordinary shares in HDSB.

(b) Acquisition of 29% of BSOE

On 30 June 2022, the Company has subscribed for 1,160,000 new ordinary shares in BSOE with purchase consideration of RM1,160,000. Consequently, BSOE becomes a 80% owned subsidiary of the Company. The Company has also taken over the capital contribution according to the new ownership percentage from the non-controlling interest amounting to RM4,205,000. The net loss on acquisition of additional shares in BSOE from the non-controlling interest amounted to RM4,697,476 is recognised in equity.

(c) Acquisition of HBRSB

On 29 July 2022, the Company has acquired 529,200 ordinary shares in HBRSB for a purchase consideration of RM529,200, representing 49% equity interest in HBRSB. HBRSB is dormant at date of acquisition, therefore the details of assets acquired, liabilities assumed, the non-controlling interests recognised and the effects on the cash flows of the Group is not presented. Loss on acquisition amounting to RM6,066 is recognised in profit or loss.

(d) Incorporation of HBSB

On 20 June 2022, the Company incorporated HBSB with a paid-up share capital of 100 ordinary shares with a par value of RM1 per share. The Company has subscribed for 90 ordinary share`s for a consideration of RM90, representing 90% equity interest in HBSB.

(e) Disposal of HESB

On 30 November 2022, the Company has disposed 100% equity interest in HESB for a consideration of RM1. Gain on disposal amounting to RM617,247 is recognised in profit or loss.

(f) Advances to subsidiary companies treated as quasi-investment

The advances to subsidiary companies are unsecured, interest-free with no fixed terms of repay`ment. The settlement of the advances is neither planned nor likely in the foreseeable future and they are determined to form part of the Company’s net investment in the subsidiary companies.

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6. **Investment in Subsidiary Companies (Continued)**

(g) Capitalisation of share-based payments

During the financial period, the Company awarded ESOS share-based payments to eligible employees of its subsidiary companies. Accordingly, the Company capitalised RM328,008 (30.06.2021: RM411,077) based on the fair value at grant date over the vesting period by way of a capital contribution to the subsidiary companies.

(h) Material non-controlling interests

	31.12.2022 RM	30.06.2021 RM
Carrying amount of non-controlling interest		
BSOE	(3,465,862)	128,453
Other subsidiaries with immaterial non-controlling interest	544,982	396
	(2,920,880)	128,849

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

(i) Summarised statement of financial position

	BSOE	
	31.12.2022 RM	30.06.2021 RM
Current		
Assets	7,820,256	23,880,862
Liabilities	(25,477,778)	(24,758,293)
Total net current liabilities	(17,657,522)	(877,431)
Non-current		
Assets	328,214	1,344,764
Liabilities	-	(205,183)
Total net non-current assets	328,214	1,139,581
Net (liabilities)/assets	(17,329,308)	262,150

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6. **Investment in Subsidiary Companies (Continued)**

(h) Material non-controlling interests (continued)

(ii) Summarised statement of profit or loss and other comprehensive income

	31.12.2022 RM	30.06.2021 RM
Revenue	24,332,448	31,811,207
(Loss)/Profit before taxation	(18,824,376)	5,149,973
Taxation	54,144	(48,168)
(Loss)/Profit after taxation	(18,770,232)	5,101,805
Total comprehensive (loss)/income	(18,770,232)	5,101,805
Total comprehensive (loss)/income allocated to non-controlling interest	(3,931,383)	2,499,884
Dividends paid to non-controlling interest	-	-

(iii) Summarised statement of cash flows

	31.12.2022 RM	30.06.2021 RM
Net cash generated from/(used in) operating activities	1,393,849	(14,249,487)
Net cash used in investing activities	(40,651)	-
Net cash generated from financing activities	623,101	9,884,334
	1,976,299	(4,365,153)

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7. Investment in Joint Venture

	Group	
	31.12.2022	**30.06.2021**
	RM	**RM**
Unquoted shares at cost	5,100,000	5,100,000
Share of results	(138,879)	(138,879)
	4,961,121	4,961,121
Less: Impairment loss	(4,961,121)	(4,961,121)
At end of the financial period/year	-	-

The Company and its subsidiary companies have entered into a legal suit with the joint venture partner as disclosed in Note 35 to the financial statements.

(a) The details of the joint venture are as follows:

Name of joint ventures	**Country of incorporation and place of business**	**Effective ownership and voting interest**		**Principal activities**
		31.12.2022	**30.06.2021**	
		%	**%**	
Handal Oceans Assets Sdn. Bhd. ("HOASB")	Malaysia	51	51	Engage in the business relating to oil and gas ownership, and mobile production of oil and gas.

(b) Set out below are summarised financial information for the joint ventures which are accounted for using equity method.

(i) Summarised statement of financial position

	HOASB	
	31.12.2022	**30.06.2021**
	RM	**RM**
Current assets	99,823	99,823
Current liabilities	(2,793,269)	(2,787,116)
Net liabilities	(2,693,446)	(2,687,293)
Included in net liabilities are:		
Cash and cash equivalents	99,823	99,823

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7. **Investment in Joint Venture (Continued)**

(b) Set out below are summarised financial information for the joint ventures which are accounted for using equity method. (continued)

(ii) Summarised statement of profit or loss and other comprehensive income

	HOASB	
	31.12.2022	**30.06.2021**
	RM	**RM**
Revenue	-	-
Expenses	(6,153)	(8,435)
Loss/Total comprehensive loss from continuing operations	(6,153)	(8,435)

(iii) Reconciliation of summarised information

	HOASB	
	31.12.2022	**30.06.2021**
	RM	**RM**
Net liabilities	(2,693,446)	(2,687,293)
Group's equity interest	51%	51%
Group's share of net assets	N/A	N/A

8. **Amounts Owing by/(to) Subsidiary Companies**

	Company	
	31.12.2022	**30.06.2021**
	RM	**RM**
Non-current assets		
Amounts owing by subsidiary companies	5,100,000	5,100,000
Less: Impairment loss	(5,100,000)	(5,100,000)
	-	-
Current liabilities		
Amounts owing to subsidiary companies	16,491,824	12,603,315

These amounts are unsecured, interest free and repayable on demand.

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8. **Amounts Owing by/(to) Subsidiary Companies (Continued)**

The movement of impairment loss is as follows:

	Company	
	31.12.2022	**30.06.2021**
	RM	**RM**
At beginning of the financial period/year	5,100,000	-
Charge during the financial period/year	-	5,100,000
At end of the financial period/year	5,100,000	5,100,000

9. **Inventories**

	Group	
	31.12.2022	**30.06.2021**
	RM	**RM**
Raw materials, consumables and crane components at cost	7,380,021	9,225,656

10. **Trade Receivables**

		Group	
	31.12.2022	**30.06.2021**	**01.07.2020**
	RM	**RM**	**RM**
		Restated	**Restated**
Trade receivables	1,829,530	5,636,692	7,153,036
Less: Impairment loss	(261,932)	(226,499)	-
	1,567,598	5,410,193	7,153,036
Contract assets - accrued billings	1,334,704	4,929,448	5,684,200
	2,902,302	10,339,641	12,837,236

Contract assets - accrued billings consist of contract jobs which have been completed and yet to be invoiced due to the due process of approval by customers.

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10. **Trade Receivables (Continued)**

The Group's normal credit term ranges from 30 days to 45 days (30.06.2021: 30 days to 45 days) from the date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group and the Company is an amount of RMNil (30.06.2021: RM50,000) owing by company in which a Director of the Company has vested interest.

Movements on the Group's provision for impairment of trade receivables is disclosed in Note 33 to the financial statements.

11. **Other Receivables**

	Group		Company	
	31.12.2022	**30.06.2021**	**31.12.2022**	**30.06.2021**
	RM	**RM**	**RM**	**RM**
Amount owing from joint ventures	5,433,646	5,433,646	5,433,646	5,433,646
Other receivables	5,855,201	8,765,576	221,451	786,098
Deposits	642,574	610,702	138,863	139,664
Advances	19,500	13,718	19,500	-
Prepayments	232,792	3,859,887	178,058	1,060
	12,183,713	18,683,529	5,991,518	6,360,468
Less: Impairment loss	(9,226,504)	(5,421,694)	(5,421,694)	(5,421,694)
	2,957,209	13,261,835	569,824	938,774

Included in other receivables of the Group is an amount of RM3,714,172 (30.06.2021: RM6,688,341) representing capital advances to be transferred by the non-controlling interest of a subsidiary company.

Included in prepayments of the Group is an amount of RMNil (30.06.2021: RM3,837,102) being advance payments to suppliers for goods purchased.

Movements on the Group's and the Company's impairment loss for the other receivables are disclosed in Note 33 to the financial statements.

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12. Contract Cost Assets/(Contract Liabilities)

	Note	Group 31.12.2022 RM	Group 30.06.2021 RM
Contract cost assets			
Work-in-progress	(a)	38,009	46,815
Amount due from contract customers	(b)	2,417,183	7,632,228
		2,455,192	7,679,043
Contract liabilities			
Amount due to contract customers	(b)	-	(50,000)

(a) This represents cost incurred to date on parts trading for specific performance obligations which are not satisfied at the reporting date.

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

	Group 31.12.2022 RM	Group 30.06.2021 RM
Contract costs incurred to date	7,520,137	23,303,452
Add: Attributable profits	1,506,474	3,510,233
Less: Foreseeable losses	-	(94,631)
	9,026,611	26,719,054
Less: Progress billings	(6,609,428)	(19,136,826)
	2,417,183	7,582,228
Represented by:		
Amount due from contract customers	2,417,183	7,632,228
Amount due to contract customers	-	(50,000)
	2,417,183	7,582,228

This amount is arising from fabrication of cranes, pipeline isolation services and riser services, representing the timing differences in revenue recognition and the milestone billings.

(c) Unsatisfied long-term contracts

As at the end of the financial period, the aggregate amount of the transaction price allocated to the remaining unfulfilled performance obligations of the Group is RM3,876,689 (30.06.2021: RM3,717,629) which will be recognised as revenue when the relevant projects are completed, which are expected to occur over the next 12 months (30.06.2021: 12 months).

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13. **Financial Assets at Fair Value through Profit or Loss**

	Group/Company	
	31.12.2022	**30.06.2021**
	RM	**RM**
Quoted investments	-	102,268

14. **Fixed Deposits**

The fixed deposits of the Group amounting to RM11,034,787 (30.06.2021: RM13,380,808) have been pledged to licensed banks as security for banking facilities granted to a certain subsidiary company as disclosed in Note 18 to the financial statements.

15. **Share Capital and Treasury Shares**

(a) Share capital

	Group/Company			
	Number of ordinary shares		Amount	
	31.12.2022	**30.06.2021**	**31.12.2022**	**30.06.2021**
	Units	**Units**	**RM**	**RM**
Issued and fully paid				
At beginning of the financial period/year	229,991,000	218,826,000	103,044,598	100,468,926
Issuance during the financial period/year	10,686,000	11,165,000	1,389,966	2,575,672
At end of the financial period/year	240,677,000	229,991,000	104,434,564	103,044,598

During the financial period, the Company increased its total issued and paid-up share capital from RM103,044,598 to RM104,434,564 by way of issuance of 10,686,000 ordinary shares of RM0.13 per share with nominal value of RM1,389,966, net of transaction costs. The new ordinary shares issued during the financial period ranked pari-passu in all respect with the existing ordinary shares of the Company.

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15. **Share Capital and Treasury Shares (Continued)**

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 25 May 2017, had renewed the approval granted to the Company to buy back its own shares up to 10% of the total issued and paid up share capital of the Company.

The movements in treasury shares are as follows:

	Number of treasury shares Units	Cost RM	Average cost per share RM
At beginning/end of the financial period/year	310,200	72,044	0.23

The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As treasury shares, the rights attached to voting, dividends and participation in other distributions are suspended.

None of the treasury shares were resold or cancelled during the financial period.

16. **Irredeemable Convertible Preference Shares ("ICPS")**

	Group/Company			
	Number of ICPS		Amount	
	31.12.2022 Units	30.06.2021 Units	31.12.2022 RM	30.06.2021 RM
Issued and fully paid				
At beginning/end of the financial period/year	26,061,819	26,061,819	9,407,625	9,407,625

On 9 August 2019, the Company issued 26,061,819 units of 5-years ICPS ("Consideration ICPS") for the acquisition of a subsidiary company, Borneo Seaoffshore Engineering Sdn. Bhd.. Maturity date of the ICPS is on the market day immediately before the 5th anniversary of the date of issue. The Consideration ICPS was issued at price of RM0.37 per ICPS with nominal value in issue of RM9,407,625, net of transaction costs.

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16. **Irredeemable Convertible Preference Shares ("ICPS") (Continued)**

The salient terms of the ICPS are as follows:

(a) Voting rights

The Consideration ICPS shall carry no right to vote at any general meeting of the Company except with regard to:

(i) on any proposal to wind-up the Company or during the winding up of the Company; or
(ii) on any proposal that affects the rights and privileges of the Consideration ICPS holders; or
(iii) on any proposal to reduce the share capital of the Company; or
(iv) on any proposal for the disposal of the whole or a substantial part of property, business and undertaking of the Company.

In any of the cases above, the Consideration ICPS holders shall be entitled to vote together with the holders of ordinary shares and to 1 vote and if voting by way of a poll, the Consideration ICPS holder shall have 1 vote for each Consideration ICPS held.

(b) Ranking

The Consideration ICPS are unsecured and rank pari-passu in all respect between the holders thereof except that:

(i) they will not be entitled to any rights, allotments and/or other distribution (except dividends) that may be declared by the Company; and
(ii) the Consideration ICPS shall carry no right to vote at any general meeting of the Company except with regard to any proposal to wind-up the Company, during the winding-up of the Company, any proposal that affects the rights and privileges of the Consideration ICPS holders, any proposal to reduce the Company's share capital or any proposal for the disposal of the whole or a substantial part of the Company's property, business and undertaking. In any such case, the Consideration ICPS holders shall be entitled to vote together with the holders of ordinary shares and to 1 vote for each Consideration ICPS held.

(c) Dividends

The dividends for the Consideration ICPS shall be determined solely at the discretion of the Board of Directors of the Company.

(d) Conversion period

(i) The Consideration ICPS shall be convertible into new ordinary shares of the Company based on the Conversion Ratio at any time upon the issuance of Consideration ICPS up to and including the Maturity Date; and
(ii) any Consideration ICPS that remains outstanding on the Maturity Date shall be automatically converted into the ordinary shares of the Company.

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16. **Irredeemable Convertible Preference Shares ("ICPS") (Continued)**

The salient terms of the ICPS are as follows: (continued)

(e) Adjustment to Conversion Ratio and right to conversion

The Conversion Ratio may from time to time be adjusted by the Directors of the Company as and when they deem necessary and expedient, in consultation with the auditor of the Company in all or any of the following cases:

(i) an alteration of the value of ordinary shares in the Company by reason of consolidation or subdivision; or
(ii) a bonus issue of fully paid-up ordinary shares by the Company; or
(iii) a capital distribution or repayment to shareholders whether by way of reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by assets); or
(iv) a rights issue of ordinary shares by the Company; or
(v) capitalisation of the reserves of the Company; or
(vi) any other circumstances which in the opinion of the Directors of the Company be deemed necessary.

No adjustment to the Conversion Ratio and/or number of ordinary shares in the Company to be issued arising from conversion of the Consideration ICPS shall be made unless it has been certified by the auditor of the Company. For avoidance of doubt, any fraction of new ordinary shares of the Company arising from the conversion in favour of a holder of Consideration ICPS otherwise entitled thereto shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the fractional entitlement be disregarded.

(f) Conversion Rights

The Consideration ICPS holders will have the right to convert the Consideration ICPS into new ordinary shares of the Company at any time on any Market Day upon the issuance of Consideration ICPS up to and including the Maturity Date.

(g) Redemption

The Consideration ICPS is not redeemable for cash.

(h) Transferability

The Consideration ICPS is fully transferable with the prior approvals of the relevant authorities, if any and if required.

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16. **Irredeemable Convertible Preference Shares ("ICPS") (Continued)**

The salient terms of the ICPS are as follows: (continued)

(i) Listing

The Consideration ICPS is not listed on Bursa Securities. However, an application for approval in principle of Bursa Securities was made for the listing and quotation for the new ordinary shares of the Company to be issued arising from the conversion of the Consideration ICPS on the Main Market of Bursa Securities.

(j) Ranking of new ordinary shares of the Company from conversion

All new ordinary shares of the Company to be issued upon the conversion of the Consideration ICPS shall upon allotment and issuance, rank pari-passu in all respects with the then existing ordinary shares of the Company, save and except that the new ordinary shares of the Company shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of such new ordinary shares of the Company.

(k) Rights of holders on the liquidation of the Company

In the event of any form of winding-up of, or return of capital by the Company, the Consideration ICPS holders shall be entitled to receive payment (after payment to creditors of the Company, whether secured or unsecured) of the nominal amount of the Consideration ICPS held by them together with any arrears of dividend (whether earned or declared or not) calculated to the date of such payment in priority to the members of the Company, on a pari-passu basis amongst the other holders of the Consideration ICPS, but shall have no other right to participate in the assets or profits of the Company.

(l) Rights to receive notices, reports and accounts and attend meetings

Consideration ICPS holders shall have the right to receive notices, reports and accounts and attend meetings, being the same as those which ordinary shareholder are entitled.

(m) Participation rights of Consideration ICPS holders in any distributions and/or offer of further securities

The Consideration ICPS holders shall not have any right to participate in any distribution and/or offers of further securities by the Company unless otherwise resolved by members of the Company at a general meeting.

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17. **Employees' Share Option Scheme**

The Company's ESOS is governed by the By-Laws which was approved by the shareholders at the Extraordinary General Meeting held on 5 August 2019.

Under the ESOS, an Eligible Person as defined in the By-Laws of the scheme are offered options which vest on an annual pro-rata basis over a 4-year period from the grant date. Once vested, the options remain exercisable up to the expiry date of the ESOS.

The ESOS Options shall not carry any right to vote at any general meeting of the Group.

When exercisable, each option is convertible into one ordinary share.

The salient terms of the ESOS are as follows:

(a) Eligibility

Any Director or Employee of the Group shall be eligible to participate in the ESOS and qualify for selection by the ESOS Committee, if, as at the Date of Offer (where applicable):

(i) such Employee or Director has attained the age of eighteen (18) years;

(ii) such Employee is in employment within the Group and has not served a notice to resign nor received a notice of termination;

(iii) such Employee has been employed on a full-time basis and is on the payroll of any corporation within the Group and his employment has been confirmed or such Employee is serving in a specific designation under an employment contract for a fixed duration of at least one (1) year (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of service from one (1) year to a lesser period as it deems fit);

(iv) such Director has been appointed as a Director of any company in the Group;

(v) such Director has his/her allocation of the ESOS Options approved by the shareholders of the Group at a general meeting;

(vi) such Employee or Director is under an employment contract, the contract is for a duration of at least three (3) years and shall have not expired within three (3) months from the Date of Offer;

(vii) such Employee or Director is not a participant of any other employee share option scheme implemented by any company within the Group which is in force for the time being; and

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17. **Employees' Share Option Scheme (Continued)**

(a) Eligibility (continued)

Any Director or Employee of the Group shall be eligible to participate in the ESOS and qualify for selection by the ESOS Committee, if, as at the Date of Offer (where applicable): (continued)

(viii) such Employee or Director has fulfilled any other eligibility criteria and/or falls within such grade/category as may be determined by the ESOS Committee at its sole discretion from time to time, provided that nothing herein shall invalidate any selection of any Eligible Person which may have been made by the Board on or prior to the Effective Date. For the avoidance of doubt, the ESOS Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in By-Law 5.1 of the Scheme, for purposes of selecting an Eligible Person at any time and from time to time, in the ESOS Committee's discretion

(b) Ranking and listing and quotation for the shares

(i) The new Shares to be allotted and issued upon any exercise of the ESOS Options shall upon such allotment and issuance, rank pari-passu in all respects with the then existing issued Shares except that the new Shares so issued will not be entitled to any dividends, rights, allotments and/or other distributions, the Entitlement Date of which is prior to the date of which the new Shares are credited into the CDS Accounts of the Grantees.

(ii) The Grantees will not be entitled to any dividends, rights, allotments and/or other distributions until and unless such Grantees exercise their ESOS Options into new Shares and such new Shares are credited into the Grantees' respective CDS Accounts.

(iii) The new Shares allotted and credited into the CDS Accounts would also carry rights to vote at any general meeting of the Company provided that the shareholder is registered on the Entitlement Date as at the close of business to be entitled to attend and vote at the general meeting.

(iv) The new Shares shall be subjected to all the provisions of the M&A of the Company in relation to their issuance and allotment, transfer, transmission or otherwise.

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17. **Employees' Share Option Scheme (Continued)**

(c) Alteration of share capital and adjustment

In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, subdivision or consolidation of shares or capital reduction or any other variation of capital:

(i) the number of new Shares which a Grantee shall be entitled to subscribe for upon the exercise of each ESOS Option (excluding ESOS Options already exercised); and/or

(ii) the Exercise Price

Set out below is the movement of share options granted under the ESOS:

	Number of options granted Units	**Number of options vested and exercisable Units**
At July 2020	10,591,200	2,647,800
Vested during the financial year	-	2,091,650
Forfeited during the financial year	(2,224,600)	(556,150)
At July 2021	8,366,600	4,183,300
Vested during the financial period	-	1,568,250
Forfeited during the financial period	(2,093,600)	(1,046,800)
At December 2022	6,273,000	4,704,750

Share options outstanding at the end of the financial period have the following expiry date and exercise prices:

Grant Date	**Expiry date**	**Exercise price RM**
23 June 2020	26 December 2024	0.24

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18. **Borrowings**

	Group	
	31.12.2022	**30.06.2021**
	RM	**RM**
Current		
Secured:		
Bank overdrafts	10,173,920	16,083,443
Banker's acceptance	864,770	1,385,704
	11,038,690	17,469,147

Bank overdrafts and banker's acceptance

The bank overdrafts and banker's acceptance are secured by the following:

(i) pledge of fixed deposits on lien of a subsidiary company as disclosed in Note 14 to the financial statements;

(ii) a first party fixed charge over the long-term leasehold land and building of a subsidiary company as disclosed in Note 3 to the financial statements;

(iii) 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;

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

(v) corporate guarantee by the Company; and

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

The range of effective interest rates per annum are as follows:

	Group	
	31.12.2022	**30.06.2021**
	%	**%**
Bank overdrafts	7.14 - 9.95	6.89 - 8.95
Banker's acceptance	6.68 - 6.84	5.49 - 6.59

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19. Lease Liabilities

	Group		Company	
	31.12.2022 RM	30.06.2021 RM	31.12.2022 RM	30.06.2021 RM
Repayable within twelve months	630,003	908,084	-	252,574
Repayable after twelve months	493,753	1,103,982	-	104,130
	1,123,756	2,012,066	-	356,704

The effective interest rate per annum of the Group and the Company ranges from 3.54% to 6.54% (30.06.2021: 3.80% to 7.15% and 5.83%) respectively.

20. Deferred Tax Liabilities

The analysis of deferred tax liabilities is as follows:

	Group		Company	
	31.12.2022 RM	30.06.2021 RM	31.12.2022 RM	30.06.2021 RM
Deferred tax liabilities	394,699	1,840,813	20,966	20,966

The movement on the net deferred tax liabilities is as follows:

	Group		Company	
	31.12.2022 RM	30.06.2021 RM	31.12.2022 RM	30.06.2021 RM
At beginning of the financial period/year	1,840,813	2,491,701	20,966	20,966
Recognised in profit or loss (Note 26)	(1,446,114)	(650,888)	-	-
At end of the financial period/year	394,699	1,840,813	20,966	20,966

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20. **Deferred Taxation (Continued)**

The components of deferred tax assets and liabilities of the Group and the Company during the financial period prior to offsetting are as follows:

	Group		Company	
	31.12.2022 RM	30.06.2021 RM	31.12.2022 RM	30.06.2021 RM
Deferred tax liabilities				
- property, plant and equipment	1,074,240	1,081,322	20,966	20,966
- intellectual property	-	1,507,458	-	-
- others	-	337	-	-
	1,074,240	2,589,117	20,966	20,966
Offsetting	(679,541)	(748,304)	-	-
Net deferred tax liabilities	394,699	1,840,813	20,966	20,966
Deferred tax assets				
- unabsorbed capital allowances	(511,952)	(336,123)	-	-
- unutilised tax losses	(167,589)	(410,430)	-	-
- others	-	(1,751)	-	-
	(679,541)	(748,304)	-	-
Offsetting	679,541	748,304	-	-
Net deferred tax assets	-	-	-	-

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

	Group		Company	
	31.12.2022 RM	30.06.2021 RM	31.12.2022 RM	30.06.2021 RM
Provisions	5,421,694	5,421,694	5,421,694	5,428,211
Property, plant and equipment	(73,715)	(268,741)	(378,055)	(543,281)
Unutilised tax losses	43,104,843	11,855,564	15,177,863	-
	48,455,822	17,008,517	10,221,502	4,884,930
Deferred tax assets not recognised at 24% (30.06.2021: 24%)	11,629,397	4,082,044	2,453,160	1,172,383

The Group's and the Company's unutilised tax losses brought forward from year of assessment ("YA") 2018 and before, can be carried forward for 10 consecutive years of assessment (i.e. from YAs 2018 to 2028). Unutilised tax losses from YA 2019 onwards can be carry forward for a maximum period of 10 consecutive years.

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20. Deferred Taxation (Continued)

The deferred tax assets are not recognised due to uncertainty of the ability of the subsidiary companies to generate future taxable profits which allow the deferred tax assets to be utilised against.

21. Trade Payables

	Group	
	31.12.2022	**30.06.2021**
	RM	**RM**
Trade payables	25,087,055	25,303,776

The normal trade credit term granted to the Group ranges from 30 to 90 days (30.06.2021: 30 to 90 days).

22. Other Payables

	Group		Company	
	31.12.2022	**30.06.2021**	**31.12.2022**	**30.06.2021**
	RM	**RM**	**RM**	**RM**
Other payables	10,016,786	2,784,566	5,008,804	867,558
Accruals	8,875,823	3,256,319	147,100	63,400
	18,892,609	6,040,885	5,155,904	930,958

23. Amount Owing to a Director

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

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24. **Revenue**

	Group	
	01.07.2021 to 31.12.2022 RM	**01.07.2020 to 30.06.2021 RM Restated**
Revenue recognised from contracts with customers:		
- Construction contracts	479,000	6,737,209
- Services	48,337,034	55,221,828
- Trading	4,020,581	8,522,257
	52,836,615	70,481,294

Breakdown of revenue recognised from contracts with customers is as follows:

	Group	
	01.07.2021 to 31.12.2022 RM	**01.07.2020 to 30.06.2021 RM Restated**
Major goods and services		
Fabrication of cranes	479,000	6,737,209
Integrated crane services	19,104,315	21,258,498
Workover projects lifting solutions	-	806,612
Engineering services	5,240,884	-
Pipeline isolation services	15,085,367	24,445,366
Riser services	8,825,756	7,365,841
Trading and project services	4,020,581	8,522,257
Well services	80,712	1,345,511
	52,836,615	70,481,294
Geographical market		
Malaysia	52,836,615	70,481,294
Timing of revenue recognition		
At a point in time	4,020,581	8,522,257
Over time	48,816,034	61,959,037
	52,836,615	70,481,294

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25. **Loss before Taxation**

Loss before taxation is derived after charging/(crediting):

	Group		Company	
	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Auditors' remuneration:				
- Statutory audit	213,000	141,000	55,500	37,000
- Other services	5,000	37,500	5,000	30,000
Bad debt written off	177,639	-	-	-
Depreciation of property, plant and equipment	3,488,944	2,418,901	469,717	337,682
Depreciation of right-of-use assets	845,099	1,106,686	407,360	334,778
Fair value changes on financial asset at fair value through profit or loss	(156)	(2,185)	(156)	(2,185)
Gain on disposal of property, plant and equipment	(263)	(966)	-	-
Gain on disposal of subsidiary company	(617,247)	-	(1)	-
Loss on acquisition of a subsidiary company	6,066	-	-	-
Loss/(Gain) from early termination of lease	6,174	(3,711)	6,174	-
Impairment losses on:				
- Amount owing by a subsidiary company	-	-	3,328,999	5,100,000
- Intangible assets	6,281,073	-	-	-
- Investment in subsidiary companies	-	-	41,735,975	-
- Property, plant and equipment	-	53,524	-	-
- Trade receivables	35,433	226,499	-	-
- Other receivables	3,804,810	-	-	-
Interest expenses:				
- Bank overdrafts	1,262,074	1,232,614	-	-
- Banker's acceptance	582,481	222,156	-	-
- Lease liabilities	141,134	139,523	21,120	20,112
Interest income:				
- Placement in money market funds	-	(1,732)	-	(1,732)
- Short term deposits	(350,645)	(97,680)	(466)	-

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25. **Loss before Taxation (Continued)**

	Group		Company	
	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Net loss/(gain) on foreign exchange:				
- Realised	349,261	(30,842)	-	-
- Unrealised	313,980	(15,215)	-	-
Property, plant and equipment written off	190,517	-	-	-
Profit guarantee income	-	(2,821,900)	-	(2,821,900)
Rental of short-term leases:				
- Premises	765,471	238,782	-	-
- Equipment	238,241	101,875	-	-
Share-based payments under ESOS	140,962	600,586	224,031	189,509

26. **Taxation**

	Group		Company	
	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Current taxation:				
- Current year provision	87,522	12,001	-	-
- Under/(Over) provision in prior years	105,628	(110,379)	190	-
	193,150	(98,378)	190	-
Deferred taxation: (Note 20)				
- Origination and reversal of temporary differences	(1,858,864)	579,042	-	-
- Under/(Over) provision in prior years	412,750	(1,229,930)	-	-
	(1,446,114)	(650,888)	-	-
	(1,252,964)	(749,266)	190	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (30.06.2021: 24%) of the estimated assessable loss for the financial period.

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26. Taxation (Continued)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM Restated	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Loss before taxation	(40,415,520)	(1,362,627)	(46,943,701)	(4,761,168)
Taxation at statutory tax rate of 24% (30.06.2021: 24%)	(9,699,725)	(327,030)	(11,266,488)	(1,142,680)
Expenses not deductible for tax purposes	3,383,877	1,684,160	9,985,711	1,792,550
Income not subject to tax	(3,002,847)	(693,572)	-	(678,647)
Deferred tax assets not recognised	7,547,353	57,326	1,280,777	28,777
Utilisation of previously unrecognised deferred tax assets	-	(129,841)	-	-
Under/(Over) provision of current taxation in prior years	105,628	(110,379)	190	-
Under/(Over) provision of deferred taxation in prior years	412,750	(1,229,930)	-	-
Taxation for the financial period/year	(1,252,964)	(749,266)	190	-

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27. Staff information

	Group		Company	
	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM
Staff costs (excluding Directors)	30,338,033	25,779,318	-	-

Included in staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM1,913,883 and RM NIL (30.06.2021: RM2,357,996 and RM NIL) respectively.

28. Loss Per Share

(a) Basic loss per share

The basic loss per ordinary share is calculated by dividing the consolidated loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period as follows:

	Group	
	01.07.2021 to 31.12.2022 RM	01.07.2020 to 30.06.2021 RM Restated
Loss attributable to owners of the Company	(35,235,017)	(3,115,899)
Weighted average number of ordinary shares in issue	229,760,014	221,945,636
Basic loss per share (sen)	(15.34)	(1.40)

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, consolidated loss attributable to owners of the Company, adjusted for dilutive adjustments is divided by weighted average number of ordinary shares in issue during the financial year, adjusted for the dilutive effects of all potential ordinary shares.

The potential conversion of Irredeemable Convertible Preference Shares ("ICPS") is anti-dilutive as the conversion of the ICPS results in a reduction in diluted loss per share upon conversion.

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29. **Related Parties Disclosures**

For the purposes of these financial statements, parties are considered to be related to the Group 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial period:

	Group	
	01.07.2021 to 31.12.2022 RM	**01.07.2020 to 30.06.2021 RM**
Company in which a Director of the Company has substantial financial interest		
Seaoffshore Engineering Sdn. Bhd.		
Provision of gas turbine maintenance services	421,325	1,921,250

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Information regarding remuneration of key management personnel is as follows:

	Group		Company	
	01.07.2021 to 31.12.2022 RM	**01.07.2020 to 30.06.2021 RM**	**01.07.2021 to 31.12.2022 RM**	**01.07.2020 to 30.06.2021 RM**
Short-term benefits for:				
Directors:				
- Salaries and other emoluments	2,185,802	1,941,834	-	66,400
- Fees	797,890	889,200	-	836,400
- Employees' provident fund	262,124	224,796	-	-
- Share-based payment under ESOS	148,347	325,898	148,347	189,509
	3,394,163	3,381,728	148,347	1,092,309
Other key management personnel:				
- Salaries and other emoluments	1,769,075	1,608,227	-	-
- Employees' provident fund	205,424	150,275	-	-
- Share-based payment under ESOS	8,457	38,045	-	-
	1,982,956	1,796,547	-	-
	5,377,119	5,178,275	-	1,092,309

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30. **Cash Flow Information**

(a) Purchase of property, plant and equipment

	Group		Company	
	31.12.2022 RM	30.06.2021 RM	31.12.2022 RM	30.06.2021 RM
Cost of property, plant and equipment purchased	479,906	1,970,582	-	57,373
Less: hire purchase financing	(326,192)	-	-	-
Cash payment	153,714	1,970,582	-	57,373

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities RM	Banker's acceptance RM	Total RM
Group			
At 1 July 2021	2,012,066	1,385,704	3,397,770
Financing	326,192	-	326,192
Addition of right-of-use assets	341,314	-	341,314
Early termination of lease	(43,718)	-	(43,718)
Net cash flows in financing activities	(1,512,098)	(520,934)	(2,033,032)
At 31 December 2022	1,123,756	864,770	1,988,526
At 1 July 2020	2,499,267	13,593,472	16,092,739
Acquisition of a subsidiary company	403,207	-	403,207
Addition of right-of-use assets	882,505	-	882,505
Early termination of lease	(180,298)	-	(180,298)
Net cash flows in financing activities	(1,592,615)	(12,207,768)	(13,800,383)
At 30 June 2021	2,012,066	1,385,704	3,397,770

	Lease liabilities	
	31.12.2022 RM	30.06.2021 RM
Company		
At beginning of the financial period/year	356,704	186,270
Addition of right-of-use assets	120,423	490,616
Early termination of lease	(43,718)	-
Net cash flows in financing activities	(433,409)	(320,182)
At end of the financial period/year	-	356,704

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31. **Segment Information**

Segmental information is presented in respect of the Group's business segments which is based on the Group's management and internal reporting structure.

The main business segments of the Group comprise the following:

(a) Investment holding;
(b) Integrated crane services contracts ("Integrated Crane Services");
(c) Pipeline engineering services
(d) Trading and project services
(e) Other segments include:
    (i) Manufacturing and fabrication of new offshore pedestal cranes ("Fabrication of Cranes");
    (ii) Workover projects lifting solutions;
    (iii) Manpower services;
    (iv) Supply, fabrication & servicing industrial equipments & tank systems;
    (v) Consultants in engineering project support services;
    (vi) Research and developing in advance composite material; and
    (vii) Well services

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exist. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of 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 Managing Director. 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 Managing Director.

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31. **Segment Information (Continued)**

31.12.2022	Investment holding RM	Integrated crane services RM	Pipeline engineering services RM	Trading and project services RM	Other segments RM	Total RM
Revenue						
Total operating revenue	-	19,104,315	29,152,007	4,222,319	1,064,747	53,543,388
Inter segment	-	-	-	(201,738)	(505,035)	(706,773)
External operating revenue	-	19,104,315	29,152,007	4,020,581	559,712	52,836,615
Results						
Adjusted EBITDA*	(1,638,786)	2,266,387	(26,909,038)	754,568	1,419,424	(24,107,445)
Bad debt written off	-	(177,639)	-	-	-	(177,639)
Finance income	466	145,714	191,103	13,356	6	350,645
Finance cost	(21,120)	(1,173,969)	(626,918)	(141,191)	(22,491)	(1,985,689)
Depreciation of property, plant and equipment	(469,717)	(2,439,693)	(351,949)	(19,502)	(208,083)	(3,488,944)
Depreciation of right-of-use assets	(407,360)	(279,373)	(158,366)	-	-	(845,099)
Gain on disposal of a subsidiary company	617,247	-	-	-	-	617,247
Gain on disposal of property, plant and equipment	-	4	259	-	-	263
Loss on acquisition of a subsidiary company	(6,066)	-	-	-	-	(6,066)
Loss on early termination of lease	(6,174)	-	-	-	-	(6,174)
Property, plant and equipment written off	-	(190,517)	-	-	-	(190,517)
Unrealised loss on foreign exchange	-	-	(307,317)	(6,663)	-	(313,980)
Fair value changes to financial assets through profit or loss	156	-	-	-	-	156

31. **Segment Information (Continued)**

31.12.2022	Investment holding RM	Integrated crane services RM	Pipeline engineering services RM	Trading and project services RM	Other segments RM	Total RM
Impairment losses on:						
- Trade receivables	-	(35,433)	-	-	-	(35,433)
- Other receivables	-	-	(3,725,623)	-	(79,187)	(3,804,810)
- Intangible assets	-	(6,281,073)	-	-	-	(6,281,073)
Share-based payment under ESOS	(137,890)	(23,588)	19,645	-	871	(140,962)
(Loss)/Profit before taxation	(2,069,244)	(8,189,180)	(31,868,204)	600,568	1,110,540	(40,415,520)
Taxation						1,252,964
Loss for the financial period						(39,162,556)
Assets						
Segment assets	2,987,957	42,788,712	43,405,452	-	1,672,974	90,855,095
Liabilities						
Segment liabilities	5,177,060	27,328,847	23,497,778	-	896,187	56,899,872
Segment assets include:						
Additions to property, plant and equipment	-	435,027	44,879	-	-	479,906

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31. **Segment Information (Continued)**

30.06.2021	Investment holding RM	Integrated crane services RM	Fabrication of cranes RM	Pipeline engineering services RM	Trading and project services RM	Other segments RM	Total RM
Revenue							
Total operating revenue	-	21,275,227	6,737,209	33,636,394	8,536,747	2,488,813	72,674,390
Inter segment	-	(16,729)	-	(1,825,187)	(14,490)	(336,690)	(2,193,096)
External operating revenue	-	21,258,498	6,737,209	31,811,207	8,522,257	2,152,123	70,481,294
Results							
Adjusted EBITDA*	1,216,996	(3,343,475)	-	6,227,060	169,638	246,154	4,516,373
Finance income	1,732	-	-	97,672	-	8	99,412
Finance cost	(20,112)	(1,130,270)	-	(334,627)	(86,387)	(22,897)	(1,594,293)
Depreciation of property, plant and equipment	(337,682)	(1,668,807)	-	(255,229)	(18,676)	(138,507)	(2,418,901)
Depreciation of right-of-use assets	(334,778)	(509,798)	-	(262,110)	-	-	(1,106,686)
Gain on disposal of property, plant and equipment	-	966	-	-	-	-	966
Gain on early termination of lease	-	1,682	-	2,029	-	-	3,711
Unrealised gain on foreign exchange	-	-	-	-	4,442	10,773	15,215
Fair value changes to financial assets through profit or loss	2,185	-	-	-	-	-	2,185
Impairment losses on:							
- Trade receivables	-	(226,499)	-	-	-	-	(226,499)
- Property, plant and equipment	-	-	-	-	-	(53,524)	(53,524)
Share-based payment under ESOS	(189,509)	(83,384)	-	(324,822)	-	(2,871)	(600,586)
Profit/(Loss) before taxation	338,832	(6,959,585)	-	5,149,973	69,017	39,136	(1,362,627)
Taxation							749,266
Profit for the financial year							(613,361)

31. **Segment Information (Continued)**

30.06.2021	Investment holding RM	Integrated crane services RM	Fabrication of cranes RM	Pipeline engineering services RM	Trading and project services RM	Other segments RM	Total RM
Assets							
Segment assets	4,235,760	63,078,114	-	57,715,719	660,769	2,382,361	128,072,723
Liabilities							
Segment liabilities	1,308,628	24,934,037	-	22,323,792	2,333,155	1,925,757	52,825,369
Segment assets include:							
Additions to property, plant and equipment	57,373	1,913,209	-	-	-	-	1,970,582

* Adjusted earnings before interest, taxes, depreciation, and amortisation (excluded other significant non-cash items).

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31. **Segment Information (Continued)**

Geographical segments

The Group operates principally in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the Group revenue:

	Group		Segment
	01.07.2021 to 31.12.2022 RM	**01.07.2020 to 30.06.2021 RM**	
Customer A	21,969,278	18,317,347	Integrated crane services, Pipeline engineering services
Customer B	10,711,647	12,783,193	Integrated crane services, Pipeline engineering services
Customer C	6,551,283	5,785,520	Integrated crane services, Pipeline engineering services
	39,232,208	36,886,060	

32. **Contingent Liability**

	Company	
	31.12.2022 RM	**30.06.2021 RM**
Unsecured:		
Corporate guarantee issued for credit facilities granted to subsidiary companies:		
Limit of guarantee	16,182,847	25,450,337
Utilised as at end of financial period/year	11,852,066	23,972,522

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33. Financial Instruments

The following table analyses the financial assets and financial liabilities of the Group and of the Company by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets and liabilities at amortised cost RM
31.12.2022	
Group	
Financial assets	
Trade receivables	1,567,598
Other receivables (excluding prepayments)	2,724,417
Cash and cash equivalents	11,398,441
	15,690,456
Financial liabilities	
Trade payables	25,087,055
Other payables	18,892,609
Borrowings	11,038,690
Amount owing to a Director	108,212
Lease liabilities	1,123,756
	56,250,322
Company	
Financial assets	
Other receivables (excluding prepayments)	391,766
Cash and cash equivalents	191,166
	582,932
Financial liabilities	
Other payables	5,155,904

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33. **Financial Instruments (Continued)**

	Financial assets at fair value through profit or loss RM	Financial assets and liabilities at amortised cost RM	Total RM
30.06.2021			
Group			
Financial assets			
Financial assets at fair value through profit or loss	102,268	-	102,268
Trade receivables	-	5,410,193	5,410,193
Other receivables (excluding prepayments)	-	9,401,948	9,401,948
Cash and cash equivalents	-	13,830,197	13,830,197
	102,268	28,642,338	28,744,606
Financial liabilities			
Trade payables	-	25,303,776	25,303,776
Other payables	-	6,040,885	6,040,885
Borrowings	-	17,469,147	17,469,147
Amount owing to a Director	-	107,682	107,682
Lease liabilities	-	2,012,066	2,012,066
	-	50,933,556	50,933,556
Company			
Financial assets			
Financial asset at fair value through profit or loss	102,268	-	102,268
Other receivables (excluding prepayments)	-	937,714	937,714
Cash and cash equivalents	-	161,205	161,205
	102,268	1,098,919	1,201,187
Financial liabilities			
Other payables	-	930,958	930,958
Lease liabilities	-	356,704	356,704
	-	1,287,662	1,287,662

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33. **Financial Instruments (Continued)**

Financial risk management

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade receivables and contract assets - accrued billings.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables and contract assets – accrued billings ageing.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

The ageing analysis of the Group's trade receivables and contract assets - accrued billings are as follows:

	Group	
	31.12.2022 RM	**30.06.2021 RM Restated**
Neither past due nor individually impaired	2,608,660	7,222,273
Past due but not individually impaired:		
- 1 to 30 days	111,150	423,389
- 31 to 60 days	38,653	187,540
- 61 to 90 days	835	225,099
- More than 90 days	144,986	2,507,839
	295,624	3,343,867
Individually impaired	259,950	-
	3,164,234	10,566,140

Trade receivables and contract assets - accrued billings that are neither past due nor individually impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long-term customers with no history of default in payments.

The Group's trade receivables and contract assets - accrued billings of RM295,624 (30.06.2021: RM3,343,867) was past due but not individually impaired. These relate to a number of independent customers for whom there is no recent history of default.

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33. **Financial Instruments (Continued)**

Financial risk management (continued)

Credit risk (continued)

Movement on the Group's and the Company's loss allowance for impairment of trade and other receivables are as follows:

	Trade receivables RM	Other receivables RM	Total RM
Group			
31.12.2022			
At beginning of the financial period	226,499	5,421,694	5,648,193
Charge during the financial period	261,932	3,804,810	4,066,742
Reversal during the financial period	(226,499)	-	(226,499)
At end of the financial period	261,932	9,226,504	9,488,436
Represented by:			
Individual impairment	259,950	9,226,504	9,486,454
Lifetime expected credit loss impairment	1,982	-	1,982
	261,932	9,226,504	9,488,436
30.06.2021			
At beginning of the financial year	-	5,421,694	5,421,694
Charge during the financial year	226,499	-	226,499
At end of the financial year	226,499	5,421,694	5,648,193
Represented by:			
Individual impairment	-	5,421,694	5,421,694
Lifetime expected credit loss impairment	226,499	-	226,499
	226,499	5,421,694	5,648,193

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33. **Financial Instruments (Continued)**

Financial risk management (continued)

Credit risk (continued)

	Other receivables RM
Company	
31.12.2022	
At beginning/end of the financial period	5,421,694
Represented by:	
Individual impairment	5,421,694
30.06.2021	
At beginning/end of the financial year	5,421,694
Represented by:	
Individual impairment	5,421,694

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables, amounts owing to related parties, borrowings and lease liabilities.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

Based on the cash flow forecast for the next twelve months from the date of the financial statements, the Group's obligations are expected to be funded by generating sufficient cash inflows from its existing contracts and utilising banking facilities available to the Group. In order to further manage and strengthen the cash flow position, the Group had implemented cost-cutting measures to only incur expenditure that are vital to the continuous operations of the Group as a whole. Significant assumptions and judgements are used in the preparation of the cash flow forecast.

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33. **Financial Instruments (Continued)**

Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	Between 1 to 2 years RM	Between 2 to 5 years RM
Group						
31.12.2022						
Trade payables	25,087,055	-	25,087,055	25,087,055	-	-
Other payables	18,892,609	-	18,892,609	18,892,609	-	-
Amount owing to a Director	108,212	-	108,212	108,212	-	-
Bank overdrafts	10,173,920	6.45 - 9.95	10,173,920	10,173,920	-	-
Banker's acceptance	864,770	6.18	864,770	864,770	-	-
Lease liabilities	1,123,756	1.98 - 6.39	1,185,845	671,742	311,245	202,858
	56,250,322		56,312,411	55,798,308	311,245	202,858

33. **Financial Instruments (Continued)**

Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	Between 1 to 2 years RM	Between 2 to 5 years RM
Group						
30.06.2021						
Trade payables	25,303,776	-	25,303,776	25,303,776	-	-
Other payables	6,040,885	-	6,040,885	6,040,885	-	-
Amount owing to a Director	107,682	-	107,682	107,682	-	-
Bank overdrafts	16,083,443	6.89 - 8.95	16,083,443	16,083,443	-	-
Banker's acceptance	1,385,704	5.49 - 6.59	1,385,704	1,385,704	-	-
Lease liabilities	2,012,066	1.98 - 7.15	2,149,734	990,969	827,819	330,946
	50,933,556		51,071,224	49,912,459	827,819	330,946
Company						
31.12.2022						
Other payables	5,155,904	-	5,155,904	5,155,904	-	-
30.06.2021						
Other payables	930,958	-	930,958	930,958	-	-
Lease liabilities	356,704	5.83	370,981	265,770	105,211	-
	1,287,662		1,301,939	1,196,728	105,211	-

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33. **Financial Instruments (Continued)**

Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group's financial position and cash flows. The Group is not significantly affected by price risks.

(a) Cash flow and fair value interest rate risk

The Group's fixed rate borrowings are not exposed to a risk of change in interest rates. The Group's variable rate borrowings are exposed to a change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group manages such exposure by maintaining a prudent mix of fixed and floating rate borrowing facilities.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	31.12.2022	**30.06.2021**
	RM	**RM**
Fixed rate instruments		
Financial assets	11,034,787	13,380,808
Financial liabilities	(1,757,879)	(2,594,690)
	9,276,908	10,786,118
Floating rate instruments		
Financial liabilities	(10,173,920)	(16,083,443)

Since the Group's fixed rate financial assets and liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Group's profit or loss.

As at the end of the financial period, if interest rates of floating rate instruments had been lower by 25 basis points ("bp") with all other variables held constant, this will result in post-tax increase in Group's loss of RM19,330 (30.06.2021: RM30,559) in statement profit or loss and other comprehensive income of the Group.

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33. **Financial Instruments (Continued)**

Financial risk management (continued)

Market risk (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Group. The Group's trade receivables and trade payables balances at the reporting date have similar exposures. The foreign currencies in which these transactions are denominated are mainly United States Dollar ["USD"], Singapore Dollar ["SGD"] and British Pound Sterling [“GBP”].

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

Exposure to foreign currency risk

The currency profile of the Group is as follows:

Group 31.12.2022	**USD RM**	**SGD RM**	**GBP RM**	**Total RM**
Trade payables	(4,796,416)	(94,958)	(1,485,252)	(6,376,626)

Group 30.06.2021	**USD RM**	**SGD RM**	**GBP RM**	**Total RM**
Cash and cash equivalents	8,891	7,912	-	16,803
Trade receivables	-	-	326,808	326,808
Trade payables	(999,545)	(14,099)	(1,205,791)	(2,219,435)
Other payables	(678,220)	-	-	(678,220)
	(1,668,874)	(6,187)	(878,983)	(2,554,044)

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33. **Financial Instruments (Continued)**

Financial risk management (continued)

Market risk (continued)

(b) 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, and GBP exchange rates against the functional currency of the Group, with all other variables held constant. The Group's profit/loss 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:

	Strengthened in currency rate %	Group 31.12.2022 RM	30.06.2021 RM
USD	5	(182,264)	(63,417)
SGD	5	(3,608)	(235)
GBP	5	(56,440)	(33,401)

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33. **Financial Instruments (Continued)**

Financial risk management (continued)

Fair value information

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial instruments carried at fair value in the statements of financial position:

Group/ Company	Note	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31.12.2022					
Financial assets					
Financial asset at fair value through profit or loss	13	-	-	-	-
30.06.2021					
Financial assets					
Financial asset at fair value through profit or loss	13	102,268	-	-	102,268

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34. **Capital Management**

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company.

	Group	
	31.12.2022	**30.06.2021**
	RM	**RM**
Borrowings	11,038,690	17,469,147
Lease liabilities	893,109	1,208,986
Less: Cash and bank balances	(363,654)	(449,389)
Less: Fixed deposits	(11,034,787)	(13,380,808)
Net borrowings	533,358	4,847,936
Equity attributable to owners of the Company	36,876,103	75,118,505
Gearing ratio	1%	6%

There were no changes to the Group's approach to capital management during the financial period.

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35. **Material Litigations**

Handal Energy Berhad and its subsidiaries v Brian Chang, Tracy Chang, Emily Soon Wai Chin, Calm Oceans Pte Ltd and Brian Chang Holdings Ltd

On 3 August 2020, the Company and its two subsidiaries, Borneo Seaoffshore Engineering Sdn Bhd ("BSOE") and Handal Engineering Sdn Bhd ("HESB") (the "Plaintiff") filed a legal suit against Brian Chang, Tracy Chang, Emily Soon Wai Chin, Calm Oceans Pte Ltd ("COPL") and Brian Chang Holdings Ltd (the "Defendants"). The suit is premised on, among others, the Deceit and Negligent Misstatement of the Defendants wherein the Defendants misled the Plaintiffs on the cost efficiency of the Mono-Column Platform("MCP"). The Plaintiffs relied on Defendants' misleading representations to their own detriment, causing the Plaintiffs to suffer loss and damage. The Plaintiffs are seeking, among others, the following relief from the Court: -

i. Special damages amounting to the Plaintiffs' Investment being RM10,589,823.00;
ii. Special damages amounting to the Plaintiffs' Expenses being RM1,676,121.91;
iii. General Damages of RM140,153,860.03;
iv. Aggravated damages to be assessed and/or determined by the Court;
v. Interest at 5% per annum from 27.9.2020 until full settlement; and
vi. Costs.

The Plaintiffs solicitors successfully served the court document on the Defendants in Singapore and the British Virgin Islands.

On 15 December 2020, the Defendants solicitors entered appearance on their behalf in this suit.

On 28 December 2020, the Defendants' solicitors filed an application to stay proceedings including the filing of the Defence on the basis that the suit should be referred to arbitration (the "Stay Application"). The affidavit in support of the Stay Application was affirmed by Tracy Chang on 11 January 2021.

On 25 January 2021 the Plaintiffs' filed an Affidavit in Reply to oppose the Stay Application, and in turn the Defendants filed the Defendants' Affidavit in Reply on 8 February 2021.

On 19 February 2021, the Plaintiffs filed a further Affidavit in Reply to address certain matters raised in the Defendants' Affidavit in Reply.

On 23 February 2021, the Plaintiffs filed a Notice of Discontinuance in respect of the 2nd Plaintiff, Borneo Seaoffshore Engineering Sdn Bhd. On this same day, the Defendants filed Written Submissions in respect of the Stay Application.

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35. **Material Litigations (Continued)**

Handal Energy Berhad and its subsidiaries v Brian Chang, Tracy Chang, Emily Soon Wai Chin, Calm Oceans Pte Ltd and Brian Chang Holdings Ltd (continued)

The said application was heard on 22 March 2021 whereby the Defendants' application was dismissed with no order as to costs. Dissatisfied with the dismissal, the Defendants have filed an appeal to the Court of Appeal on 2 April 2021.

The Defendants' appeals to the Court of Appeal and application for leave to appeal to the Federal Court were dismissed with costs. Subsequently, the Defendants filed a review application of the leave dismissal which was dismissed with costs.

The case is set to commence in the High Court. The High Court has directed that the Plaintiffs file its affidavit in opposition to the application on or before 5 May 2023, and the Defendants file their affidavit in reply to the Plaintiffs' affidavit on or before 26 May 2023.

The High Court has also directed that parties file the Common Bundle of Documents by 30 May 2023.

The High Court has fixed the next case management on 30 May 2023.

Investment in joint venture has been fully impaired in previous financial year as disclosed in Note 7 to the financial statements.

36. **Subsequent Events**

The Company had on 3 March 2023 entered into a share sale agreement with Handal Engineering Sdn. Bhd. for the disposal of 61% equity interest in Borneo Seaoffshore Engineering Sdn. Bhd. ("BSOE"), comprising of 1,195,600 ordinary shares for a total cash consideration of RM6.10.

Upon completion, the total equity interest of the Company in BSOE will decrease from 80% to 19%, BSOE will no longer be a subsidiary of the Company.

37. **Comparative Figures**

The comparative figures are for the period from 1 July 2020 to 30 June 2021 as compared to the current financial period from 1 July 2021 to 31 December 2022. Consequently, the comparative figures are not comparable to the current financial period in respect of the statements of profit or loss and other comprehensive income, changes in equity, cash flows and their related notes.

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38. **Prior Year Adjustments**

During the financial year ended 30 June 2020 and 30 June 2021, the Group had over accrued its crane overhaul maintenance revenue amounting to RM3,143,199 and RM3,348,427 respectively. Consequently, this had resulted in the over recognition of its trade receivables amounting to RM3,143,199 and RM6,491,626 as at 1 July 2020 and 30 June 2021 respectively.

The prior year adjustments are adjusted retrospectively and the corresponding comparative figures have been restated as follows:

	As previously stated RM	Adjustments RM	As restated RM
Statement of financial positions as at 1 July 2020 (extract)			
Current Assets			
Trade receivables	15,980,435	(3,143,199)	12,837,236
Equity			
Accumulated losses	(31,276,748)	(3,143,199)	(34,419,947)
Statement of financial positions as at 30 June 2021 (extract)			
Current Assets			
Trade receivables	16,831,267	(6,491,626)	10,339,641
Equity			
Accumulated losses	(31,211,471)	(6,491,626)	(37,703,097)
Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2021 (extract)			
Revenue	73,829,721	(3,348,427)	70,481,294
Statement of cash flows for the financial year ended 30 June 2021 (extract)			
Profit/(Loss) before taxation	1,985,800	(3,348,427)	(1,362,627)
Trade and other receivables	(1,740,871)	3,348,427	1,607,556

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39. **Date of Authorisation for Issue**

The financial statements of the Group and of the Company for the financial period ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2023.

ANALYSIS SHAREHOLDINGS

ANALYSIS BY SIZE OF SHAREHOLDINGSAS AT 31 MARCH 2023

SIZE OF SHAREHOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	268	11.63	10,183	0.00
100 - 1,000	188	8.15	105,328	0.04
1,001 - 10,000	806	34.97	5,112,542	2.13
10,001 - 100,000	858	37.22	30,215,350	12.58
100,001 to less than 5% of issued shares	183	7.94	142,251,597	59.18
5% and above of issued shares	2	0.09	62,671,800	26.07
TOTAL	**2,305**	**100.00**	**240,366,800**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2023

NAME	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
YAM TENGKU BADERUL ZAMAN IBNI SULTAN MAHMUD	657,300	0.27%	-	-
SUNILDEEP SINGH DHALIWAL	17,735,300	6.65%	53,244,800[1]	19.96%
YM TENGKU MUNAWIR ISLAHUDDIN BIN TENGKU NOONE AZIZ	-	-	-	-
DATO' MARY @ MARIATI ROBERT	-	-	-	-
DATO' MOHAMMAD MEDAN BIN ABDULLAH	-	-	-	-
MIOR MOKHTAR BIN MIOR ABU BAKAR	-	-	-	-
JACQUELINE FONG YEAN YEE	1,420,500	0.59%	-	-

Notes:

1) *Deemed interested through the shares held in Seaoffshore Capital Sdn Bhd, Borneo Seaoffshore Sdn Bhd and his spouse*

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2023

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
SUNILDEEP SINGH DHALIWAL	17,735,300	6.65	53,244,800[1]	19.96
SEAOFFSHORE CAPITAL SDN BHD	46,097,800	17.28	6,300,000[2]	2.36
SEAOFFSHORE EQUITIES SDN BHD	-	-	52,397,800[3]	19.64
SEAOFFSHORE PRODUCTION SOLUTIONS SDN BHD	-	-	52,397,800[3]	19.64
YAMANI HAFEZ BIN MUSA	-	-	52,397,800[3]	19.64
CHAN CHEU LEONG	18,344,800	7.63		

Notes:

1) *Deemed interested through the shares held in Seaoffshore Capital Sdn Bhd, Borneo Seaoffshore Sdn Bhd and his spouse*

2) *Deemed interested through the shares held in Borneo Seaoffshore Sdn Bhd pursuant to Section 8 of the Act*

3) *Deemed interested through the shares held in Seaoffshore Capital Sdn Bhd and Borneo Seaoffshore Sdn Bhd pursuant to Section 8 of the Act*

ANALYSIS SHAREHOLDINGS

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 MARCH 2023

NO.	SHAREHOLDERS	HOLDINGS	%
1	KENANGA NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR SEAOFFSHORE CAPITAL SDN BHD	45671,800	19.00
2	AMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT- AMBANK (M) BERHAD FOR SUNILDEEP		
	SINGH DHALIWAL (BX1068)	17,000,000	7.07
3	LAVINA MANOHAR MELWANI	9,586,000	3.99
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR ASHVIN JETHANANND VALIRAM	8,996,000	3.74
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD		
	CIMB FOR CHAN CHEU LEONG (PB)	8,750,000	3.64
6	MAYBANK NOMINEES (TEMPATAN) SDN BHB		
	PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	8,550,000	3.56
7	BORNEO SEAOFFSHORE SDN BHD	6,300,000	2.62
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR IZWAN HASLI BIN MOHD IBRAHIM	5,954,200	2.48
9	HOW CHENG KONG	5,672,200	2.36
10	MALTA CORP. SDN. BHD.	5,000,000	2.08
11	DAVID LEE BAIR EN	4,564,300	1.90
12	UOB KAY HIAN NOMINEES (ASING) SDN BHD		
	EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	3,918,500	1.63
13	TAN CHEE ENG MARTINA	3,845,900	1.60
14	AMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT- AMBANK (M) BERHAD		
	FOR MALLEK RIZAL BIN MOHSIN (SMART)	3,569,196	1.48
15	LD REKA SDN. BHD.	3,062,806	1.27
16	KUEH JOO CHIEN	3,000,000	1.25
17	J B PROPERTIES SDN BHD	2,946,750	1.23
18	MOHSIN ABDUL HALIM	2,797,187	1.16
19	HARJIT SINGH A/L PURAN SINGH	2,000,000	0.83
20	KENANGA NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR MURUGA VADIVALE	2,000,000	0.83

ANALYSIS SHAREHOLDINGS

21	LIM KIAN WAT	1,835,000	0.76
22	JACQUELINE FONG YEAN YEE	1,420,500	0.59
23	NUR ZAFFYRA BINTI ZAHARI	1,308,366	0.54
24	SAMEER SAIGAL	1,100,000	0.46
25	CH'NG CHAN SENG	1,065,000	4.44
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR CHONG JEE SIANG (E-PPG)	1,046,100	0.44
27	CHAN CHEU LEONG	1,044,800	0.43
28	CHAN WHYE LING	1,044,000	0.43
29	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNTYS FOR NG GEOK WAH (B BRKLANG-CL)	1,010,100	0.42
30	CHE AZIZOON BINTI CHE OMAR	1,000,000	0.42

LIST OF **PROPERTIES AS AT 31 DECEMBER 2022**

No.	Location	Description/ Existing Use	Approximate Age of Building	Tenure	Land Area / Built-up Area (sqf)	NBV as at 31.12.2022 (RM'000)	Date of acquisition (if no revaluation is done)
1.	PT 7358, Kawasan Perindustrian Teluk Kalong, 24007 Kemaman, Terengganu	Land and workshop	17 years	Leasehold for 60 Years expiring on 15.10.2066	Land – 40,000 square metres/10 acres Building/ Workshop – 5,955.75 square metres	RM 1,941	11 Oct 2009
2.	PT 9904, Mukim Teluk Kalong, 24007 Kemaman, Terengganu	Land	7 years	Lease for 60 Years expiring on 01.08.2076	Land – 5000 square meters	RM 1,873	2 Aug 2016

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at the Meeting Room 1 & 2, Level 3, Hyatt Centric Kota Kinabalu, 18, Jalan Haji Saman, Kota Kinabalu, 88000 Sabah, Malaysia on Friday, 26 May 2023 at 2.30pm for the following purposes:

1.	To receive the Audited Financial Statements for the period ended 31 December 2022 together with the Reports of the Directors and the Auditors thereon.	**Please refer to Explanatory Note 1**
2.	To approve the payment of Directors' fees of up to RM1,000,000 to be divided amongst the Directors in such manner as the Directors may determine for the period from 26 May 2023 until the conclusion of the next Annual General Meeting of the Company.	**Resolution 1**
3.	To approve the payment of Directors' benefits (excluding Directors' fees) of up to RM200,000.00 to the Non-Executive Directors with effect from 26 May 2023 until the next Annual General Meeting of the Company.	**Resolution 2**
4.	To re-elect the following Directors who retire as Directors of the Company pursuant to Clause 115 of the Company's Constitution and being eligible, offers himself/herself for re-election.	
	(a) YM Tengku Munawir Islahuddin bin Tengku Noone Aziz	**Resolution 3**
	(b) Ms. Jacqueline Fong Yean Yee	**Resolution 4**
	(c) Dato' Mohammad Medan bin Abdullah	**Resolution 5**
5.	To re-appoint Messrs HLB Ler Lum Chew PLT as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	

As Special Business
To consider and if thought fit, to pass the following Ordinary Resolutions with or without any modification:

6. **Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** — **Resolution 6**

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act"), and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and 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 10% of the issued share capital of the Company for the time being ("10% General Mandate") and that the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued.

AND THAT the existing shareholders of the Company hereby waive their pre-emptive rights to be offered new shares ranking equally to the existing issued shares in the Company pursuant to Section 85 of the Act read together with Clause 10 of the Constitution of the Company arising from any issuance of new shares of the Company pursuant to Sections 75 and 76 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the next Annual General Meeting

7. **Proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature** **Resolution 7**

"That pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Bhd, approval and authority be and are hereby given for the Company and/or its unlisted subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature with the related parties ("Proposed Shareholders' Mandate") as set out in Section 2.3 of the Circular to Shareholders in relation to the Proposed Shareholders' Mandate provided that such transactions are undertaken in the ordinary course of business, at arm's length and based on commercial terms and on terms not more favourable to the related party than those generally available to/from the public and are not detrimental to the minority shareholders and that the breakdown of the aggregate value of the recurrent related party transactions conducted/to be conducted during the financial year, including the types of recurrent related party transactions made and the names of the related parties, will be disclosed in the annual report of the Company pursuant to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; and such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such Proposed Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting, whichever is earlier."

8. To transact any other business which may properly be transacted at an Annual General Meeting, of which due notice shall have been given.

By Order of the Board

SOO HAN YEE
(MAICSA 7008432)
{SSM PC No. 201908001907}
Company Secretary

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.

2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.

3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central 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.

5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Company's Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed 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 24 hours before the time appointed for the taking of the poll.

6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Record of Depositors as at 22 May 2023 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.

7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out above will be put to vote by way of poll.

EXPLANATORY NOTES:

1. Audited Financial Statements for the Financial Period Ended 31 December 2022

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 1: To Approve the Payment of Directors' Fees to Non-Executive Directors

Section 230(1) of the Companies Act, 2016 requires the fees payable to Directors of the Company be approved at a general meeting. In this respect, the Board agreed, with the Remuneration Committee's recommendation, for the payment of the Directors' fees of up to RM1,000,000 and that the shareholders' approval shall be sought at the Fourteenth (14th) Annual General Meeting to approve the said payment of Directors' fees for the period from 26 May 2023 until the conclusion of the next annual general meeting of the Company.

3. Ordinary Resolution 2: Payment of Directors' Benefits (excluding Directors' fees) to Non-Executive Directors

The Directors' benefits payable comprises meeting attendance allowance of RM1,000 per meeting for each Member and RM1,500 per meeting for Chairman of each Committee which is calculated based on the current Board size and the number of scheduled Board and Board Committee meetings and other benefits payable to the Non-Executive Directors with effect from 26 May 2023 until the conclusion of the next annual general meeting of the Company.

4. Ordinary Resolutions 3 to 5: Re-election of Directors

NOTICE OF ANNUAL GENERAL MEETING

The following Directors are standing for re-election as Directors of the Company pursuant to the provision of the Company's Constitution at the Fourteenth (14th) Annual General Meeting of the Company and are being eligible have offered themselves for re-election at the Fourteenth (14th) Annual General Meeting in accordance with the Company's Constitution:

i) YM Tengku Munawir Islahuddin bin Tengku Noone Aziz (Clause 115)
ii) Ms. Jacqueline Fong Yean Yee (Clause 115); and
iii) Dato' Mohammad Medan bin Abdullah (Clause 115)

(collectively referred to as "Retiring Directors")

The Board of Directors through the Nomination Committee ("NC") has deliberated on the suitability of the Retiring Directors to be re-elected as Directors. Upon deliberation, the Board (except for the Retiring Directors) collectively agreed that the Retiring Directors meet the criteria of character, experience, integrity, competence and time commitment to effectively discharge their respective roles as Directors of the Company and recommended the Retiring Directors be re-elected as the Directors of the Company.

Further, in line with Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG"), the NC has considered and affirmed, and the Board has endorsed that Dato' Mohammad Medan bin Abdullah and Ms. Jacqueline Fong Yean Yee, the Independent Non-Executive Directors who are seeking re-election at the Fourteenth (14th) Annual General Meeting of the Company comply with the independence criteria as prescribed in the Listing Requirements of Bursa Malaysia Securities Berhad and remained independent in exercising his judgment and in carrying out his duties as an Independent Non-Executive Directors.

5. Ordinary Resolution 7: Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 6, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.
The 10% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

As at the date of this Notice, 9,586,000 new ordinary shares in the Company were issued by way of private placement pursuant to the general mandate granted to the Directors at the Thirteenth (13th) Annual General Meeting held on 24 November 2021. The total proceeds raised from the said private placement exercise was around RM1,131,465.65. The details and status of the utilisation of proceeds raised from the said private placement exercise are as follows:

Status of Utilisation	**Amount Utilised (RM/=)**
Repayment of borrowings	1,131,465.65
Amount unutilised	-
Total	**1,131,465.65**

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

HANDAL ENERGY BERHAD

Form of Proxy

I / We *(Full Name in Block Letters)* _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of HANDAL ENERGY BERHAD hereby appoint(s) : _____

_____ NRIC No. / Passport No. _____

of _____

and/or _____ NRIC No. / Passport No. _____

of _____

or failing *him/her, the Chairman of the meeting as my / our proxy to vote and act on my / our behalf at the Fourteenth (14th)Annual General Meeting of Handal Energy Berhad ("Handal" or "the Company") to be held at Meeting Room 1 & 2, Level 3, Hyatt Centric Kota Kinabalu, 18, Jalan Haji Saman, Kota Kinabalu, 88000 Sabah, Malaysia on Friday, 26 May 2023 at 2.30 p.m. and at any adjournment thereof.

No.	Resolutions		For	Against
1.	To approve the payment of Directors' fees for the period from 26 May 2023 until the conclusion of next Annual General Meeting of the Company	**Ordinary Resolution 1**		
2.	To approve the payment of Directors' benefits for the period from 26 May 2023 until the conclusion of the next Annual General Meeting of the Company	**Ordinary Resolution 2**		
3.	To re-elect YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz as Director.	**Ordinary Resolution 3**		
4.	To re-elect Ms. Jacqueline Fong Yean Yee as Director	**Ordinary Resolution 4**		
5.	To re-elect Dato' Mohammad Medan Bin Abdullah as Director.	**Ordinary Resolution 5**		
6.	To re-appoint Messrs. HLB Ler Lum Chew PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 6**		
7.	To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	**Ordinary Resolution 7**		
8.	To approve the proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature	**Ordinary Resolution 8**		

(Please indicate with 'X' on how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolution as he/she may think fit.)

Signed this _____ day of _____, 2023.

Signature : _____
(If shareholder is a corporation, this form should be executed under seal

The proportions of my / our holdings to be represented by my / our proxies are asfollows:-

First Proxy
No. of Shares: ……

Percentage..... %

Second Proxy
No. of Shares: ……

Percentage..... %

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executedunder its common seal or under the hand of its officer, attorney or other person duly authorised in writing.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to berepresented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exemptedfrom compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company formultiple 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.
5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Company's Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named inthe instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Recordof Depositors as at 22 May 2023 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend,speak and vote on his stead.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out above will be put to vote by way of poll.

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AFFIX
STAMP

THE SHARE REGISTRAR OF
HANDAL ENERGY BERHAD
Boardroom Share Registrars Sdn Bhd11th Floor, Menara Symphony
No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim)Seksyen 13,
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fold This Flap For Sealing

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	7253
COMPANY NAME	**:**	Handal Energy Berhad
FINANCIAL YEAR	**:**	December 31, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied	
Explanation on application of the practice	:	The Board's strategic leadership role, governance arrangements, and effectiveness are set out in the Board Charter. The Company's Board Charter can be found at the Company's website at www.handalenergy.com. Further details are discussed in the Corporate Governance Overview Statement ("**CG Overview Statement**") under Principle A – Board Leadership and Effectiveness in Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	The Board is led by an Independent Non-Executive Chairman whose role and responsibilities are as stated in the Board Charter. Further details are set out in the CG Overview Statement in the Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The position of Independent Non-Executive Chairman is held by YAM Tengku Baderul Zaman Ibni Sultan Mahmud while the business operations of the Group is led by the Group Managing Director, Mr. Sunildeep Singh Dhaliwal. Their roles are separate and there is a clear division of responsibilities to distinguish between the provision of leadership to the Board and the executive responsibility for running Handal Group's business.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.			
Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Board, YAM Tengku Baderul Zaman Ibni Sultan Mahmud is not a member of the Audit and Risk Management Committee ("**ARMC**"), Nomination Committee ("**NC**") and Remuneration Committee ("**RC**"). He does not attend nor participate in any meetings ARMC, NC nor RC, by way of invitation or in any other capacity.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied	
Explanation on application of the practice	:	All Directors have access to the advice and services of Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Ms Soo Han Yee has been appointed by the Board on 1 March 2023 as the Company Secretary replacing Mr Chong Voon Wah. Soo Han Yee has worked as a Senior Manager - Corporate Services in a shared services company and also a Company Secretary for a public listed company during the past 5 years. She is a Fellow member of the Malaysia Institute of Chartered Secretaries. The role and responsibilities of the Company Secretary are set out in the Board Charter, a copy of which can be obtained from the Company's website, www.handalenergy.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	Prior to each meeting, members of the Board and the Committees are provided with the meeting agenda and the relevant papers submitted by the management, containing complete, adequate and timely information to enable full deliberation on the issued to be considered at the respective meetings. The minutes of meetings of the Committees are circulated to all Board members. The Board meets at least five (5) times or more during the year. There is a formal schedule of matters (including quarterly financial results, strategic business issues and the annual business plan) reserved for discussion at the schedules Board meetings. The notice of the Board meetings is circulated to Board members at least seven (7) days before the meeting and the agenda and Board papers are circulated to the Directors at least three (3) days before each meeting. The deliberations and conclusions of issues discussed in the Board meetings are duly recorded in the Board meetings, the draft of which is circulated for the Chairman's review within a reasonable timeframe after the meeting. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. Minutes of meetings are circulated and confirmed as a correct record by the Board and Board Committees at the following meeting.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied	
Explanation on application of the practice	:	Our Board Charter was revised and approved by the Board in February 2018 to be in line with the MCCG and Main Market Listing Requirements and is available on our website at www.handalenergy.com which has been incorporated into our organisation's governance system. It documents the policies that the Board has decided upon, among others, its responsibilities, governance, and leadership, serving as a description tool of how the Board operates.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1
The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	All of Handal Group's relationships are underpinned by high ethical standards, as expressed in our Code of Conduct, which establishes rules to be followed by the Board of Directors and employees in relation with the Group, with co-workers and with people who have any kind of link with the Group. The existing copy of the Code of Conduct can be found on our website at www.handalenergy.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2
The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	We established our Whistle-Blowing Policy with the objective that all employees of the Group and other interested parties have the mechanisms to act when they want to use the whistleblowing channel. An abridged version of our Whistle-Blowing Policy can be found on our website at www.handalenergy.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1
The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied	
Explanation on application of the practice	:	The Company has formulated a Sustainability Roadmap to progressively integrate and report on sustainability plans and practices across its operations and activities. The Board has endorsed the roadmap, which encompasses the establishment of a Sustainability Committee (SC) comprising senior management personnel, a Sustainability Policy, identification of most material sustainability matters and alignment to or benchmarking against international agendas or standards including the United Nations Sustainable Development Goals (UNSDG), Global Reporting Initiative (GRI) and FTSE4Good Bursa Malaysia (F4GBM).	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	The Board understands that Internal stakeholders are involved in the Company's sustainability efforts as members of the Sustainability Committee (SC) or as employees tasked with tracking and compiling data for sustainability reporting. The Board is also cognisant that external stakeholders are kept informed via the Company's Sustainability Statement within the Annual Report, which covers all relevant strategies, priorities, targets and performance.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3
The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	The Board members attend training to stay abreast with and understand the sustainability issues relevant to the Company and its business, including the standards and requirements or sustainability reporting, and especially on pressing ESG issues such as climate change and the welfare and wellbeing of employees.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4
Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	The Board and Key Senior Management have performed their respective roles in addressing material sustainability risks and opportunities. The performance evaluation of the Board in addressing the Company's material sustainability was evaluated through the annual Board's Evaluation. Whereas for the Key Senior Management team, it is part of their yearly KPIs. Sustainability KPIs for all business units will be outlined for the next financial period and will be presented to the Board on an annual basis. The Board reviews the Key Senior Management's performance in addressing the Company's material sustainability risks and opportunities.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up
The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.		
Application	:	Adopted
Explanation on adoption of the practice	:	The Board has tasked the Sustainability Committee (SC), which is co-chaired by the Group Managing Director and Executive Director, to direct and coordinate all sustainability measures.

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.1
The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied	
Explanation on application of the practice	:	The annual evaluation has provided our Board and its committees with the opportunity to consider how Group culture, cohesiveness, composition, leadership and related meeting and information processes and governance policies influence performance. In addition to helping identify areas for adjustment, the evaluation provided an opportunity to remind Directors of the importance of group dynamics and effective Board and Committee processes in fulfilling Board and Committee responsibilities. Further details are set out in the CG Overview Statement in the Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.2
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	The Board comprises seven (7) members, five (5) of whom are independent directors, including the Chairman.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.3
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied	
Explanation on application of the practice	:	No independent director of the Company has exceeded a cumulative term limit of nine years.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.4 - Step Up
The board has a policy which limits the tenure of its independent directors to nine years without further extension.

Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.		
Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.5
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

Application :	Applied	
Explanation on application of the practice :	Appointments of directors and senior management are scrutinised by the Nomination Committee, and ultimately the board. The board takes cognisant of the required skills and experience in the appointment of directors and senior management. Diversity in skills, age and cultural background are well reflected in the current board and management team. The board has not restricted any board members to hold board positions in other companies, but impresses upon full disclosure any positions where potential conflicts may arise.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.6
In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committees play the critical role of linking the Board's director recruitment, selection, and succession planning processes to the Company's strategic goals.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.7
The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied	
Explanation on application of the practice	:	Shareholders are kept informed on the Board's decision in respect of appointment of directors via announcement to Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"), which are also updated on our website www.handalenergy.com. The profile of each Director is set out in the Annual Report 2022. The performance of retiring Directors who are recommended for re-election at the forthcoming AGM have been assessed through the Annual Board Assessment of the Company (including the evaluation of the independence of Independent Non-Executive Directors) and reviewed by the Remuneration and Nomination Committee.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.8
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Ms. Jacqueline Fong Yean Yee, an Independent Non-Executive Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.9
The board comprises at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company presently has two (2) woman directors presently, representing approximately 28.6% of total numbers of the Board.	
		The Nomination Committee is mindful of its continuous responsibilities to conduct all Board appointment processes in a manner to achieve the 30% women directors target while taking into consideration the suitability of each candidate.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.10
The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

Application	:	Applied	
Explanation on application of the practice	:	We established our Board Diversity Policy with the aim to recognise the importance of boardroom diversity and values the benefits that diversity can bring to its Board of Directors. The Board Diversity Policy can be found on our website at www.handalenergy.com. However, there is no similar policy for senior management.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 6.1
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.			
Application	:	Applied	
Explanation on application of the practice	:	The annual evaluation has provided our Board and its committees with the opportunity to consider how Group culture, cohesiveness, composition, leadership and related meeting and information processes and governance policies influence performance. In addition to helping identify areas for adjustments, the evaluation provided an opportunity to remind Directors of the importance of group dynamics and effective Board and Committee processes in fulfilling Board and Committee responsibilities. Further details are set out in the CG Overview Statement in the Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Board is assisted by the Remuneration Committee in reviewing its framework of Executive Directors' remuneration and the remuneration package for each Executive Director and any performance related pay schemes for Executive Directors and annually reviews Executive Directors' scope of service contracts. The Remuneration Committee also reviews the remuneration of key senior management. The remuneration of the Executive Directors and the key senior management are reviewed based on each individual's performance and the overall financial performance of the Group. The Board also determines the fees and allowances of the Non-Executive Directors after considering the recommendation of the Remuneration Committee and the Non-Executive Directors abstain in the discussion of their own remuneration.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	Our Remuneration Committee's Terms of Reference, copy of which is available on the Company's website at www.handalenergy.com, has been reviewed and expanded to include the review of the remuneration of senior executive management.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	The details of the remuneration of Directors of the Company comprising remuneration received/receivables from the Company and subsidiary companies during the financial period ended 31 December 2022 are disclosed in the CG Overview Statement.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Sunildeep Singh Dhaliwal	Executive Director	-	-	-	-	-	-	-	-	-	1,713	-	-	206	1,919
2	Tengku Munawir Islahuddin Tengku Noone Aziz	Executive Director	-	-	-	-	-	-	-	-	-	435	-	36	58	529
3	Dato' Mohammad Medan Abdullah	Independent Director	32	-	-	-	-	-	32	105	-	-	-	-	-	105
4	YTM Tg Baderul Zaman Ibni Almarhum Sultan Mahmud	Independent Director	112	-	-	-	-	-	112	383	-	-	-	-	-	383
5	Jacqueline Fong Yean Yee	Independent Director	32	-	-	-	-	-	32	105	-	-	-	-	-	105
6	Mior Mokhtar Mior Abu Bakar	Independent Director	32	-	-	-	-	-	32	105	-	-	-	-	-	105
7	Datuk Mary @ Mariati Robert	Independent Director	31	-	-	-	-	-	31	104	-	-	-	-	-	104
8	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
9	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
10	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
11	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
12	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
13	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
14	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

15	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.2
The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	While the Company notes the need for corporate transparency in the remuneration of its key senior management executives, the Company notes that such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. The Company further believes that the interest of the shareholders will not be prejudices as a result of such non-disclosure of the identity and remuneration of the Company's top five (5) senior management personnel who are not Directors.	
		To provide some insight on the level of remuneration paid to the senior management team, the Company has taken steps to disclose the aggregate remuneration of the top five (5) key senior management during the financial period ended 31 December 2022.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Kannan@Kasivisvanathan Anamalai	Corporate Strategic Advisor	150,001-200,000	Choose an item.	Choose an item.	Choose an item.	0-50,000	200,001-250,000
2	Azlin Juliana A. Razak	Group Finance Manager	200,001-250,000	Choose an item.	Choose an item.	Choose an item.	0-50,000	200,001-250,000
3	Mazliza Mazlan	Vice President, Proposals Management	150,001-200,000	Choose an item.	Choose an item.	Choose an item.	0-50,000	200,001-250,000
4	Sang Yew Chong	General Manager, Energy Business Malaysia	350,001-400,000	Choose an item.	Choose an item.	Choose an item.	0-50,000	400,001-450,000
5	Thomas Varughese	EVP, Group Finance	150,001-200,000	Choose an item.	Choose an item.	Choose an item.	0-50,000	150,001-200,000

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit and Risk Management Committee of the Company is not the Chairman of the Board as our Board acknowledges that the need for the Audit and Risk Management Committee to be independent, objective committee to ensure the integrity of financial controls, reporting processes and effective financial risk management.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.2
The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	Conflict of interest is one primary concern of the Company for ensuring the independence of the Audit and Risk Management Committee. As a measure to safeguard the independent and objectivity of the audit process, the Audit and Risk Management Committee has incorporated a policy stipulation that governs the appointment of a former key audit partner to the Audit and Risk Management Committee. The policy, which is codified in the Audit and Risk Management Committee's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a committee member. Such restriction is stated in the Audit and Risk Management Committee's Terms of Reference which is available on the Company's website at www.handalenergy.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied	
Explanation on application of the practice	:	The Audit and Risk Management Committee is responsible for reviewing, assessing, and monitoring the performance, suitability, and independence of external auditors, as mentioned in the Audit and Risk Management Committee's Terms of Reference which is available at the Company's website at www.handalenergy.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	All the Audit Committee members of the Company are Independent Non-Executive Directors.

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application :	Applied	
Explanation on application of the practice :	Audit and Risk Management Committee's effectiveness hinges on several critical factors, including knowledge, experience, commitment and de facto independence of its members; the Audit and Risk Management Committee's leadership, the Audit and Risk Management Committee's dynamics and chemistry; and the Audit and Risk Management Committee's quality interaction with management and auditors (internal and external). Majority of the members of the Audit and Risk Management Committee who have the necessary financial and commercial expertise and skills required to meet their responsibilities and provide an effective level of challenge to management, have relevant financial experience. The Audit and Risk Management Committee members receive ongoing training and development as detailed in the "Access to Continuing Education Programmes" of the CG Overview Statement in the Annual Report 2022.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.1
The board should establish an effective risk management and internal control framework.

Application	:	Applied	
Explanation on application of the practice	:	The Audit and Risk Management Committee was established to assist the Board's functions in identifying principal risks, ensuring the policies put in place is adequate and procedures and recommendation with regards to the management or risks and internal control are being followed through by the various business/operating units.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.2
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The Board has established a framework, through the Audit and Risk Management Committee to formulate and review risk management policies and risk strategies. Further information on the Group's risk management and internal control are presented in the Statement on Risk Management and Internal Control in the Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.3 - Step Up
The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit and Risk Management Committee is entirely comprised of Independent Non-Executive Directors. The Board is of the opinion that the current composition is sufficient and adequate for the Audit and Risk Management Committee to carry out its functions in assisting the Board.

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	The Audit and Risk Management Committee of the Company is responsible for monitoring and reviewing the effectiveness of the Group's Internal Audit function. The Group has outsourced the Internal Audit function to provide the Board and senior management assurance around internal controls. The function is independent of the external auditors and the Internal Auditor has a direct reporting line functionally to the Audit and Risk Management Committee. The role of Internal Audit is to provide objective assurance to the Audit and Risk Management Committee and the senior management those operations and functions are efficient and effective. The Internal Auditor attends and reports at each Audit and Risk Management Committee meeting on reviews conducted during each quarter. During the financial period ended 31 December 2022, the Internal Auditor met five (5) times with the Audit and Risk Management Committee. For further details, please refer to the Audit and Risk Management Committee Report in the Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	The Internal Audit function is currently outsourced to an independent professional firm and reports functionally to the Audit Committee of the Board. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned suggestive corrective actions. In addition, the internal audit personnel assigned to carry out the work are free from any relationship or conflict of interest, through annual independence declaration, which could impair their independence in carrying out the works. A team of 2 to 3 personnel will be assigned to carry out the internal audit review of the Group depending on the scope of review according to the risk-based Internal Audit Plan, All the Internal Audit team are at least degree holders. The team is headed by Mr Kuan Yew Choong, a qualified and certified professional under Association of Chartered Certified Accountants (ACCA), who is also a member of Malaysian Institute of Accountants (MIA) & Institute of Internal Auditor Malaysia (CMIIA). The Internal Audit function is carried out based on Baker Tilly International Audit Methodology, which is closely consistent with the International Professional Practice Framework (IPFF) of the Institute of International Auditors.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	

Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 12.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	The Board maintains a dialogue with shareholders and stakeholders through the Annual Reports, timely disclosures and announcements made to Bursa Securities and the Company's website and AGM. Further details are set out in the CG Overview Statement in the Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 12.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as Handal Energy Berhad is not considered a large company.	
		Upon achieving such status, the Board shall then decide on the adoption of integrated reporting based on a globally recognised framework.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Departure	
Explanation on application of the practice	:	The Company strives to adhere to the 28-day notice period. However, the 2022 Annual General Meeting ("**AGM**") will be held on 26 May 2023 and the Notice convening the AGM is sent to shareholders on 30 April 2023, which is less than 28 days' notice prior to the 2022 AGM. The departure for this year's notice is due to the finalisation of the audited financial statements for the 18-month financial period ended 31 December 2022, which is longer than the usual financial years.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.2
All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	Barring unforeseen circumstances, all Directors of the Company will endeavour to attend all General Meetings of the Company, including the upcoming 2022 AGM. The Chairpersons of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee will be present on stage to provide responses if there are any questions addressed to them.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.3
Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company's 2023 AGM is to be held in Kota Kinabalu, Sabah, which is also the principal place of business for the Company. In view of the number of shareholders and the size of the Company, the participation of shareholders of the Company at the general meeting is currently by way of attending in person or by proxy.	
		The shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting. If necessary, the Group would embark on electronic voting and remote shareholder participation, if our shareholders requested for such services.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.4
The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.			
Application	:	Applied	
Explanation on application of the practice	:	The Chairman of 13th AGM has ensured that sufficient opportunities are given to shareholders to raise issues relating to the affairs of the Company by providing ample time for the Question and Answer session during the 13th AGM.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.5
The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.			
Application	:	Not applicable – only physical general meetings were conducted in the financial year	
Explanation on application of the practice	:	We are having physical AGM at Kota Kinabalu.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.6
Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.			
Application	:	Applied	
Explanation on application of the practice	:	The Minutes of the 13th AGM held on 24 November 2021 were uploaded onto the website, which is within 30 business days from the date of the 13th AGM.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Click or tap here to enter text.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has only perused this Circular on a limited review basis pursuant to the provisions of Practice Note 18 of Bursa Securities Main Market Listing Requirements.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

HANDAL ENERGY BERHAD
Company Registration No. 200801015549 (816839-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Notice of the Fourteenth 14th Annual General Meeting ("**AGM**") of Handal Energy Berhad to be held at Meeting Room 1 & 2, Level 3, Hyatt Centric Kota Kinabalu, 18, Jalan Haji Saman, Kota Kinabalu, 88000 Sabah, Malaysia on 26 May 2023 at 2.30 p.m. together with the Form of Proxy are enclosed in the 2022 Annual Report.

A member entitled to attend, participate, speak and vote at the AGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy must be lodged at the Share Registrar of the Company at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Semangat, (Jalan Professor Khoo Kay Kim), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on or before the date and time as indicated below or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	24 May 2023 @ 2.30 p.m.
Date and time of the AGM	:	26 May 2023 @ 2.30 p.m.

This Circular is dated 30 April 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"AGM"	:	Annual General Meeting
"Board"	:	The Board of Directors of Handal
"BSO Engineering"	:	Borneo Seaoffshore Engineering Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CCM"	:	Companies Commission of Malaysia
"CDS"	:	Central Depository System
"Circular"	:	This circular to shareholders of Handal dated 30 April 2023
"Director"	:	Shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007. For purposes of the Proposed Shareholder Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or chief executive officer of our Company, our subsidiary or holding company
"Gotools"	:	Gotools Sdn Bhd
"Handal" or the "Company"	:	Handal Energy Berhad
"Handal Borneo Resources"	:	Handal Borneo Resources Sdn Bhd (formerly known as Orissa Wicomm Borneo Sdn Bhd)
"Handal iMRO "	:	Handal iMRO Sdn Bhd (formerly known as Handal Cranes Sdn Bhd)
"Handal Digital"	:	Handal Digital Sdn Bhd
"Handal Energy Solutions"	:	Handal Energy Solutions Sdn Bhd
"Handal Group" or the "Group"	:	Handal and its subsidiary companies
"Handal Oceans Asset"	:	Handal Oceans Asset Sdn Bhd
"Handal Share(s) or "Share(s)"	:	Ordinary share(s) of Handal
"Interested Directors"	:	Collectively, Sunildeep and Tengku Munawir
"Interested Major Shareholders"	:	Collectively, Seaoffshore Capital Sdn Bhd, Sunildeep, Seaoffshore Production Solutions Sdn Bhd, Seaoffshore Equities Sdn Bhd, and Yamani Hafez Bin Musa
"LPD"	:	31 March 2023 being the latest practicable date prior to the date of this Circular

"Major Shareholder"	:	Any person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: (i) 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company; or (ii) 5% or more of the aggregate of the nominal amounts of all the voting shares in the Company, where such person is the largest shareholder of the Company. For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act. "Major Shareholder" includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Major Shareholder of our Company or any other corporation which is our Company's subsidiary or holding company.
"MMLR"	:	Main Market Listing Requirements of Bursa Securities
"Non OEM"	:	Non Original Equipment Manufacturer
"Person Connected"	:	This shall have the same meaning as in Chapter 1, Paragraph 1.01 of the MMLR
"Proposed Shareholders' Mandate" or "Proposal"	:	Proposed new shareholders' mandate for the RRPT pursuant to Paragraph 10.09 of the MMLR
"Related Party(ies)"	:	A director, major shareholder or person connected with such director or major shareholder. For the purpose of this definition, "Director", "Major Shareholder" and "Person Connected" shall have the meanings given in Paragraph 1.01 and Paragraph 10.02 of the MMLR
"Related Party Transaction"	:	A transaction entered into by the Handal Group which involves the interest, direct or indirect, of a Related Party
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"RRPT"	:	A Related Party Transaction which is recurrent, of a revenue or trading nature and which is/are necessary for the day-to-day operations and is/are in the ordinary course of business of Handal Group
"Seaoffshore Capital"	:	Seaoffshore Capital Sdn Bhd
"Seaoffshore Equities"	:	Seaoffshore Equities Sdn Bhd
"Seaoffshore Energy"	:	Seaoffshore Energy Sdn Bhd (Formerly known as Borneo Seaoffshore Sdn Bhd)
"Seaoffshore Engineering"	:	Seaoffshore Engineering Sdn Bhd
"Seaoffshore Production"	:	Seaoffshore Production Solutions Sdn Bhd
Sunildeep	:	Sunildeep Singh Dhaliwal
Tengku Munawir	:	YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz

Words incorporating the singular shall, where applicable include the plural and vice versa. Words incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Certain figures included in this Circular have been subject to rounding adjustments.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Unless stated otherwise, all information has been updated to the LPD.

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HANDAL ENERGY BERHAD
Company Registration No. 200801015549 (816839-X)
(Incorporated in Malaysia)

Registered Office

C-L27-08, KL Trillion
338, Jalan Tun Razak
50400, Kuala Lumpur
Wilayah Persekutuan
Malaysia

30 April 2023

Board of Directors

YAM Tengku Baderul Zaman Ibni Sultan Mahmud *(Independent Non-Executive Chairman)*
Sunildeep Singh Dhaliwal *(Group Managing Director)*
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz *(Executive Director)*
Jacqueline Fong Yean Yee *(Independent Non-Executive Director)*
Datuk Mary @ Mariati Robert *(Independent Non-Executive Director)*
Mior Mokhtar Bin Mior Abu Bakar *(Independent Non-Executive Director)*
Dato' Mohammad Medan Abdullah (*Independent Non-Executive Director)*

To: The Shareholders of Handal Energy Berhad

Dear Sir/Madam,

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1.0 INTRODUCTION

On 29 March 2023, the Board of Directors announced its intention to seek shareholders' approval for the Proposed Shareholders' Mandate at the forthcoming 14th AGM of the Company.

The purpose of this circular is to provide you with details of the Proposed Shareholder's Mandate, to set out your Board's recommendation and to seek your approval for the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM of the Company to be held on Friday, 26 May 2023 at 2.30 p.m.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSAL AT THE FORTHCOMING AGM.

2.0 DETAILS OF THE PROPOSAL

2.1 Background Information

Under Paragraph 10.09, Part E of Chapter 10 of the MMLR, for related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the

Group's day-to-day operations, the Company may seek a shareholders' mandate in respect of such transactions subject to the following:

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;

(ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the Company's annual report on the breakdown of the aggregate value of transactions conducted under such mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the MMLR;

(iii) issuance of a circular to shareholders for the shareholders' mandate including information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;

(iv) in the meeting to obtain shareholders' mandate, the relevant related party must comply with requirements set out in Paragraph 10.08(7) of the MMLR; and

(v) the Company immediately announces to Bursa Securities when the actual value of a RRPT entered into by the Company, exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

2.2 Principal business of Handal and its subsidiaries

The principal activity of Handal is that of investment holding while its subsidiaries and their principal activities are as follows:

No.	Company	Equity Interest	Principal activities
1.	Handal iMRO	100.00%	Integrated maintenance, repair and overhaul of offshore cranes, compressors, gas turbines, platforms, and structures; and inspection, maintenance, and repair of pipelines.
2.	Gotools	100.00%	Dormant
3.	Handal Energy Solutions Sdn Bhd	99.82%	Integrated maintenance of gas turbines, compressors, pumps; and provision of floating offshore production facilities
4.	Handal Operations Maintenance Engineering Sdn Bhd[1]	100.00%	Dormant
5.	Handal Digital	100.00%	Own, operate and maintain telecommunication towers and lamp poles; own, operate and maintain Earth Stations including but not limited to fixed links and cables; radiocommunications transmitters and links; satellite hubs; satellite control station; space station; submarine cable landing centre; towers, poles, ducts, and pits used in conjunction with other network facilities
6.	Handal Oceans Asset [1]	51.00%	Dormant
7.	Calm Oceans Sdn Bhd [2]	100.00%	Dormant

No.	Company	Equity Interest	Principal activities
8.	Handal Floaters Sdn Bhd	100.00%	Dormant
9.	Handal Borneo Sdn Bhd	90.00%	Dormant
10.	Handal Energy LLC [3]	100.00%	Dormant

Notes:
1) held via Handal Floaters Sdn Bhd
2) held via Handal Oceans Asset Sdn Bhd
3) held via Handal iMRO

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2.3 Class of Related Parties

The Proposed Shareholders' Mandate will apply to RRPTs with the following Related Parties:

No.	Related Party	Principal Activities	Nature of Relationship
1.	Seaoffshore Engineering	Maintenance, Repair and Overhaul of Gas Turbines, Steam Turbines and Other Rotating Equipment	Seaoffshore Engineering is a wholly-owned subsidiary of Seaoffshore Capital. Seaoffshore Capital is also a major shareholder of Handal by virtue of its direct and indirect shareholdings in Handal. Seaoffshore Production, Seaoffshore Equities, Sunildeep and Yamani Hafez Bin Musa are deemed interested by virtue of their direct and/ or indirect shareholdings in Seaoffshore Capital and their indirect interest in Handal. Sunildeep is also deemed interested by virtue of him being the Group Managing Director of Handal and a major shareholder and director of Seaoffshore Capital. Tengku Munawir is deemed interested by virtue of him being the Executive Director of Handal nominated by Seaoffshore Capital.
2.	Seaoffshore Energy	Subsea Well Intervention Services	Seaoffshore Energy is a wholly-owned subsidiary of Seaoffshore Capital. Seaoffshore Capital is also a major shareholder of Handal by virtue of its direct and indirect shareholdings in Handal. Seaoffshore Production, Seaoffshore Equities, Sunildeep and Yamani Hafez Bin Musa are deemed interested by virtue of their direct and/ or indirect shareholdings in Seaoffshore Capital and their indirect interest in Handal. Sunildeep is also deemed interested by virtue of him being the Group Managing Director of Handal and a major shareholder and director of Seaoffshore Capital. He is also a director of Seaoffshore Energy. Tengku Munawir is deemed interested by virtue of him being the Executive Director of Handal nominated by Seaoffshore Capital.

2.4 Details of the Proposed Shareholders' Mandate

The Proposed New Shareholders' Mandate is as follows:

Transacting Party	Nature of transaction	Related Party	Estimated amount from the 14th AGM up to the next AGM[1] (RM'000)
Handal Energy Solutions	Provision of project management team, logistics and workshop facilities for the maintenance repair and overhaul of gas turbine and other rotating equipment	Seaoffshore Engineering	70,000
Handal Energy Solutions	Provision of project management services and supply personnel & equipment for subsea well intervention services	Seaoffshore Energy	250,000

1. *The estimated value was derived after taking into consideration estimated future works that will be required by Handal Group to fulfil its contractual obligations to their clients. The actual value is subject to changes. As announced on 5 November 2021, no shareholder's mandate was obtained at the Company's last AGM on 24 November 2021.*

2.5 Outstanding amounts arising from RRPT

There are no outstanding amounts due to and from Related Parties pursuant to RRPTs.

2.6 Disclosure of RRPT in Annual Report

Disclosure will be made in the annual report of the Company in accordance with Paragraph 3.1.5 of Practice Note 12 of the MMLR, which requires a breakdown of the aggregate value of the RRPTs entered into during the financial year based on the following information:

a) the types of the RRPTs made; and
b) the names of the Related Parties involved in each type of the RRPTs made and their relationships with Handal Group.

The above disclosure will be made in the Company's annual report for each subsequent financial year after the Proposed Shareholders' Mandate had been obtained.

2.7 Review Procedures for the RRPT

To ensure that such RRPT are undertaken on an arm's length basis; on the Group's normal commercial terms consistent with the Group's usual business arrangements, practices and policies; on terms not more favourable to the Related Party than those generally available to the public; and will not be detrimental to minority shareholders, the management will ensure that:

i) the transactions with the Related Party will only be entered into after taking into account the pricing, level of service, quality of product and other related factors, which are generally on terms not more favourable to the Related Party than those extended to unrelated third parties and are not to the detriment of the minority shareholders;

ii) the pricing, level of service and quality of services provided or products supplied shall be at the prevailing market rates/prices of the service or product including where appropriate preferential rates and discounts accorded for bulk purchases (the same as

are accorded to third party bulk purchase) and on the service or product provider's usual commercial terms, and otherwise in accordance with applicable industry norm; the cost plus method will be used where appropriate in determination of fair price or contract rates. This method determines the arm's length price or rate by adding an appropriate mark-up to the cost of production;

iii) wherever possible, at least two other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities; will be used as comparison to determine whether the price and terms offered to/by the Related Party are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the Company/Group will base on Group usual business practices and taking into consideration the urgency and efficiency of the delivery of product or services to be provided to ensure that the RRPT are not detrimental to the Company/Group;

iv) the terms and conditions on purchases and sales are determined by market forces, under similar commercial terms for transactions with unrelated third parties which depend on the demand and supply of the products and subject to the availability of the products in the market; and

v) the RRPT are reviewed and authorised by the following parties:

Nature of Transaction	**Value of Transaction**	**Authority Limit**
Non-capital expenditure transactions	Up to RM30.0 million (provided the aggregate value does not exceed RM7.5 million per quarter)	Any two (2) non-interested directors
	Above RM30.0 million and where the aggregate value is equivalent or exceeds RM7.5 million per quarter	Audit and Risk Management Committee/Board
Capital expenditure transactions	Up to RM2.8 million	Any two (2) non-interested directors
	Above RM2.8 million	Audit and Risk Management Committee/Board

Further, where any Director has an interest (direct or indirect) in any Related Party Transactions, such Director shall abstain from voting on the matter. Where any member of the Audit and Risk Management Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit and Risk Management Committee with respect to such transactions.

Pursuant to Paragraph 10.09 of the MMLR, in a meeting to obtain the Proposed Shareholders' Mandate, the Interested Director, Interested Major Shareholder or Person Connected with a Director or Major Shareholder; and where it involves the interest of a Person Connected with a Director or Major Shareholder, such Director or Major Shareholder, shall abstain from voting on the resolution approving the RRPT.

An Interested Director or Interested Major Shareholder must also ensure that persons connected with him abstains from voting on the resolution approving the transactions. Interested Directors shall also abstain from deliberating at Board meetings in respect of the RRPT in which they are interested.

Shareholders' approval will be sought for the renewal of such mandate at each AGM subject to a satisfactory review by the Audit and Risk Management Committee of its continued application to the RRPT.

2.8 Statement by Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the procedures mentioned in Section 2.7 of this Circular and is satisfied that the Handal Group has in place adequate procedures and processes to monitor, track and identify the RRPT in a timely and orderly manner. The Audit and Risk Management Committee is of the view that the procedures in Section 2.7 are sufficient to ensure that the RRPTs are:

(i) on arm's length basis;

(ii) under normal commercial terms consistent with the Group's business practices and policies;

(iii) not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders of the Company.

The Audit and Risk Management Committee shall also have the discretion to request for the limits to be imposed or for additional procedures to be followed if it considers such a request to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

The Audit and Risk Management Committee conducts a review of the procedures on a yearly basis or such frequency as the Audit and Risk Management Committee considers appropriate having regard to the value and frequency of the RRPTs.

2.9 Validity period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate, if approved at the forthcoming AGM, will take effect from the date of the passing of the ordinary resolution at the forthcoming AGM and shall continue to be in force until:

(i) the conclusion of the next AGM, unless the authority is renewed by a resolution passed at the next AGM;

(ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier.

Thereafter, approval from shareholders for a renewal of the mandate in relation to the RRPTs will be sought at each subsequent AGM of the Company.

3.0 RATIONALE FOR THE PROPOSAL

The RRPTs to be entered into by the Handal Group pursuant to the Proposal sought are all in the ordinary course of business and reflect the potential long-term commercial relationship between the parties. It is envisaged that in the ordinary course of business of the Handal Group, the RRPTs are likely to occur with some degree of frequency and it may be impractical to seek shareholders' approval on a case to case basis before entering into such RRPT as and when such RRPTs occur. This will reduce administrative time and expenses in convening such meetings without compromising the corporate objectives of the Handal Group or adversely affecting the business opportunities available to the Handal Group.

The Proposed Shareholders' Mandate are intended to facilitate transactions in the ordinary course of business of the Handal Group which are transacted from time to time with the Related Parties.

The respective subsidiaries of the Handal Group would have an advantage of familiarity with the background and management of the Related Parties, thus enabling more informed commercial decisions to be made. In most dealings with the Related Parties, close co-operation and good understanding of each other's business needs provide a platform where decisions can be quickly made and all parties can benefit from conducting the RRPTs.

4.0 EFFECTS OF THE PROPOSAL

The Proposal will not have any effect on the issued share capital, dividend policy and substantial shareholders' shareholding of the Handal Group. The Proposal is not expected to have any immediate material effect on the earnings, net assets and gearing of the Handal Group.

5.0 APPROVALS REQUIRED

The Proposal is subject to the approval of the shareholders of Handal at the forthcoming AGM to be convened.

6.0 INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors and/or Major Shareholders or persons connected to the Director and/or Major Shareholder have any interest, directly or indirectly in the Proposal.

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The direct and/or indirect interests of the Directors and/or Major Shareholder in Handal are as follows:

	<----------Direct---------->		<----------Indirect---------->	
	No. of Shares	**%**	**No. of Shares**	**%**
Interested Directors				
Sunildeep	17,735,300	6.65	53,244,800[1]	19.96
Tengku Munawir	-	-	-	-
Interested Major Shareholders				
Seaoffshore Capital	46,097,800	17.28	6,300,000[2]	2.36
Sunildeep	17,735,300	6.65	53,244,800[1]	19.96
Seaoffshore Equities	-	-	52,397,800[3]	19.64
Seaoffshore Production	-	-	52,397,800[3]	19.64
Yamani Hafez Bin Musa	-	-	52,397,800[3]	19.64

Note:-

1) Deemed interested through the shares held in Seaoffshore Capital, Seaoffshore Energy and his spouse
2) Deemed interested through the shares held in Seaoffshore Energy Sdn Bhd pursuant to Section 8 of the Act
3) Deemed interested through the shares held in Seaoffshore Capital Sdn Bhd and Seaoffshore Energy Sdn Bhd pursuant to Section 8 of the Act

The Interested Directors will ensure that they will abstain from voting in respect of their direct and indirect shareholdings, on the resolution deliberating or approving the Proposal at the forthcoming AGM, and have also undertaken to ensure that the person(s) connected to them will abstain from voting in respect of their direct and indirect shareholdings on the resolution deliberating or approving the Proposal at the forthcoming AGM.

Further to the above, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting relating to the Proposal.

The Interested Major Shareholders will ensure that they will abstain from voting in respect of their direct and indirect shareholdings, if any, on the resolution deliberating or approving the Proposal at the forthcoming AGM, and have also undertaken to ensure that the person(s) connected to them will abstain from voting in respect of their direct and indirect shareholdings on the resolution deliberating or approving the Proposal at the forthcoming AGM.

7.0 STATEMENT AND RECOMMENDATION BY THE BOARD

Save for the Interested Directors, the Board, having taken into consideration all aspects of the Proposed Shareholders' Mandate, including the rationale for the Proposal is of the opinion that the Proposal is in the best interest of the Company.

Accordingly, the Board, save for the Interested Directors, recommends that you vote in favour of the ordinary resolution for the Proposal to be tabled at the forthcoming AGM.

8.0 AGM

The AGM will be held at Meeting Room 1 & 2, Level 3, Hyatt Centric Kota Kinabalu, 18, Jalan Haji Saman, Kota Kinabalu, 88000 Sabah, Malaysia on 26 May 2023 at 2.30 p.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposal.

If you are unable to attend, participate, speak and vote at the AGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the Share Register of the Company at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Semangat, (Jalan Professor

Khoo Kay Kim), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the AGM or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the AGM should you subsequently wish to do so.

9.0 FURTHER INFORMATION

Shareholders of Handal are advised to refer to the attached Appendix I for further information.

Yours faithfully,
For and on behalf of the Board
HANDAL ENERGY BERHAD

YAM TENGKU BADERUL ZAMAN IBNI SULTAN MAHMUD
Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. MATERIAL CONTRACTS

Save as disclosed below, the Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the LPD:

i) On 29 July 2022, Handal announced that it had subscribed for 529,200 new ordinary shares representing approximately 49% of the enlarged issued and paid up share capital in Handal Borneo Resources Sdn Bhd for a total cash consideration of RM529,200.

ii) On 3 March 2023, Handal announced that it had disposed off its shareholdings of 61% equity interest in Borneo Seaoffshore Engineering Sdn Bhd, comprising of 1,195,600 ordinary shares in Borneo Seaoffshore Engineering Sdn Bhd to Handal Engineering Sdn Bhd for a total cash consideration of RM6.10.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group.

(i) Handal Energy Berhad, Borneo Seaoffshore Engineering Sdn. Bhd. & Handal Engineering ("Plaintiffs") v Brian Chang, Tracy Chang, Emily Soon Wai Chin, Calm Oceans Pte Ltd, & Brian Chang Holdings Ltd. ("Defendants")

On 3 August 2020, the Plaintiffs have filed a suit against the Defendants at the Kuala Lumpur High Court for deceit and negligent misstatement for over RM140 million.

The estimate of maximum exposure to liabilities is undetermined at this juncture.

In respect of the 3 individual Defendants' application to strike out Handal's claim, the Court directed that Handal file its affidavit in opposition to the application on or before 5.5.2023, and the Defendants file their affidavit in reply to Handal's affidavit on or before 26.5.2023.

In respect of Handal's claim proper, the Court directed that parties file the Common Bundle of Documents by 30.5.2023.

The Court has fixed the next case management on 30.5.2023.

The solicitors are of the opinion that the likelihood of success depends on whether the Court accepts or rejects the defences raised.

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4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Handal at C-L27-8, KL Trillion, 338, Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:

i) Material Contracts listed in item (2) above;

ii) Cause papers relating to the material litigation listed in item (3) above;

iii) The Constitution of Handal; and

iv) The audited financial statements of Handal Group for financial year ended 30 June 2021 and 18-month financial period ended 31 December 2022.

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