



HANDAL ENERGY BERHAD

200801015549 (816839-X)

ANNUAL REPORT 2021



13TH Annual General Meeting

Date & Time

24 November 2021 (Wednesday), 2.00 p.m.

Venue

Tanjung Room, Level 2
Shangri-La Tanjung Aru Resort & Spa
20 Jalan Aru, Tanjung Aru
88100 Kota Kinabalu, Sabah

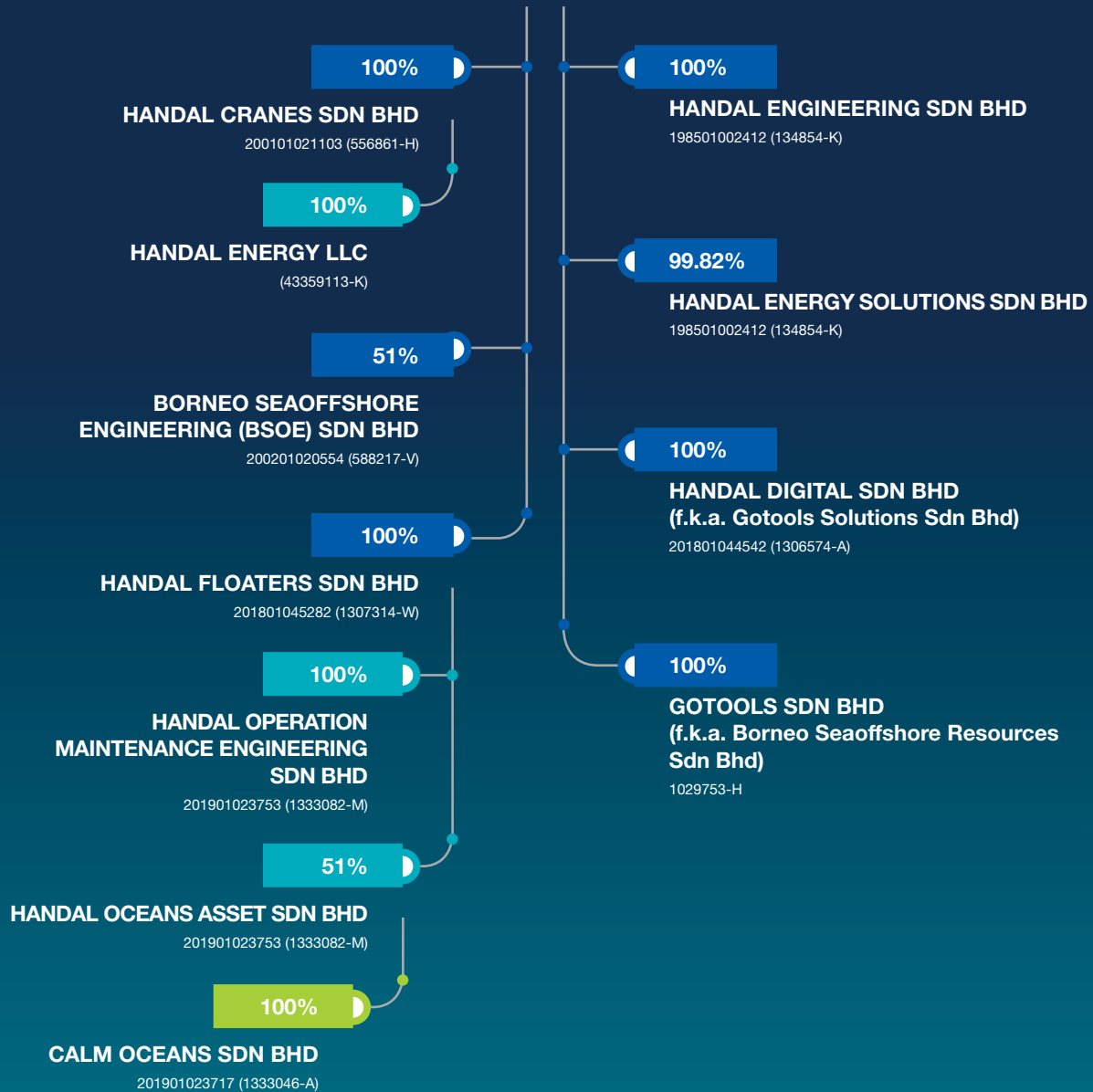


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GROUP CORPORATE
STRUCTURE**HANDAL****HANDAL ENERGY BERHAD**

200801015549 (816839-X)



CORPORATE INFORMATION

BOARD OF DIRECTORS

**YAM TENGKU BADERUL ZAMAN IBNI
SULTAN MAHMUD**

Independent Non-Executive Chairman

SUNILDEEP SINGH DHALIWAL

Group Managing Director

TERRY BIUSING

Executive Director

**YM TENGKU MUNAWIR ISLAHUDDIN BIN
TENGKU NOONE AZIZ**

Executive Director

MALLEK RIZAL BIN MOHSIN

Non-Independent Non-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

Mallek Rizal Bin Mohsin
Member

Jacqueline Fong Yeann Yee
Member

NOMINATION COMMITTEE

Jacqueline Fong Yeann Yee
Chairman

Dato' Mohammad Medan Abdullah
Member

Mior Mokhtar Bin Mior Abu Bakar
Member

REMUNERATION COMMITTEE

Jacqueline Fong Yeann Yee
Chairman

Dato' Mohammad Medan Abdullah
Member

Mior Mokhtar Bin Mior Abu Bakar
Member

COMPANY SECRETARY

Chong Voon Wah
(SSM PC No. 202008001343) (MAICSA 7055003)

REGISTERED OFFICE

22-09, Menara 1MK
No. 1 Jalan Kiara, Mont Kiara
50480, Kuala Lumpur

Tel : +603 2856 7333

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

Tel : +603 2733 5555
Fax : +603 2733 8225

AUDITORS

Messrs HLB AAC PLT
(LLP 0022843-LCA & AF 001977)
No. 18, Jalan Pinggir 1/64
Jalan Kolam Air
Off Jalan Sultan Azlan Shah
(Jalan Ipoh)
51200 Kuala Lumpur

ADVOCATES & SOLICITORS

Messrs Kang & Kang

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

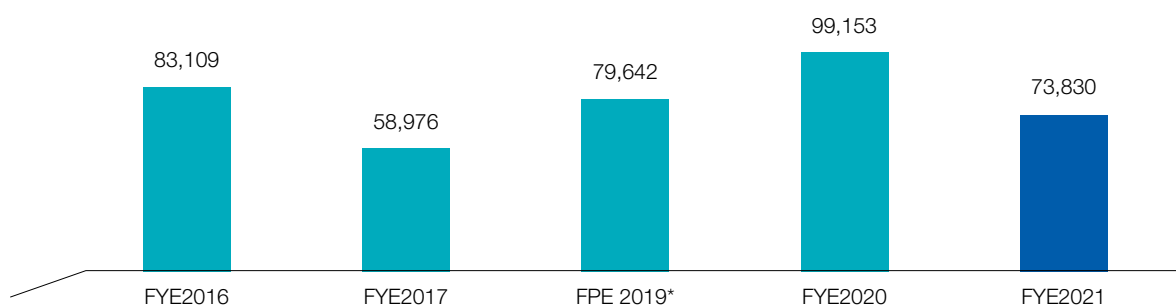
WEBSITE

www.handalenergy.com

FINANCIAL HIGHLIGHTS

REVENUE

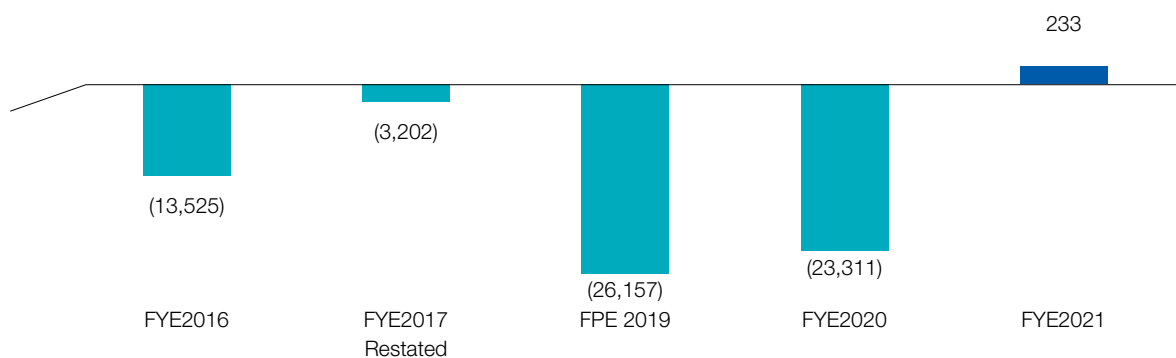
(RM'000)



* FPE: Financial Period Ended for 18 months Period

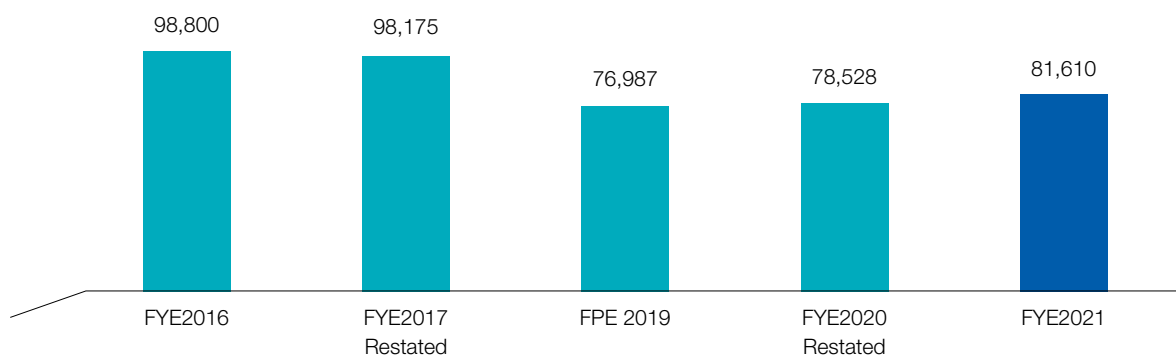
PROFIT AFTER TAX (PAT)

(RM'000)



SHAREHOLDER'S EQUITY

(RM'000)

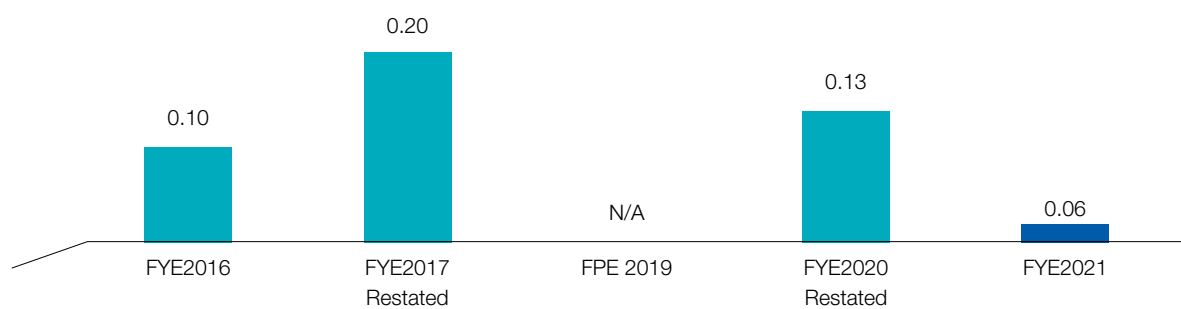


FINANCIAL HIGHLIGHTS

(CONT'D)

GEARING RATIO

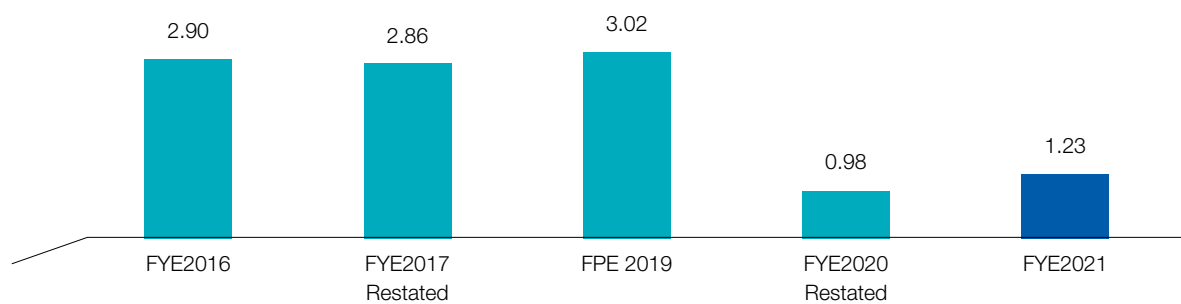
(times)



* The net borrowing position is nil in FPE 2019

CURRENT RATIO

(times)



BOARD OF DIRECTORS

YAM Tengku Baderul Zaman Ibni Sultan Mahmud

Independent Non-Executive Chairman

Aged 47, 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 47, Malaysian, Male

Sunildeep Singh Dhaliwal was appointed to the Board on 30 July 2018 as Group Managing Director. He holds a Bachelor of Laws from University of Wales in Swansea, United Kingdom.

In 2008, Borneo Seaoffshore Sdn Bhd was founded by Sunil and two other shareholders with the vision of becoming an integrated Oil & Gas Service provider. He drove the business commencing with the provision of offshore support vessels in 2010, and the company grew rapidly reaching a turnover of approximately RM100 million in 2014. Having invested in the provision of offshore maintenance services via Borneo Seaoffshore Engineering Sdn Bhd, he successfully established the Seaoffshore Group's reputation for the strong drive and attention to detail. Thus, Borneo Seaoffshore Engineering Sdn Bhd managed to secure contracts up to a value of RM200 million in 2018.

Following the Seaoffshore Group's success in Borneo, Sunil ventured into business in Peninsular Malaysia and set up Seaoffshore Engineering Sdn Bhd for a wider reach in the region. In 2016, Seaoffshore Engineering introduced Non-OEM Maintenance of Gas Turbines to Petronas as a means of cost reduction with reliable partners.

In 2018, he saw Handal's immense potential and started to invest in Handal shares via Borneo Seaoffshore Sdn Bhd which emerged as a substantial shareholder in July 2018. He was subsequently invited to join the Board as Group Managing Director in 2018.

Sunil has previously proved himself in corporate reengineering when he was appointed as the ED/COO of a Government Linked Company which he successfully turned around to yield sustainable positive returns to its shareholders within two years at its helm.

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

(CONT'D)

Terry Biusing

Executive Director

Aged 54, Malaysian, Male

Terry Biusing was initially appointed to the Board on 15 August 2018 as an Independent Non-Executive Director and subsequently, on 1 January 2020, redesignated as Executive Director and Group Chief Operating Officer.

He holds a Bachelor of Engineering in Electrical / Electronic Engineering from University of Wisconsin – Madison USA.

He possesses over 29 years of experience in business and operations management in the oil & gas sector, through various senior leadership assignments during his stints with notable industry players, namely Royal Dutch Shell and Petronas Carigali Sdn Bhd. He was also attached with Cenviro Special Builders, an integrated environmental solutions provider, heading its project management and operational excellence division.

Prior to his appointment as Executive Director and Group Chief Operating Officer, he was attached with Wood Group Mustang, a part of Wood Plc, a multinational energy services company which is listed on the London Stock Exchange, where he headed the project and operations management division for one of their major clients in Malaysia.

YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz

Executive Director

Aged 46, 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 Seaoftshore 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.

BOARD OF DIRECTORS

(CONT'D)

Mallek Rizal Bin Mohsin

Non-Independent Non-Executive Director

Aged 55, Malaysian, Male

Encik Mallek Rizal bin Mohsin was re-designated as Non-Executive Director on 1 March 2020. Previously, he was appointed to the Board on 7 May 2009 as Group Chief Executive Officer and redesignated as Executive Vice Chairman on 30 July 2018.

He holds a Bachelor of Management Studies Degree from the University of Waikato, New Zealand. Besides, he is also a member of the Malaysian Institute of Accountants (MIA) and the Institute of Chartered Accountants New Zealand (ICANZ).

His past experience includes being an auditor with PricewaterhouseCoopers (formerly known as Price Waterhouse), Assistant Manager of Corporate Finance at Amanah Merchant Bank Berhad, Corporate Services Manager for MTD ACPI Engineering Berhad (formerly known as ACP Industries Berhad), Special Assistant Corporate Finance of the President's Office for Malaysian Resources Corporation Berhad and Chief Financial Officer for Putera Capital Berhad.

During his tenure as Executive Director of Handal since 2009, Handal was elevated from an agent to a full-fledged Original Equipment Manufacturer (OEM). He was also instrumental in turning Handal from a private company into a public listed company.

Dato' Mohammad Medan Abdullah

Independent Non-Executive Director

Aged 63, 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

(CONT'D)

Datuk Mary @ Mariati Robert

Independent Non-Executive Director

Aged 64, 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 66, 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

(CONT'D)

**Jacqueline Fong
Yean Yee**

Independent Non-Executive Director

Aged 45, 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

Feisol Sobeng

Executive Vice President
Group Supply Chain Management
Handal Energy Berhad

Aged 55, Malaysian, Male

Feisol joined Handal Energy Berhad in November 2020 as an Executive Vice President for Group Supply Chain Management. He is accountable for logistics and warehousing, procurement of materials and third party services.

He graduated from the University of Miami with a degree in Industrial Engineering. After a short stint with the financial services sector, Feisol has been in the Oil and Gas industry with Shell in Malaysia and the United Kingdom over his career, primarily within Supply Chain Management.

He worked in many different Supply Chain roles, including those with regional responsibilities supporting multi-country operations. His last role with Shell Malaysia Exploration & Production (SMEP) was as the Production Procurement Manager, responsible for leading a team of 25 staff in the provision of Contracting and Procurement services to support Shell Malaysia Production Assets, and accountable for a contract annual spend of approximately US\$500 million.

Khairil Amir Mohd Dewan

Financial Controller
Handal Energy Berhad

Aged 45, Malaysian, Male

Khairil joined Handal Energy Berhad in November 2020 as Financial Controller and he is accountable for Group Accounting, Management Reporting, Group Treasury and Tax.

He graduated from University of Dundee, Scotland, United Kingdom with a Bachelor's in Accounting. Khairil is also a qualified and certified professional under the Association of Chartered Certified Accountants (ACCA).

Prior to joining Handal, Khairil has over 19 years of experience in audit and financial management and 10 years in senior management positions. He has worked with a wide range of companies including a listed company under Bursa Malaysia, private equity backed company, foreign joint ventures, offshore companies and others. Khairil has been involved in various stages of business and corporate exercises from turnarounds, growth, pre and post IPO and debt restructuring exercises.

Sang Yew Chong

General Manager, East Malaysia Operations
and Maintenance
Borneo Seaoffshore Engineering Sdn Bhd

Aged 50, Malaysian, Male

Sang joined Borneo Seaoffshore Engineering in January 2017, and he is tasked to lead riser maintenance and pipeline isolations contracts in our East Malaysia 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 Pipelines 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 contract 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.

PROFILE OF KEY MANAGEMENT

(CONT'D)

Julius MyatGeneral Manager, Cranes Manufacturing
and O&M Support

Handal Cranes Sdn Bhd

Aged 54, Malaysian, Male

Julius joined Handal Cranes in September 2020 as General Manager for cranes manufacturing and O&M support and his scope includes managing cranes construction and repair, acting as cranes subject matter expert, supporting GM O&M East Malaysia and onshore activity planning.

He holds a certificate in mechanical engineering from Sydney Technical College.

Julius began his career in Favelle Favco Cranes Australia/Malaysia as a Service Engineer in 1988 and was heavily involved with cranes manufacturing from hook up and commissioning, functional testing and load testing, SLI calibration Installation at client locations and SOW preparation for major overhauls, parts and manpower estimation. He was also a Crane Specialist for 9 years when he first joined Handal Cranes in 2000. He then left Handal Cranes and joined another company as a Senior Service Engineer and Senior Lifting Specialist before he re-joined Handal Cranes in 2020.

Aazri Bin ShamsuddinGeneral Manager, West Malaysia Operations
and Maintenance

Handal Cranes Sdn Bhd

Aged 42, Malaysian, Male

Aazri holds a Bachelor of Electrical and Electronic Engineering degree from University of Tenaga Nasional (UNITEN), Malaysia.

Aazri began his career in Handal in 2002 as a Service Engineer specifically for PETRONAS Carigali - Peninsular Malaysia Operations ("PCSB-PMO") Integrated Cranes Maintenance, Repair & Operation Contract.

In 2004, Aazri was appointed as the Project Manager for Cranes Maintenance, Operation & Service Contract for various clients including PCSB-PMO, Talisman Energy, Lundin Petroleum, International Petroleum Corporation, Petrofac, Repsol, Hess, CPOC, CarigaliHess and Sapura.

Over the years, Aazri progressed steadily in the corporate ladder. He was promoted to Assistant Operation Manager in 2006, Senior Operation Manager in 2014 and Assistant General Manager in 2016. In 2020, Aazri was promoted to be the General Manager for Cranes Operations & Maintenance of Handal Cranes.

Due to his commendable performance in the Group, Aazri has directly contributed to several awards and honours that Handal has garnered throughout the years:

- Bronze Award by PCSB-PMO in recognition of excellent HSE performance for FY2004/2005
- Bright Star Award by Talisman Energy presented during Talisman Contractors CEO's HSE Forum in 2013
- Gold Class 2 Award for Very Good OSH Performance by Malaysian Society for Occupational Safety and Health (MSOSH) for year 2017

PROFILE OF KEY MANAGEMENT

(CONT'D)

Melvin Khoo Chze How

Group Commercial Manager,
Handal Energy Berhad

Aged 37, Malaysian, Male

Melvin joined Borneo Seaoffshore Engineering in April 2016 as Project Control Engineer and was promoted to Commercial Manager in December 2018. He is primarily responsible for tender proposals and he ensures accurate and timely reporting of existing contract financial reports.

He graduated from University of Technology, Perth, Australia with a degree in Chemical Engineering.

He began his career at Global Industries International as a field engineer and was posted overseas for several upstream installation projects. He had the opportunities to work in large upstream construction projects with various clients such as Chevron Offshore Thailand Limited, Saudi Aramco, Petronas Carigali Sdn Bhd and Sabah Shell Petroleum Company.

Prior to joining Handal, he has accumulated more than 15 years of working experience in oil and gas sector.

Mazliza Mazlan

Group Manager
Tender & Contracts Management
Handal Energy Berhad

Aged 41, 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 her career 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.

Rachel Chin

Vice President, Legal
Handal Energy Berhad

Aged 29, Malaysian, Female

Rachel Chin joined Handal in March 2021 and is currently overseeing the legal, compliance and risk management functions of the Handal Group. She also supports the various internal functions of the Group by devising internal policies for the Group, monitoring compliance of the same as well as collaborating with the board of directors to devise trial tactics and defenses in the Group.

Rachel holds a Bachelor of Law (LLB) from the University of Bristol in the United Kingdom and was admitted to the Malaysian Bar as an Advocate & Solicitor in 2017. Rachel is professionally qualified to practise law in Malaysia and began her career as a legal executive in Wong & Partners, a member firm of Baker McKenzie.

Thereafter, she spent several years in private practice in some of the largest law firms in Malaysia including Zaid Ibrahim & Co., Raja Darryl & Loh and Shook Lin & Bok prior to joining Handal.

During her years in practice, she focused on a broad spectrum of corporate and commercial transactions, including corporate conveyancing, debt restructuring, asset sale, mergers and acquisition and general advisory on commercial and company law related matters.

Save as disclosed above

- *None of the Key Management has any family relationship with any director and/or major shareholder of the Company.*
- *None of the Key Management has any conflict of interest with the Company.*
- *None of the Key Management 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.*

CHAIRMAN'S
STATEMENT



A Promise
to **Deliver**

Dear Shareholders,

On behalf of the Board of Directors of Handal Energy Berhad (“**Handal**” or the “**Company**”) and its subsidiaries (the “**Group**”), I am pleased to present Handal’s annual report and audited financial statements for the financial year ended 30 June 2021 (“**FYE2021**”).

CHAIRMAN'S STATEMENT

(CONT'D)

First and foremost, I am extremely pleased to say that Handal has returned to the black for the FYE2021 for the first time since FYE 31 December 2016, recording a net profit of RM2.7 million against a net loss of RM23.7 million in FYE2020. This turnaround can be attributed to the strategies that we have effected since end-2018 to improve our bottom line. This turnaround has taken somewhat longer than originally anticipated due to the COVID-19 pandemic, which impacted our business and requiring additional measures in order to meet our objectives.

Despite the ongoing pandemic and the challenges from the ever-changing rules imposed by the federal government and the rules of the oil & gas producing states, we remained steadfast in our resolve to continue improving our profitability. Our continuous efforts to improve our operations and diversify our businesses finally bore fruit as we had several new contract wins during this financial year. In addition, we had existing contracts renewed which shows the continued trust that we have been given by our business partners.

The Company continued with its diversification strategy with the acquisition of 100% interests in Gotools Sdn Bhd (formerly known as Borneo Seaoffshore Resources Sdn Bhd).

The Group's revenue decreased by RM25.4 million or 25.6% from RM99.2 million to RM73.8 million in FYE2021. The lower revenue was due to lower activities from the crane rental services and pipeline isolation sectors, attributed to the deferment in our customers' offshore activities. Despite the lower revenue in the current financial year, the Group still managed to record a profit after tax (before minority interest) of RM2.7 million as compared to loss after tax (before minority interest) of RM23.7 million in FYE2020.

The Group's increased operational efficiency ensured that we were able to turnaround this year despite our weaker revenue as the Group's administrative and other operating expenses decreased by RM21.3 million or 43.8% from RM48.6 million in the corresponding period to RM27.3 million in the current year. Also, the Group received income from the shortfall of profit guarantee upon the acquisition of Borneo Seaoffshore Engineering Sdn Bhd amounting to RM2.8 million.

PROVIDING TECHNICAL OPPORTUNITIES

As part of its CSR programme, Handal initiated a technical development programme for Sabahans together with two state agencies, namely Jabatan Perkhidmatan Awam Negeri Sabah (JPAN) and Jabatan Pembangunan Sumber Manusia Sabah (JPSM). This was conceptualised by Handal's management when they realised that there was a shortage of qualified and competent offshore crane operators and technicians in its home state, Sabah.

CHAIRMAN'S STATEMENT

(CONT'D)



This programme in crane operations and maintenance will provide training facilities and instructors at Handal's operating facility in Kemaman, Terengganu over a nine-month period. JPAN/JPSM will pay for travel and accommodation cost including monthly living allowances to the participants.

Joint interviews to select a diverse group of candidates from all over Sabah has been concluded and a memorandum of understanding (MOU) is expected to be signed between the parties very soon. This pioneer capability and competency development programme is expected to commence in January 2022.

Moving forward, Handal is also planning to expand this programme to cover other technical skill sets including pipeline operations and maintenance, gas turbine / diesel engine maintenance repair and overhaul.

LOOKING AHEAD

Early in our current financial year, we have witnessed a downturn in the oil and gas and sector that was not seen for over a decade. Although the oil and gas sector is used to the highs and lows of economic and price cycles, having seen three price collapses in 12 years, this downturn as a result of the pandemic seemed unlike any other.

We are content with our performance as we have proved resilient and able to survive the pandemic, but now we must look forward on how to further improve the Company. We believe in the long-term, we must adapt to the evolving new normal while safeguarding our financial sustainability. That is why we are now leveraging a more digitally connected enterprise, both across our field operations and corporate functions.

Whilst there is still significant uncertainty over the COVID-19 pandemic with the emergence of new variants such as the Delta variant, the strong rally in oil prices beginning from the second half of FYE2021 coupled with the Federal Government's drive to accelerate vaccination levels are expected to result in a boost in oil and gas activities which should benefit us. We still feel that there is an immense backlog from deferred contracts due to the pandemic and once the pandemic has subsided, we are confident that our fortunes will also improve significantly.

Our current orderbook has received a very encouraging boost in FYE2021 from numerous contract wins and extensions recently. This will ensure that we remain cushioned from the challenging global environment. Some of the contracts that we recently won or received extension are from notable oil and gas companies such as Petronas Carigali, ExxonMobil, Malaysia LNG, Sea Hibiscus and Tanjung Offshore. We are also on the continued lookout for more jobs domestically and overseas as we anticipate increasing demand for oil and gas activities in the future as the economy continues to recover.



CHAIRMAN'S STATEMENT

(CONT'D)

Recently in June 2021, we won a contract from PTSC Production Services, a subsidiary company of PetroVietnam Technical Services Corporation ("PTSC") for the provision of management and supervision of all services for the operation and maintenance of FSO Orkid for Malaysia Vietnam Offshore Terminal Ltd (MVOT) at PM-3 CAA block. This is pursuant with our aspirations to venture into larger markets.

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

APPRECIATION

I would like to welcome Datuk Mariati Robert to her new position as an Independent and Non-Executive Director. She brings with her a wealth of experience and an illustrious career, notably being appointed as State Attorney General for Sabah until her retirement. We continue to work towards achieving full compliance with the updated Malaysian Code of Corporate Governance which was issued by the Securities Commission Malaysia on 28 April 2021.

I would also like to thank all our stakeholders, including Handal's shareholders for your unwavering support, partners and business associates for their continued confidence in Handal, as well as our employees and the management team for being steadfast and commitment in facing the challenges.

We emerged from a difficult year with an even greater appreciation for what our stakeholders expect and how we can lead the sector through disciplined capital allocation and strong financial performance. But as importantly, in the face of many personal, societal and economic challenges, we remained resilient. The Board is optimistic of the Group's future. We acknowledge the long journey ahead of us but with our tenacity and the support of our shareholders, we are confident that Handal shall emerge as a major energy player to be reckoned with.

We promise to deliver and deliver we shall.

YAM Tengku 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 pipeline engineering services to the oil and gas industry in Malaysia. In FYE2021, the Group operated from 6 operational bases and offices in Peninsular Malaysia, Sabah, Sarawak and Labuan. The Group recently opened a new office in Kota Kinabalu as part of its expansion plan in East Malaysia.

Pipeline maintenance services is our largest business segment contributing approximately 43% to the Group's revenue in FYE2021, followed by our integrated crane services and fabrication of cranes which contributed approximately 42% to the Group's FYE2021 revenue. We expect these two segments to continue providing most of our revenue. Despite that, we continue to explore other business segments as part of our strategic growth plan.

The COVID-19 pandemic continued to exacerbate in FYE2021, resulting in two additional Movement Control Order (MCO) periods this year. However, our financial performance for the year improved drastically compared to the previous year despite the uncertainties faced by the oil and gas industry due to weak demand caused by global lockdowns and movement restrictions, excess capacity, and a fragile outlook for oil prices. We were able to finally turnaround in FYE2021 after 5 consecutive years of losses.

The Group's leadership and prudent strategies to review and improve the overall management of both business segments operations to be more cost efficient has increased the Group's operational efficiency and competitiveness despite the tougher economic environment in the current financial year. In addition, earlier strategies such growth via acquisitions helped the Group to achieve its turnaround this year.

- **Pipeline Maintenance Services**

The revenue of this business segment decreased by RM19.0 million or 37% from RM50.8 million in FYE2020. The decrease was mainly due to lower piping isolation work and riser section replacement work. The gross profit reported for the current period is RM15.5 million and the profit after tax is RM5.1 million.

This business segment suffered an unexpected setback from its forecasted performance for FYE2021 as a result of the ongoing pandemic resulting in two additional MCO periods. As oil and gas activities were sluggish due to a prolonged period of uncertainty, some of our clients have remained prudent in their spending. However, we foresee that spending for major oil and gas players in the country will resume beginning in the next financial year.

Despite that, Handal managed to secure a new contract during the financial year, which is expected to boost the top line for this segment for FYE2022.

- Contract from Malaysia LNG Sdn Bhd ("MLNG") for the provision of pipeline isolation services for a duration of 14 months with a one (1) year extension option;
- Extension of Contract from Petronas Carigali Sdn Bhd ("PCSB") for the provision of engineering, procurement, fabrication, installation, commissioning, inspection and maintenances works for Pig Trap System for a duration of one (1) year effective from 23rd July 2021 until 22nd July 2022; and
- Contract from PTTEP HK Offshore Ltd and/or PTTEP Sabah Oil Ltd and/ or PTTEP Sarawak Oil Ltd ("PTTEP") for the provision of 2021 Sarawak (SK) turnaround management and coordination services for duration of one (1) year
- Contract from ExxonMobil Exploration & Production Malaysia Inc ("ExxonMobil") for the provision of pipeline isolation services to ExxonMobil operated platforms for a duration of five (5) years with a one (1) year extension option;

- **Integrated Crane Services and Fabrication of Cranes**

The Group provides integrated crane services through its wholly owned subsidiary, Handal Cranes Sdn Bhd ("**Handal Cranes**"), with its principal activities consisting of fabrication, 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 API 2C-monogrammed cranes. Handal Cranes has two API 2C accredited fabrication yards in Terengganu, Malaysia.

MANAGEMENT DISCUSSION & ANALYSIS

(CONT'D)



In FYE2021, Handal continued to expand its order book by securing several new contracts as follows:

- a) Contract from MDC Oil & Gas (SK320) Ltd, a unit of Mubadala Petroleum ("Mubadala") for the provision of offshore pedestal cranes maintenance services and spare parts to Mubadala for a duration of four (4) years;
- b) Contract from EnQuest Petroleum Production Malaysia Ltd ("EnQuest") for the provision of offshore cranes operator services to EnQuest for a duration of three (3) years with a one (1) year extension option;
- c) Contract from Carigali Hess Operating Company Sdn Bhd ("CarigaliHess") for the provision of offshore pedestal crane inspection and maintenance services to Carigali Hess for a duration of three (3) years with a two (2) year extension option;
- d) Contract from ExxonMobil Exploration and Production Malaysia Inc. for the provision of crane operation and maintenance services for a duration of five (5) years effective from 15th June 2021 until 14th June 2026

These contract wins will improve Handal's financial performance in the next 5 years. The revenue of this business segment has increased by RM2.1 million or 7% from RM29.2 million to RM31.3 million in FYE2021. The increase was mainly as a result of the higher contribution from the crane manufacturing and crane rental activities. The gross profit reported for the current period is RM10.5 million and loss after tax is RM2.8 million.

As Handal Cranes continues to strengthen its geographical footprint in Sabah and Sarawak, the company is currently active in exploring business opportunities within the Southeast Asian region as well as other parts of the world.

• Other segments

The Group's other segments include trading and project services; workover projects lifting solutions; manpower services; supply, fabrication and servicing industrial equipment and tank systems; consultants in engineering project support services; and research and development in advance composite material.

There was an income from shortfall of profit guarantee amounting to RM2.8 million included as other income in the investment holding company and income from other businesses. In FYE2021, other segments recorded gross profit of RM1.6 million and profit after tax of RM0.47 million.

MANAGEMENT DISCUSSION & ANALYSIS

(CONT'D)

FINANCIAL REVIEW

The Group recorded revenues of RM73.8 million in FYE2021 compared to RM99.2 million in FYE2020, representing a 25.6% decrease on an annualised basis. The decrease was mainly due to lower contributions from certain business segments as a result of deferment of client activities.

Despite the lower revenue compared to the preceding year, the Group posted a gross profit of RM27.6 million in FYE 2021 compared to RM23.5 million in FYE2020, which is a 17.4% increase on an annualised basis. This is due to the lower cost of goods and services that the Group incurred this year due to increased operational efficiency.

The Group's bottom line of RM2.0 million profit before tax in FYE2021 compared to the previous loss before tax of RM24.2 million in FYE2020 is due to improved operational efficiency, lower administrative costs and an additional income from shortfall of profit guarantee. The Group recorded a basic earnings per share of 0.10 sen in FYE2021 compared to a basic loss per share of 10.9 sen in FYE2020.

The Group maintained healthy financial position in FYE2021 with shareholder's equity of RM81.7 million and total assets of RM134.6 million. Total borrowings decreased to RM17.5 million in FYE2021 compared to RM29.9 million in FYE2020.

Trade and other receivables increased to RM30.1 million compared to RM21.4 million in FYE2020. Trade and other payables also increased to RM31.3million in FYE2021 compared to RM24.2 million in FYE2020.

FYE2021 Financial Snapshot



RM134.6M
Total Assets



RM52.8M
Total Liabilities



RM81.7M
Total Equity



RM13.8 M
Cash & Bank
Balances



0.06x
Net Gearing



0.13x
Debt to Asset
Ratio



1.23x
Current Ratio



RM0.36
Net Asset Per
Share

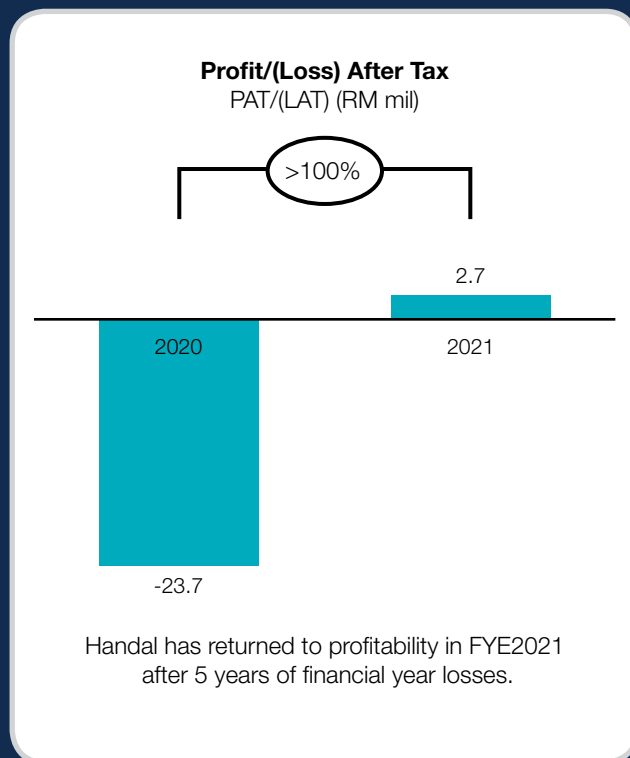
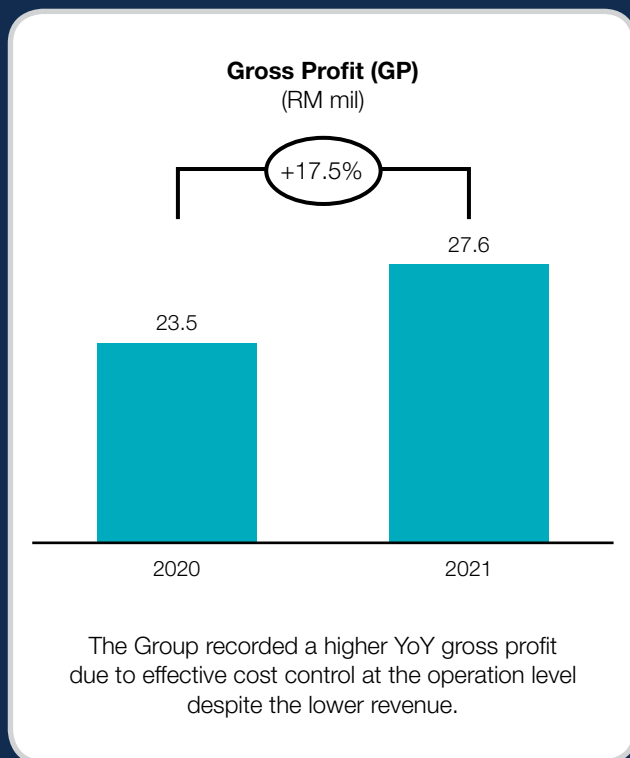


0.59x
Price to Book
Ratio

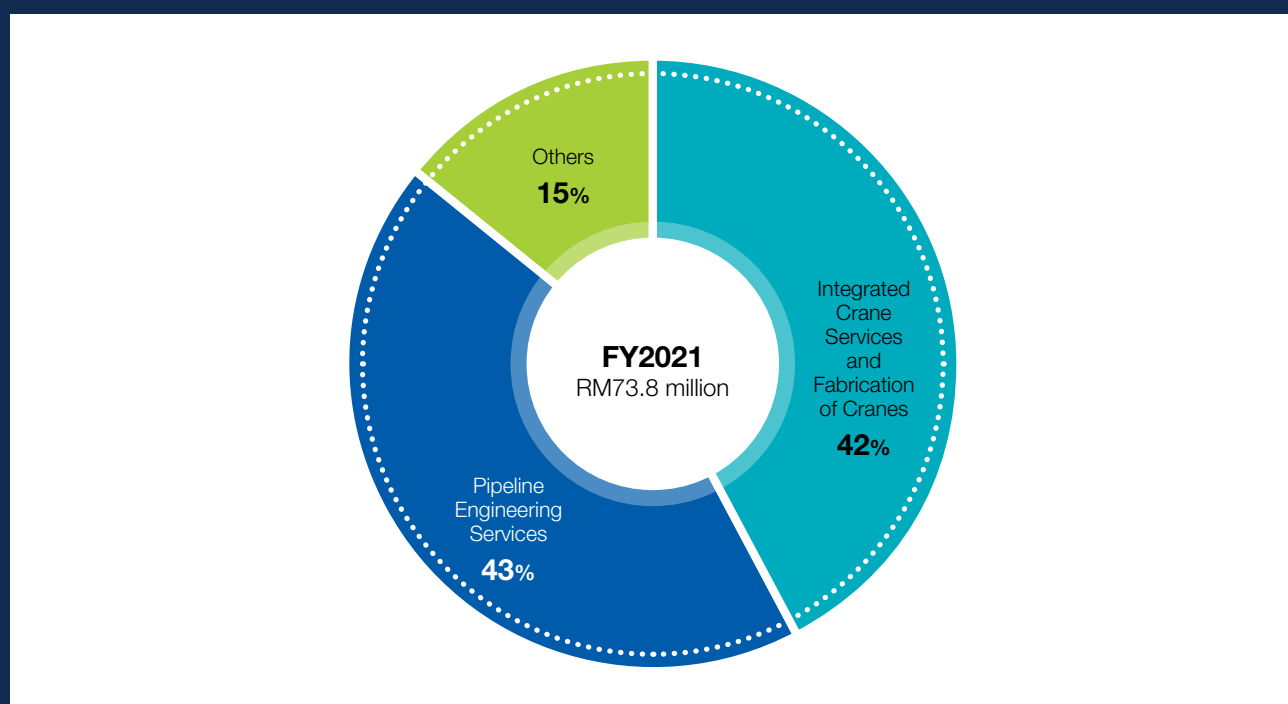
MANAGEMENT DISCUSSION & ANALYSIS

(CONT'D)

FYE2021 Yearly Performance



FYE2021 Revenue Segmentation



MANAGEMENT DISCUSSION & ANALYSIS

(CONT'D)

MANAGING OUR RISKS

While the Group's trade receivables and payables are primarily transacted in MYR, we may from time to time conduct business in other currencies such as USD, EUR, AUD and SGD to cater to requirements of customers or local businesses. As our volume of transactions to these foreign currencies are not significant, their potential fluctuations are not expected to pose significant risks of translation losses.

OUTLOOK

The technical challenges inherent in our business, commodity price volatility and the need to be able to react to future risks and opportunities mean that we have an emphasis on maintaining a liquidity reserve, maintaining strong governance and controls and effectively managing operational and technical risks.

The Group's focus for 2022 is improving our profitability and margins as well as continuing to explore new business opportunities that can create financial value to the Company. With continuous support from our shareholders and stakeholders, the Group will continue to pursue operational excellence initiatives to further improve overall cost efficiency and effectiveness of its business operations, including developing local talents to lead highly dynamic and diverse teams.

Orderbook growth also remains a key focus for the Group, as demonstrated by our recent successes in 2021 despite the challenging global environment. To improve its competitiveness in the market while yielding better margin, the Group will focus on continuous improvement to its tender and bidding strategy. The Group order book stood at RM 1.0 billion as at October 2021.

Exploring new markets is also on the Group's agenda in the near term either via direct involvement, partnerships, or acquisitions. The Group has set its eyes on Southeast Asian market as the immediate target as well as the Americas where an outpost, originally meant for cost optimisation reasons, had been set up. Whilst 2021 will continue to present us with challenges, we take confidence from our strengthening financial position and the dedication and skills of our men and women that will be key to the continuing success of our company.



SUSTAINABILITY REPORT

ABOUT THIS REPORT (GRI 102-1)

This is the 6th Sustainability Report by Handal Energy Berhad ("Handal" or "the Group") to highlight the progress of our agenda and present our performance in corporate sustainability for Financial Year 2021 ("FY2021").

In the previous reporting period, we had outlined a clear progression for our sustainability reporting which would increasingly align our efforts to the requirements of domestic and international standards. These standards include the Bursa Malaysia Sustainability Reporting Framework incorporating the FTSE4Good Bursa Malaysia ("F4GBM") indicators and Global Reporting Initiative ("GRI").

However, the Covid-19 pandemic and its repercussions on business and social activities have set back and delayed the implementation of our corporate sustainability plans. During this time, we were compelled to focus on many pressing concerns afflicting the Group and specifically the oil & gas industry we are in.

Nevertheless, we have expanded and extended the depth of our disclosures which now represents a foundation for sustainability reporting for the financial years ahead.

Reporting Period and Cycle (GRI 102-50, 102-51, 102-52)

This edition covers the 12-month period from 1 July 2020 to 30 June 2021 in tandem with Handal's financial year as mandated by Bursa Malaysia's Main Market Listing Requirements ("MMLR").

Scale and Scope of Reporting (GRI 102-46)

The report charts the progress of our sustainability journey as set out by our Sustainability Roadmap developed in the previous reporting period and reviews our performance on selected GRI and F4GBM indicators.

The assessment only takes into account operations in Malaysia and excludes any activities carried out beyond our national borders. Apart from Handal, the reporting includes the following subsidiaries:

- o Handal Cranes Sdn Bhd;
- o Handal Digital Sdn Bhd (formerly known as Gotools Solutions Sdn Bhd);
- o Handal Floaters Sdn Bhd;
- o Handal Engineering Sdn Bhd;
- o Handal Energy Solutions Sdn Bhd;
- o Borneo Seaoffshore Engineering Sdn Bhd;
- o Handal Operation Maintenance Engineering Sdn Bhd;
- o Handal Oceans Asset Sdn Bhd;
- o Calm Oceans Sdn Bhd;
- o Gotools Sdn Bhd; and
- o Handal Energy LLC.

Reference & Guidelines (GRI 102-54)

We have based our reporting on the Bursa Malaysia Sustainability Reporting Framework incorporating F4GBM and the GRI Standards Sustainability Reporting Guidelines as much as we can. Where relevant, we have included the respective GRI and generic F4GBM indicator below the subject matter reported on.

Feedback (GRI 102-53)

Handal welcomes any and all comments and feedback on our sustainability performance and reporting. We understand that external input has the potential to guide us towards improvements on our sustainability performance. Please direct any enquiries or comments to:

Mr Sunildeep Singh Dhaliwal **Group Managing Director**

Email: sunildeep@handalenergy.com

Handal Energy Berhad

C-29-08, KL Trillion, 338 Jalan Tun Razak, 50400 Kuala Lumpur.

(Mark STRICTLY CONFIDENTIAL & TO BE OPENED BY ADDRESSEE ONLY)

DRIVING SUSTAINABILITY **IN A PANDEMIC AGE**

MESSAGE BY THE GROUP MANAGING DIRECTOR
(GRI 102-14)

By now, we have all felt the debilitating effects of a pandemic that has cut a wide swathe through lives and livelihoods, businesses and industries, and economies and nations.

Although we are now beginning to see the light at the end of the tunnel, the prolonged scourge of Covid-19 has left an indelible mark on every aspect of our personal, professional and corporate lives.

At Handal, this global crisis has dashed many of our carefully laid-out plans and programmes as we grappled with the viability of an industry dependent on volatile oil prices during much of our financial year.

Instead of focusing on execution and implementation, we were instead compelled to reset targets, recalibrate milestones and reconfigure our approach.

Such actions applied to our business aspirations as they did to our corporate sustainability ambitions. In the case of the latter, we had drawn up concrete and comprehensive plans to holistically drive sustainability across our business operations and corporate activities.

Unfortunately, we were naturally preoccupied with the sustainability of our business, without which every other agenda or initiative would not be possible. This being the case, we effectively deferred many of our objectives and intentions outlined in the previous Sustainability Report.

Nevertheless, we had managed to put in place a Sustainability Roadmap charting the way forward and set in motion some of the foundational tasks necessary to achieve progress.

In line with this, let me reaffirm Handal's commitment towards corporate sustainability based on the understanding that such practices and considerations are the very factors capable of building a robust business and resilient corporate landscape.

Accordingly, this report includes disclosures required and recommended under the Bursa Malaysia Sustainability Framework incorporating the FTSE4Good Bursa Malaysia ("F4GBM") and Global Reporting Initiative ("GRI").

The report also presents the many initiatives designed to mitigate the impact of the pandemic including what we consider as Covid 19-proof measures to continue operating as an essential business.

With the pandemic threat progressively easing towards the end of 2021, Handal is resolved to turn our attention towards achieving the various steps outlined by the Roadmap.

Barring any further disruptions and distractions, we are confident of gaining ground in our sustainability journey during the new financial year.

Mr Sunildeep Singh Dhaliwal,
Group Managing Director

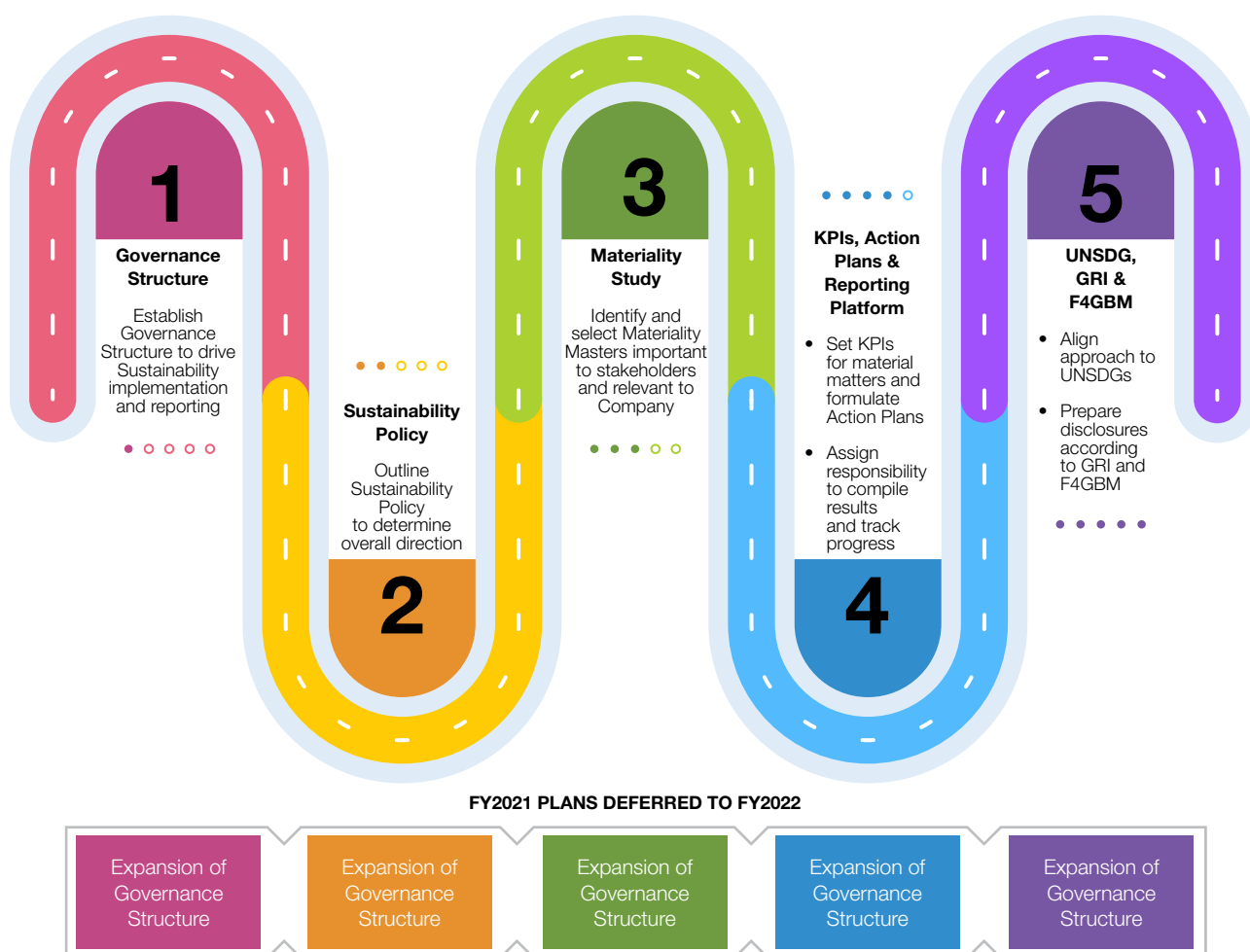
DEVELOPING THE BUILDING BLOCKS

SUSTAINABILITY ROADMAP

(GRI 102-14)

Handal's corporate sustainability efforts under the previous management team can only be described as haphazard and piecemeal. As this approach lacked structure and direction, the current management developed a Sustainability Roadmap in FY2021 to holistically integrate sustainability measures and considerations across the Group.

The Roadmap consists of five steps, each of which is intended to systematically and incrementally embed sustainability practices into every aspect of our business operations and corporate activities while also cultivating a strong sustainability culture within the Group.



Following the creation of the Roadmap, the FY2021 tasks were to:

- o expand an existing Governance Structure;
- o craft a new Sustainability Policy;
- o conduct an inclusive Materiality Study;
- o outline key performance indicators (“KPI”), Action Plans and assign responsibility; and
- o align our sustainability performance to the United Nations Sustainable Development Goals (“UNSDG”) and extend disclosures recommended under the FTSE4Good Bursa Malaysia (“F4GBM”) standards apart from indicators prescribed by the Global Reporting Initiative (“GRI”).

However, the escalating impact of the pandemic prevented us from gaining much traction with the plans hatched and spelt out in FY2021. The Group's focus was regrettably hijacked by more pressing concerns such as business survivability even as extended period of restrictions posed logistical hurdles to implementing the tasks outlined in the Roadmap.

As a result, we had little wiggle room except to defer these tasks to the new financial year (FY2022). With the gradual ebbing of the pandemic in Malaysia from September 2021, we are confident of progressing along the path set out by the Roadmap.

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

GOVERNANCE STRUCTURE

(GRI 102-18, 102-20, 102-22, 102-23, 102-24, 102-26)

A Governance Structure lays out a chain of command for the task of driving and overseeing the development, implementation and reporting of corporate sustainability. Ideally, it should be a 'living' framework that evolves over time in order to galvanise sustainability practices company-wide.

The Group has an existing Business Sustainability Governance Framework and this has been leveraged on as the default structure to plan and implement corporate sustainability initiatives and activities.

Under this three-tiered framework, the Board of Directors ("the Board") assumes oversight responsibilities over a Sustainability Committee whose Chairman is accountable for goals and targets and committee members for implementation.

During FY2021, we improved and expanded on this framework by adding additional layers that were also modular to enable easy adoption by all business divisions, subsidiary companies and departments.



Under the proposed Governance Structure, a Chief Sustainability Officer ("CSO") would be the primary driver of corporate sustainability within the company. It is advisable for this position to be filled by senior management personnel with a portfolio that straddles all business units and departments such as a Chief Operating Officer ("COO") or Chief Financial Officer ("CFO").

The CSO would either report to the Managing Director or directly to the Board and would lead a Sustainability Committee ("SC") comprising all heads of subsidiaries, divisions and departments.

Given the roadblocks faced during a pandemic financial year, we held off on adopting the proposed Governance Structure for Sustainability during the reporting period. However, we expect this will come into effect in FY2022.

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

SUSTAINABILITY POLICY (GRI 102-29)

A Sustainability Policy outlines a company's commitment to corporate sustainability and lays out the overall direction of our conduct and performance as a services provider for the energy industry.

In FY2019, we set out on a path towards crafting such a Policy by introducing five initiatives as a foundational basis of corporate sustainability at Handal. These were:

- o Business Sustainability and Operational Efficiency;
- o Workplace Health, Safety and the Environment;
- o Employee Engagement and Development;
- o Stakeholder Relations; and
- o Community Development and Charitable Contributions.

The proposed but yet-to-be developed Policy would also reflect the Group's Vision, Mission and Business Objectives as well as concerns of our stakeholders following the emergence of Covid-19.



Such issues were intended to form a framework for Handal's Sustainability Policy, but again this process could not be completed during the financial year in review due to reasons already outlined earlier in this report.

We expect to finalise our Sustainability Policy and present to the Board for endorsement in FY 2022.

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

MATERIALITY MATTERS

(GRI 102-21, 102-29, 102-30, 102-31, 102-33, 102.34)

In corporate sustainability, Materiality Matters are essentially the needs and concerns of stakeholders on the impact that a company's operations and activities have on the economic, environmental and social dimensions.

As the list of Materiality Matters can be extensive, it is advisable for companies to shortlist a manageable number of Most Material Matters, which they can then focus attention and resources on in order to maximise the benefits or minimise any adverse effects.

In 2015, we selected five key initiatives as the foundational blocks at the outset of our sustainability journey as mentioned earlier and as featured in the infographic on this page. Since then, these five initiatives have effectively been Handal's Most Material Matters with priority and planning channelled towards addressing their respective risks, issues or shortcomings over the past few years.



We had intended to carry out a Materiality Study in FY2021 based on requirements and recommendations set out under the Bursa Malaysia Sustainability Reporting Framework. Here again, we opted to defer the process given that the Group and its stakeholders were mostly consumed by pandemic concerns throughout much of the financial year.

Nevertheless, we expect to roll out this exercise in FY2022 and it will involve a Materiality Survey of all our stakeholders followed by analysis of the results to select between five and 10 Most Material Matters. Refer to the Section titled "FTSE4Good Bursa Malaysia" later in this report for the full list of Materiality Matters.

The survey will be conducted in two batches. One will cover members of the Board to represent the interests of the company while the concurrent survey will seek the perspective of various stakeholder groups from shareholders, partner and associates to employees, vendors, authorities and the community.

Subsequent to their selection, we will then set key performance indicators ("KPI") for each Most Material Matter along with the necessary Action Plans to meet those KPIs and assign responsibility to track progress to subsidiary companies, business divisions, departments or even individuals.

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

PERFORMANCE OF PROVISIONAL MOST MATERIAL MATTERS

(GRI 102-21, 102-29, 102-30, 102-31, 102-33, 102.34)

This section presents Handal's plans and actions with respect to our five key initiatives, otherwise referred to as Most Material Matters.

- **Business Sustainability and Operational Efficiency**

Amid the volatility of the energy industry over the past few years which has been exacerbated by the pandemic, Handal's business focus is on arresting an extended period of losses and achieving turnaround.

We have pegged this goal on two Strategies and three Core Improvements, as follows:

- o Strategy 1: Diversify into related businesses;
- o Strategy 2: Grow the crane, pipeline, topside maintenance & inspections and MRO (maintenance, repair and overhaul) businesses;
- o Core Improvement 1: Strategic cost leadership;
- o Core Improvement 2: Operational excellence; and
- o Core Improvement 3: People and talent management.

The Group is confident that the implementation of these strategies and improvements will result in a better future performance in tandem with global industry and economic recovery from Covid-19. *Details on these strategies and improvements are presented in the Management Discussion & Analysis of this Annual Report.*

- **Workplace Health, Safety, and the Environment**

This Materiality Matter assumed the highest priority during the financial year in review as Handal continued to operate at full capacity since we are categorised by the Government as an essential service.

Given the risk of Covid-19 infection under such circumstances, we developed operating guidelines to comply with the Government's health imperatives, which are encapsulated in three approaches, as follows:

- o Business Continuity Plan (Covid-19) *Details on this plan are presented in the Economic section of this Sustainability Report;*
- o Green Bubble Concept; and
- o Covid-19 Directive.

Handal's Green Bubble was established to ensure continuing operations by preventing the spread of Covid-19 among employees, contractors, vendors and visitors, which would have resulted in a stop-work directive and possible closure of premises. The Green Bubble is depicted in the infographic on this page.

Our Covid-19 Directive set minimum requirements for the conduct of employees, contractors, vendors and visitors as well as scope and scale of operations under Malaysia's National Recovery Plan phases 1 – 4.



Our approach to occupational health, safety and environment ("HSE") is also disclosed under the Social segment of this Sustainability Report.

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

- Employee Engagement and Development**

Handal is a firm believer in the value of our employees and their contribution to the sustainability of our business. This being the case, we always strive to maintain healthy relations with employees while also prioritising their personal well-being and professional development.

We engage with our employees on a regular basis including holding town hall meetings where they are encouraged to share their frank views and unfettered opinions. Our latest town hall session was on 19th August 2021.

Meanwhile, we introduced an Employee Share Option Scheme ("ESOS") during the previous financial year with the first issuance completed in June 2020 and the second scheduled in October 2021.

- Stakeholder Relations**

Our relations with stakeholders directly or through the media are vital to the task of meeting expectations and addressing concerns. However, maintaining stakeholder relations during a pandemic with its many constraints on permissible activities was a challenge during FY2021.

Although physical interaction was effectively ruled out, we leveraged on digital and virtual technologies as our channels for outreach and engagement. This included virtual events, briefings and meeting via interaction platforms such as Zoom, Teams or Meet.

Under normal circumstances, Handal engages our stakeholders through various channels, forums and events, as listed in the following table:

STAKEHOLDER ENGAGEMENT

(*Deferred or migrated to online during FY2021)

STAKEHOLDER	ENGAGEMENT PLATFORM	FREQUENCY	PRIORITIES /ISSUES
Shareholders, Investors and Analysts	- Annual General Meeting* - Extraordinary General Meeting* - Networking sessions* - Website - Announcement of Quarterly Results - Analysts' briefings* - Annual Report - Media Releases - Announcements	- Annually - As and when - Periodically - As and When - Quarterly - Periodically - Annually - As and When - As and When	- Financial performance - Updates on business performance - Seeking for shareholders' approval
Employees	- Recreational events* - Social and volunteer programmes* - Training programmes* - Townhall sessions* - Cultural celebrations*	Periodically	- Training and career development - Employee wellbeing, health and safety - Cultivate positive corporate culture

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

STAKEHOLDER	ENGAGEMENT PLATFORM	FREQUENCY	PRIORITIES /ISSUES
Clients/Customers	• Project meetings and updates* • Site visits* • Periodic reports • Customer feedback surveys • Website/social media platforms • Expos/roadshows and exhibitions*	• Periodically, on-going	• Pricing • Marketing and promotions • Service delivery • Service quality • Relationship building
Partners, Associates and Industry Groups	• Partnership agreements • Meetings and site visits* • Joint business creation and developments	• As and When	• Areas of collaboration • Joint value creation initiatives
Local Communities	• Sponsorship of community service events • Social and environmental initiatives • Donations	• Periodically	• Community engagement • Life-improving programmes • Environmental and social impacts • Corporate Social Responsibility (CSR)
Government Agencies / Regulators	• Discussions and meetings with authorities* • Public consultation with local authorities* • Site inspections* • Seminars, briefings and trainings* • Participation in surveys	• As and When	• Compliance to requirements set by government agencies or other regulatory authorities • Compliance to regulatory requirements of Bursa Malaysia Securities Berhad, Companies Commission of Malaysia and other reporting guidelines

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

STAKEHOLDER	ENGAGEMENT PLATFORM	FREQUENCY	PRIORITIES /ISSUES
Government Agencies / Regulators	- Discussions and meetings with authorities* - Public consultation with local authorities* - Site inspections* - Seminars, briefings and trainings* - Participation in surveys	As and When	- Compliance to requirements set by government agencies or other regulatory authorities - Compliance to regulatory requirements of Bursa Malaysia Securities Berhad, Companies Commission of Malaysia and other reporting guidelines
Vendors / Suppliers	- Vendor / suppliers registration - Procurement policies - Performance evaluation - Site visits and meetings* - Tender / bidding briefings and interaction*	As and When	- Product and service quality - Service scope and payment schedule - Procurement policies and practices
Certification Bodies	- Site inspections* - Regular meetings* - Submission of regulatory documentation - Internal and external audit exercises	As and When	- Adherence to local and international standards - Compliance to requirements set by regulatory authorities
Media	- Media interviews, briefing sessions and media conferences* - Press releases	As and When	Brand positioning, image and credibility

- Community Development and Charitable Contributions**

Despite our financial challenges, Handal remains committed towards the plight of underprivileged and disenfranchised communities during such difficult times. However, we were precluded from holding any community development activities beyond charitable contributions of clothes and food to flood victims on 8 January 2021 and under the Covid-19 White Flag campaign on 5 June 2021.

Our efforts in this Most Material Matter are showcased under the Social segment of this Sustainability Report.

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDGS)

The UN has outlined 17 SDG to improve the lives of 'everyone, everywhere' in the present and future. The UNSDG addresses the global challenges of poverty, inequality, climate change, environmental degradation, peace and justice among others with the target of achieving its 2030 Agenda for Sustainable Development.

United Nations Sustainable Development Goals



DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

The alignment of Handal's corporate sustainability measures and achievements to the UNSDG has been deferred from the previous financial year to FY2022.

GLOBAL REPORTING INITIATIVE (GRI) (GRI 102-54)

the GRI is an independent body created to assist businesses and other organisations to promote greater understanding and take responsibility for their impact on the economy, environment and society (EES pillars of sustainability).

It provides the most widely-used standards for sustainability reporting with indicators covering an extensive 37 areas and 177 specific disclosures including management approaches. Handal is committed to sustainability reporting under GRI and intends to raise the level of disclosures by gradually expanding and improving on our sustainability drive throughout the company while meticulously tracking and compiling the necessary results.

For now, we continue to review all the indicators to lay out the task ahead. These are presented in the following table:

GENERAL DISCLOSURES	
CODE	AREA
101	Foundation
102	General Disclosures
103	Management Approach
ECONOMIC DISCLOSURES	
CODE	AREA
201	Economic Performance
202	Market Presence
203	Indirect Economic Impacts
204	Procurement Practices
205	Anti-Corruption
206	Anti-Competitive Behaviour
207	Tax
ENVIRONMENT DISCLOSURES	
CODE	AREA
301	Materials
302	Energy
303	Water & Effluents
304	Biodiversity
305	Emissions
306	Effluents & Waste
307	Environmental Compliance
308	Supplier Environmental Assessment

SOCIAL DISCLOSURES	
CODE	AREA
401	Employment
402	Labour Management Relations
403	Occupational Health & Safety
404	Training & Education
405	Diversity & Equal Opportunity
406	Non-Discrimination
407	Freedom of Association & Collective Bargaining
408	Child Labour
409	Forced or Compulsory Labour
410	Security Practices
411	Rights of Indigenous People
412	Human Rights Assessment
413	Local Communities
414	Supplier Social Assessment
415	Public Policy
416	Customer Health & Safety
417	Marketing & Labelling
418	Customer Privacy
419	Socioeconomic Compliance

FTSE4GOOD BURSA MALAYSIA (F4GBM)

The F4GBM is an index at the heart of the Bursa Malaysia Sustainability Reporting Framework. It rates public-listed companies on Bursa Malaysia based on Environmental, Social and Governance ("ESG") criteria.

Developed by FTSE Russell, the F4GBM encourages companies to innovate and embrace sustainable practices so as to comply with the requirements of the index. F4GBM is aligned with the GRI and other ESG frameworks.

The F4GBM comes with an exhaustive list of indicators that fall under the Materiality Matters outlined by the bourse's Sustainability Reporting Framework as listed here.

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

MATERIALITY MATTERS

MATERIALITY MATTER		BRIEF DESCRIPTION
Economic (Business & Financial)		
1.	Economic & Business Performance	Ability of the company to generate financial results and provide healthy returns to stakeholders and wider business community
2.	Sustainable Procurement & Supplier Assessment	Management of a company's supply chain to ensure quality and reliability in order to consistently meet business needs
3.	Hiring from the Local Community	Emphasis on job creation and employment opportunities for local talents
Economic (Governance)		
4.	Risk Management	Balancing financial and other risks in managing operations or pursuing business opportunities
5.	Business Ethics & Transparency	Conduct of the Company and its personnel in business dealings and transparency of all transactions
6.	Eliminating Bribery and Corruption	Prevention of corrupt practices in all business dealings
7.	Board Management & Oversight	Involvement of the Board of Directors in business operations and corporate activities
Environment		
8.	Waste Management	How the Company deals with non-hazardous and/or hazardous waste it produces
9.	Water Management	How the Company manages its water and its water waste
10.	Energy Management	How the Company manages electricity consumption
11.	Green Building & Other Environmental Initiatives	Resource efficiency of building / Programmes to promote and carry out environment-friendly practices
12.	Sourcing Materials Responsibly	The use of eco-friendly raw materials from initial production, final product until packaging and labelling
13.	Emissions & Initiatives to Tackle Climate Change	Control of solid, liquid and gaseous emissions from business operations / Programmes to reduce carbon footprint
14.	Protecting Land & Biodiversity	Preservation of natural ecosystem and protection of biodiversity

DEVELOPING THE BUILDING BLOCKS SUSTAINABILITY ROADMAP

(CONT'D)

Social (Workplace)		
15.	Protecting the Safety & Health of Workers & Sub-contractors	How the Company implements and enforce safety and health practices at the workplace
16.	Training, Education & Career Development	Opportunities for career advancement through training and education
17.	Recruiting and Retaining Employees	Activities and incentives to attract new talent and measures to maintain loyalty of employees
18.	Improving Employer/ Employee Relationship	Availability of platform and presence of efforts to strengthen relationship
19.	Employee Engagement and Satisfaction	Provision of channels for employee feedback and contribution to initiatives and other activities
20.	Providing a diverse and inclusive workplace	How the company ensures and promotes diversity at the workplace including on race, religion, gender and age
21.	Preventing workplace discrimination	How the Company practices equal opportunities on work promotion, training, or conduct at workplace
22.	Eliminating child and compulsory labour	Avoidance of under-aged employees or forced labour
Social (Marketplace)		
23.	Providing high quality services	How the Company manages quality control on its product and services
24.	Stakeholder engagement	Involvement of stakeholder groups in the decision-making process
25.	Customer feedback and satisfaction	Provision of channels for customer complaints and assessment of satisfaction levels
26.	Protecting public and customer safety	Establishment and enforcement of safe and healthy practices at all touchpoints with customers and public
27.	Customer privacy	Respect and protection of customer data and information
	Social (Community)	
28.	Local Community Engagement	Activities and processes to address issues in civil society and support corporate social responsibilities
29.	Employee Volunteerism & Supporting Charities	Efforts to encourage and enable employees to contribute to charities and disadvantaged communities

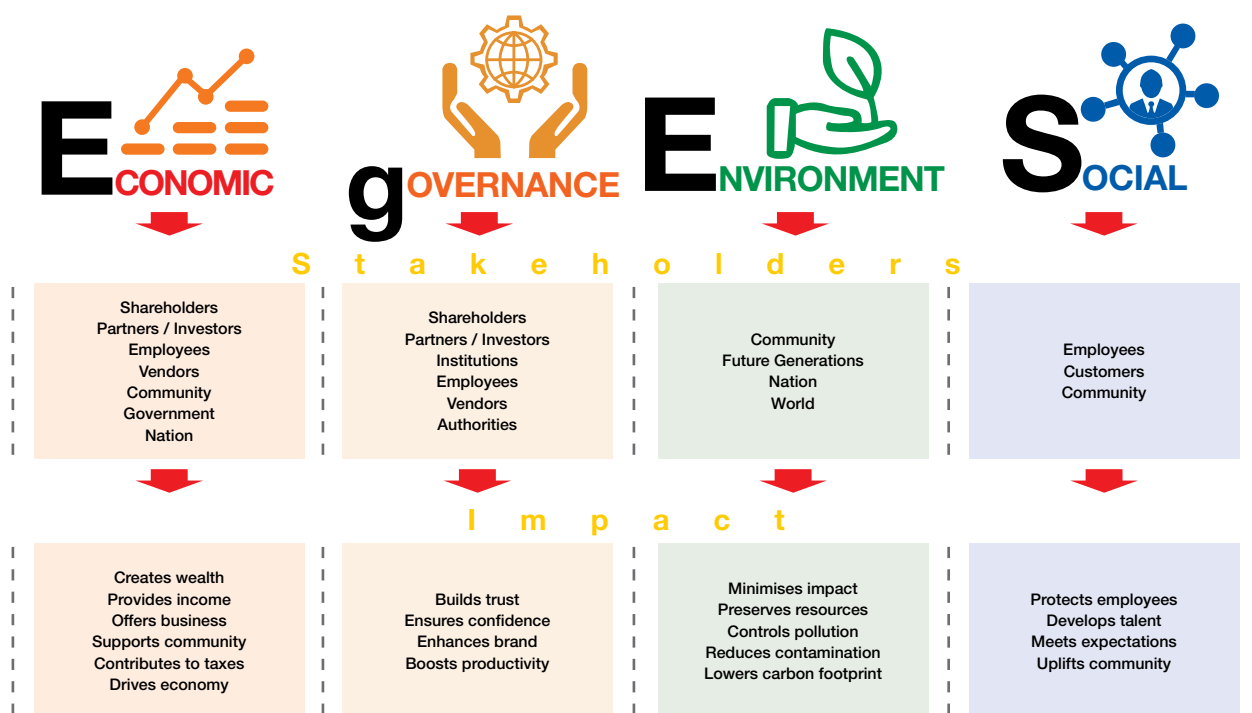
THE EES SUSTAINABILITY PILLARS

(GRI 102-31, 103-1, F4GBM)

The goal of corporate sustainability is to maximise the positive impact of business activities for a company and its immediate community while minimising the negative effects on the environment and society at large.

Based on this premise, sustainability issues are clustered in three dimensions or pillars: Economic, Environmental and Social ("EES"). Whereas GRI embeds Governance matters into Economic, F4GBM specifies ESG (Environmental, Social and Governance) as its model for sustainability reporting.

In essence, both the GRI's EES and F4GBM's ESG highlight similar indicators for the tracking and monitoring of sustainability performance. The main difference is mainly nomenclature and is largely immaterial. For our purposes, we are opting to report based on the GRI's EES pillars of sustainability although we are including F4GBM sustainability matters for the first time in this Sustainability Report.



At Handal, our approach to the EES pillars is to:

- o generate wealth for the company and its stakeholders;
- o provide opportunities for other stakeholders;
- o conducting business in an ethical manner;
- o optimise resources to cut down on any negative impact on the environment;
- o reduce carbon footprint to mitigate against climate change;
- o protect, empower and grow our employees; and
- o support, uplift the community.

The following sections highlight our sustainability performance in the respective EES dimensions

ECONOMIC

(GRI 201, 204, 205, 206, F4GBM)

The pandemic-related curbs on economic activity and restrictions to movement that crushed enterprises and crippled livelihoods over the past two years have brought the issue of economic sustainability to the forefront.

We now have a better understanding and greater appreciation of the correlation between business sustainability and such critical issues as company cash flow, employee job security, individual and household income as well as market and consumer demand.

In addition, we have a clearer insight into the importance of business strategy, a sustainable supply chain and the merits of good governance encompassing judicious risk management, sound business ethics and processes to prevent bribery and corruption.

In this section, we review our performance and highlight our achievements in the areas of Economic & Business Performance, Business Continuity, Sustainable Procurement, Risk Management, and Business Ethics & Transparency.

ECONOMIC & BUSINESS PERFORMANCE

(GRI 102-6, 201, F4GBM)

Handal achieved a turnaround in FY2021 to end an extended run of losses over five financial periods. This reversal of financial results was all the more remarkable coming in a full pandemic year when most other listed companies suffered a downtrend or struggled to keep afloat.

The upbeat performance can be attributed to our cost reduction and optimisation drive during the reporting period, which more than compensated for a lower Revenue as compared to FY2020.

As reported in the previous Sustainability Report, this approach was implemented in 11 focus areas as shown in the infographic on this page.

Cost Reduction and Optimisation



The Group's financial performance is explained and elaborated on in the Management Discussion & Analysis and other sections of this Annual Report.

ECONOMIC
(CONT'D)

BUSINESS CONTINUITY (F4GBM)

Although Handal was given the mandate to operate at almost full capacity as an essential business, this latitude was contingent on the absence of any Covid-19 cases at our operating facilities.

The Group understood that we would be subject to temporary shutdown of operations and / or closure to premises by the health authorities should there be even a single case of infection or contamination.

In response to this possibility, we developed a Covid-19 related Business Continuity Plan which included several scenarios along with the respective preventive and if required, recovery measures.

The necessary procedures and remedial actions were prepared the following potential situations:

- o Positive cases among employees, contractors or visitors;
- o Contaminated shipments from overseas received by our logistics units;
- o Rented equipment from vendors in red zone areas received by logistics;
- o Positive cases among offshore and onshore employees or immigration and checkpoints authorities at client facilities; and
- o Positive cases at client facilities requiring our personnel mob to perform emergency or normal project execution.

SUSTAINABLE PROCUREMENT (GRI 102-9, 204, F4GBM)

Sound procurement practices are key to a reliable and resilient supply chain that can provide better quality services at reasonable long-term rates. During the financial year in review, we successfully controlled our third party expenses as part of the Group's cost reduction and optimisation drive.

Our main focus in procurement was on ensuring security of supply, value creation and cost control via the expansion and diversification of our vendor base, shift towards more generic or functional specifications and the establishment of price term agreements. As a practice, Handal also prioritises local vendors wherever possible although selected items that were patented or copyrighted had to be procured from their respective overseas suppliers.

RISK MANAGEMENT (GRI 102-11, 102-30, F4GBM)

Managing risks during pandemic FY2021 was an essential task due to the uncertainty of events, many of which were beyond our control. As a response to this volatility, we updated our Risk Register on a regular basis throughout the reporting period.

The register identified potential risks to various aspects of our operations along with the respective mitigation plans. In addition, we also had in place other policies and processes such as the Control Self-Assessment (CSA) to aid decision making.

Risk Register	Risk Description	Mitigation Plans
Investment Management	• Investment • Financing • Governance	• Prudent processes, policies and strategies • Due diligence from third parties

ECONOMIC

(CONT'D)

Risk Register	Risk Description	Mitigation Plans
Cash Flow Management	• Credit • Financing • Liquidity • Accounts receivable and payable	• Budget • Billings management • Sources of financing
People Management	• Workload management • Employee engagement • Performance management • Employee retention	• Communication channels • KPI setting • Performance review
Compliance / Governance	• Governance • Financial fraud and errors	• SOPs and process flow • Oversight
Credit Rating	• Complaints • Disputes	• Relationship management • Complaints mitigation
Business Continuity	• Risk of closure	• Green bubble • Rotational WFH

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



ECONOMIC

(CONT'D)

BUSINESS ETHICS & TRANSPARENCY
(GRI 102-17, 205, F4GBM)

A company's good governance in the form of business ethics and transparency go a long way towards such aspects of business as acquiring new clients, attracting investors and convincing lending institutions while also building a reputable and trustworthy brand.

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)

At Handal, we believe in cultivating a culture of integrity among our employees and other third-party contractors and vendors. This includes a zero-tolerance approach against any forms of corruption such as bribery and illegal and unethical gratification.

The Group has an anti-corruption / anti-bribery and whistleblowing policies in place. These policies are embedded in the Code of Conduct which are accessible to all employees and are required to be adhered to by all within the Group.

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.

Further details are provided in the CG Overview Statement in this Annual Report.

ENVIRONMENTAL

(GRI 302, 303, 306, 307, F4GBM)

By most yardsticks, the energy industry consistently ranks as the most environmentally damaging industry due to both its production activities and use of its products.

Production of energy contributes to the depletion of natural resources and damages the ecology while consumption of products such as oil, gas and other fossil fuels causes pollution and accelerates climate change.

In the first case, rampant environmental intrusion has been acknowledged as a possible catalyst for the emergence of perilous coronaviruses such as Covid-19 and SARS-CoV as well as filoviruses like Ebola in recent times.

Yet, even these existential threats pale in comparison to the dangers of global warming, which could trigger famine, natural disasters, extreme weather and economic disruption if humankind cannot limit the rise in temperatures as specified under the Paris Accord on Climate Change.

As a service provider to the energy industry, Handal recognises our contributory role to these issues. We understand that the Group must bear greater responsibility for the protection and preservation of the environment as well as the constant need to repair and replenish earth's ecosystems.

In addition, we believe that environmental protection provides a fundamental value to business continuity by safeguarding the health of all our stakeholders.

Towards this end, we have in place proactive and reactive measures to guide everything we do in order to minimise any adverse environmental effects from our operations. We are committed to ensuring our processes are meticulously planned and carefully performed to comply with all applicable legislative and contractual requirements.

To deliver this commitment, we have an Environmental Policy with the following objectives:

- o Comply with all local laws, regulations, codes of practice and other requirements;
- o Carry out risk assessment of environmental affects prior to work execution;
- o Prevent pollution and reduce waste detrimental to the environment;
- o Minimise consumption and improve efficiency in managing these resources;
- o Provide staff with information, instruction and training to increase environmental awareness, proper management of hazardous waste and foster a behavioural trait of self-regulation; and
- o Promote a culture that encourages staff to participate in environmental and sustainability campaign and initiatives.



In this section, we review our performance and highlight our achievements in the areas of Energy Management, Chemical Management, Water Management, Waste Management, Environmental Initiatives and Environmental Compliance.

ENERGY MANAGEMENT (GRI 302, F4GBM)

Energy conservation has a direct impact on climate change since the consumption of non-renewable resources including the burning of fossil fuels for electricity generation causes pollution and contributes to global warming.

During the year in review, the Group utilised 557,074kWh across four offices and sites with the electricity bill totalling RM278,663. In comparison, we our consumption in the previous reporting period was 619,323kWh at a cost of RM293,393.

ENVIRONMENTAL

(CONT'D)

Electricity Consumption FY2021

Months	Electricity (RM)	kWh
July 2020	22,820.74	45,641.48
August 2020	24,103.46	48,206.92
September 2020	23,952.43	47,904.86
October 2020	22,565.30	45,130.60
November 2020	21,566.93	43,133.86
December 2020	22,193.00	44,386.00
January 2021	21,865.47	43,675.92
February 2021	22,521.31	44,918.30
March 2021	25,403.81	50,836.62
April 2021	23,919.20	47,602.66
May 2021	22,490.29	45,024.88
June 2021	25,261.37	50,564.94
Total	278,663.31	557,027.04

*HCSB: Health Cranes Sdn Bhd, TK: Teluk Kalong, KSB: Kemaman Supply Base,
BSOE: Borneo SeaOffshore Engineering Sdn Bhd*

CHEMICAL MANAGEMENT

(F4GBM)

At Handal, we exercise the utmost caution in our use, handling and storage of chemicals and other hazardous materials which include oil, pesticides, ozone-depleting substances, radioactive residues from pipelines, mercury and biocides. As a rule, we adhere to all laws and regulations governing chemical management at the workplace.

WATER MANAGEMENT

(GRI 303, F4GBM)

A growing population and rising economic activities is increasing pressure on the integrity and reliability of water supply in Malaysia. This being the case, water conservation by households and businesses is fast becoming a necessity.

Handal is committed towards regulating the use of water at our operational sites. We are also steadfast in complying with relevant standards on effluent discharge such as the Environmental Quality (Industrial Effluents) Regulations 2009.

During the reporting period, our water consumption amounted to RM17,296 (FY2020: RM10,760.52).

ENVIRONMENTAL

(CONT'D)

Water Consumption FY 2021

Months	Water (RM)
July 2020	1,013.20
August 2020	1,043.05
September 2020	1,164.50
October 2020	1,199.40
November 2020	1,013.20
December 2020	1,013.20
January 2021	1,071.50
February 2021	910.60
March 2021	1,036.95
April 2021	2,559.70
May 2021	1,962.70
June 2021	3,308.00
Total	17,296.00

*HCSB: Health Cranes Sdn Bhd, TK: Teluk Kalong, KSB: Kemaman Supply Base,
BSOE: Borneo SeaOffshore Engineering Sdn Bhd*

WASTE MANAGEMENT

(GRI 306, F4GBM)

Proper waste management, particularly of potentially hazardous scheduled wastes, is vital to reduce pollution and contamination of the natural environment. At Handal, we adhere to the relevant laws and regulations in the disposal of waste by third party contractors.

Our work sites in Kemaman, Sarawak and Labuan have storage areas for scheduled ways which are registered with the Department of Environment ("DOE"). In addition, we also have an in-house certified environmental professional in scheduled waste management ("CePSWaM") recognised by the DOE.



ENVIRONMENTAL

(CONT'D)

During the year in review, we disposed of 38.52 metric tonnes (MT) of scheduled waste as compared with 25.5 MT in FY2020, as shown in the tables here.

KEMAMAN OPERATION (STORAGE @ TK AND KSB)			
No	Code	Item	Total (MT) at premises
1	SW 104	Spent garnets	13
2	SW 306	Spent hydraulic oil	0.4
3	SW 409	Contaminated containers	1.8
4	SW 410	Contaminated trash	0.4
5	SW 311	Oily Sludge	0.4
6	SW 417	Paint wastes	0.2
Total			16.2

SARAWAK OPERATION (MIRI)			
No	Code	Item	Total (MT) at premises
1	SW 417	Mix of paints and thinners	1.8
2	SW 410	Contaminated rags, plastics, paper and filters	5.3
3	SW 311	Oily sludge	0.19
Total			7.29

SABAH OPERATION (LABUAN YARD)			
No	Code	Item	Total (MT) at premises
1	SW 306	Spent hydraulic oil	0
2	SW 311	Oily sludge	0
3	SW 408	Contaminated sand	0
4	SW 409	Contaminated empty containers	0
5	SW 410	Contaminated cotton rags	0
6	SW 416	Paint sludge	0
7	SW 417	Paint wastes	0
Total			0

KEMAMAN OPERATION (STORAGE @ TK AND KSB)				Disposed by 3rd party service provider (Approved DOE)
No	Code	Item	Quantity Disposed	
1	SW 305	Spent garnet	11.4	Kualiti Alam
2	SW 104	Spent hydraulic oil	16.6	
3	SW 410	Contaminated containers	2.61	
Total			30.61	

ENVIRONMENTAL

(CONT'D)

SARAWAK OPERATION (MIRI)				Disposed by 3rd party service provider (Approved DOE)
No	Code	Item	Quantity Disposed	
1	SW 417	Mix of paints and thinners	1.8	Trienekens Sdn Bhd
2	SW 410	Contaminated rags, plastics, paper and filters	5.3	
3	SW 311	Oily sludge	0.19	
		Total	7.29	

SABAH OPERATION (LABUAN YARD)				Disposed by 3rd party service provider (Approved DOE)
No	Code	Item	Quantity Disposed	
1	SW 306	Spent hydraulic oil	0.5	Trienekens Sdn Bhd
2	SW 311	Oily sludge	0.02	
3	SW 408	Contaminated sand	0.02	
4	SW 409	Contaminated empty container	0.02	
5	SW 410	Contaminated cotton rags	0.02	
6	SW 416	Paint sludge	0.02	
7	SW 417	Paint wastes	0.02	
		Total	0.62	

ENVIRONMENTAL INITIATIVES**(F4GBM)**

Over the years, Handal has carried out various environmental initiatives among our employees, including reducing paper usage, increasing digitalisation via teleconferencing, increased usage of cloud-based storage, reducing single use plastics, recycling and sorting office/work waste.

There are recycling bins at our branch and operation offices in Kemaman, Sarawak, Sabah and Labuan to facilitate waste separation and recycling efforts. Apart from recycling waste, we continuously explore solutions and innovation that can lessen our environmental impact such as our move last financial year to ensure all scheduled waste materials are disposed of directly from our operation sites by DOE-authorised vendors.

ENVIRONMENTAL COMPLIANCE**(GRI 307)**

Handal complies with all applicable laws, regulations and standards related to the environment, as listed in this page. During the year in review, there were no incidents of non-compliance with any environmental laws or regulations.

SOCIAL

(GRI 102, 401 – 405, 413, F4GBM)

Environmental and Other Laws and Regulations

Petroleum Development Act and Regulations 1974
Petroleum (Safety Measures) Act 1984
Petroleum and Electricity (Control of Supplies) Act 1974
Petroleum Income tax Act 1967
Gas Supply Act 1993
Gas Supply Regulations 1997
Occupational Safety and Health Act 1994
Factories and Machinery Act 1967
Industrial Co-ordination Act 1975
Customs Act 1967
Continental Shelf Act 1966
National Land Code 1965
Land Acquisition Act 1960
Environmental Quality Act 1974
Merchant Shipping Ordinance 1952
Land Public Transport Act 2010
Road Transport Act 1987
Town and Country Planning Act 1976
Street, Drainage and Building Act 1974
Fire Services Act 1988
Excise Act 1976
Local Government Act 1976

The pandemic's impact on business and industry is especially manifest in the hardships felt by society where many lost their jobs, suffered pay cuts or endured a significant reduction in their income levels.

This served to underscore the importance of social sustainability needs that a company is responsible towards its, employees, vendors, clients and the wider community, particularly those in need.

At Handal, we embrace our duty and obligation to among others:

- Safeguard the job security as well as health and safety of employees;
- Provide fair and equitable opportunities for careers and career development;
- Attend to the needs of clients who are dependent on our services to grow their business; and
- Support and empower the community, particularly displaced or disenfranchised groups.

In carrying out these onus, we adhere to all relevant laws and regulations in the social sphere including respect for human rights, bans on child or forced labour and prevention of workplace discrimination.

SOCIAL

(GRI 102, 401 – 405, 413, F4GBM)

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

In this section, we review our performance and highlight our achievements in the areas of Employment, Employee Engagement, Occupational Health & Safety, Training & Career Development and Community Engagement.

EMPLOYMENT

(GRI 102-8, 401)

Handal maintains a dynamic mix of management talents, energy professionals and skilled labour in a reduced workforce following the release of mostly contract workers in response to the drastic drop in oil prices in mid-2020.

Our employee complement stood at 332 at the close of the reporting period against 451 previously, representing a smaller workforce by 26.4%.

In terms of gender, males outnumbered females by more than four times in a naturally male-dominated energy industry after hiring 12 new male employees against a single female during the financial year. Bumiputera employees accounted for the bulk of our employee strength and our were almost exclusively Malaysians except for two foreigners. More than two thirds of our employees fell in the 30 – 49 age bracket.

Employment by Gender

Gender	No.	%	New Employees
Male	269	81.0	12
Female	63	19.0	1
Total	332	100.00	13

Employment by Race

Race	No.	%	New Employees
Bumiputera	293	88.3	13
Chinese	25	7.5	0
Indian	11	3.3	0
Others	3	0.9	0
Total	332	100.00	13

SOCIAL
(CONT'D)**Employment by Nationality**

Nationality	No	%	New Employee
Local	330	99.4	13
Foreigners	2	0.6	0
Total	332	100.00	13

Employment by Age Group

Race	No.	%	New Employees
Age	No	%	New Employee
< 20 years	0	0.00	0
20 - 29 years	45	13.6	3
30 - 39 years	152	45.8	6
40 - 49 years	86	25.9	4
50 - 59 years	37	11.1	0
60 years & above	12	3.6	0
Total	332	100.00	13

Handal offers attractive remuneration packages on par with the industry norm along with a range of non-wage benefits such as the Employee Share Option Scheme ("ESOS") introduced at the end of the previous financial year. Under the ESOS, eligible employees were offered 14 million options as a reward them for their hard work and motivation to scale new heights.

Beyond financial packages, our employees are also entitled to a range of benefits including medical and insurance cover, annual leave and special leave such as maternity, paternity and sick days.

During the reporting period, we conducted performance reviews on 210 employees or almost two thirds of our workforce. At the close of the financial year, we had completed 180 of assessments on their career performance and competencies. 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.

EMPLOYEE ENGAGEMENT

(GRI 402, F4GBM)

At Handal, we are firm believers in interaction and communication as the cornerstones of healthy and productive relations between employer and employees. Our normal platforms for face time between both parties include regular meetings for open and consultative discussions, as well as informal gatherings, some of which coincide with the nation's festivities and celebrations.

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.

SOCIAL

(CONT'D)

Employee Engagement Events FY2021

No.	Programme	Outcome	Date	No. of Participants
1	Townhall- Handal Group	Employees were updated on the current Company's business progress and salary reduction	12th November 2020	All employees of Handal
2	Refresher Briefing on Medical Accessing Care	Employees were brief on the current Insurance Policy	17th November 2020	All employees of Handal
3	Annual General Meeting	Employees and Company shareholder were updated with the Company current development and directions.	30th November 2020	All employees of Handal
4	Townhall- Handal Group	Employees were updated on the current Company's business progress and salary reduction	7th April 2021	All employees of Handal
5	Virtual Presentation - Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009	Employees were brief and shared on the Corporate Liability Provision under Section 17A of the Malaysian Anti Corruption.	6th & 7th May 2021	84
6	West & East Malaysia / HQ - Safety Stand Down	Employees were brief of the current COVID-19 response procedure and SOP to enter Handal premises	4th August 2021	All employees of Handal
7	Townhall- Handal Group	Employees were updated on the current Company's business progress and salary reduction	19th August 2021	All employees of Handal

OCCUPATIONAL HEALTH & SAFETY**(GRI 102-15, 403, 404, F4GBM)**

Ensuring the health and safety of our employees in the relatively high-risk operational conditions of the energy industry was particularly challenging in FY2021 with the additional threat of Covid-19 infection.

The Group has in place a comprehensive set of safety guidelines to deal with industry hazards which also includes exposure to chemicals and potentially-harmful substances. These are the Health, Safety & Environment ("HSE") Policy, Stop Work Policy and Substance Misuse Policy.

To guard against virus infection, Handal had introduced a Business Continuity Plan for Covid-19, the Green Bubble Concept and Covid-19 Directives issued in April during the reporting period, *Elaboration on the Business Continuity Plan and Green Bubble is provided in earlier pages of this Sustainability Report.*