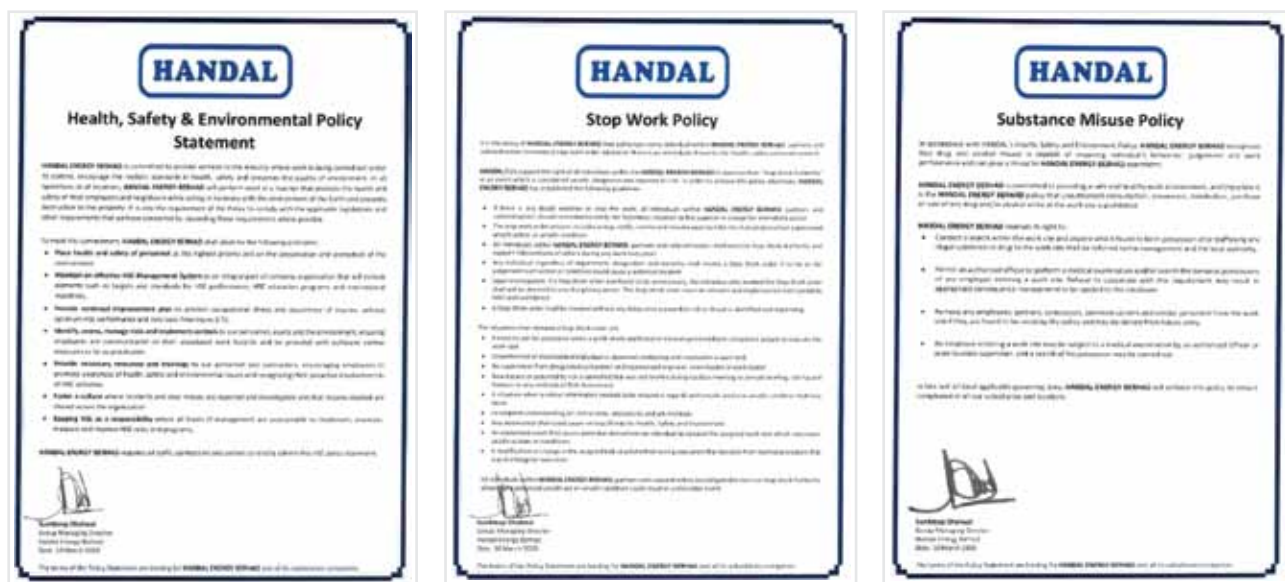




In addition, we conducted a Covid-19 Awareness campaign for much of the financial year and also encouraged the active participation of our employees in Malaysia's national vaccination programme.



Covid-19 Awareness briefing session

SOCIAL

(CONT'D)

*Daily cleaning and disinfection**Participation in national vaccination programme*

As a result of priorities placed on employee wellbeing at the workforce, we improved on our health and safety record for FY2021. During this period, we only recorded a solitary case each for medical treatment, first aid and near miss incident.

Health & Safety Record

HEALTH & SAFETY INDICATORS	2019/2020	2020/2021
Total Manhours worked	645,999	577,740
Fatalities	0	0
Lost Time Incidents	0	0
Lost Workday Cases	0	0
Numbers of Permanent / Partial Disabilities	1	0
Restricted Workday Cases		0
Medical Treatment Cases	1	1
First Aid Cases	1	1
Near Miss Incidents	0	1
Total Recordable Case Frequency (TRCF) (FAT + PPD + LWC + RWC + MTC) /Manhours worked)/1,000,000	3	1.7
Total Lost Time Incident Frequency (LTIF) (FAT + PPD + LWC)/Manhours worked)/1,000,000	0	0
Total UAUC Achieved	2,562	2,888



UAUC awards/ recognition incentives scheme is to enhance employees' participation in HSE culture in company.

SOCIAL

(CONT'D)

TRAINING, EDUCATION & CAREER DEVELOPMENT

(GRI 404, F4GBM)

Training is an all-important aspect at Handal as service provision to the energy industry requires specific knowledge and skillsets to meet the technical demands and to keep abreast of the latest developments in engineering and disciplines.

We resumed our internal and external training for new and existing employees at the beginning of 2021 after the pandemic had disrupted and delayed programmes. While most of these programmes were conducted physical, a select few were migrated online as there was no necessity for face-to-face interaction.

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

BSOE Training FY2021

Month	Training Title	Training Provider	Position/Dept/Project	Pax
FEBRUARY	CA-EBS	IGTC	1. General Supervisor 2. Welder 3. Painting Inspector	3
	CA-EBS	IGTC	1. Field Engineer 2. Field Engineer 3. Technical Assistant 4. Field Engineer 5. Field Engineer 6. General Manager 7. Group Hsse Manager	7
MARCH	OGSP	IGTC	UT Technician	1
	Mercury Awareness	IGTC	General Supervisor	2
	OGSP	NIOSH	Field Engineer	1
	CA-EBS	IGTC	1. Field Engineer 2. Workpack Engineer Cum Doc 3. Crewing & Logistic Asisstant 4. Administrative Executive 5. Administrative Executive 6. UT Technician	6
MAY	Mercury Awareness	IGTC	Field Engineer	2
	H2S	IGTC	1. General Supervisor	1
	BANKSMAN	IGTC	1. General Supervisor	1
JULY	PTW	INSTEP	Project Supervisor	1
AUGUST	PTW			

SOCIAL
(CONT'D)

Training for Handal Cranes January – June 2021

MONTH/ YEAR	NO OF DAYS	COURSE TITLE	TYPE OF PROGRAMME	Physical or Virtual Training	TOTAL
JAN	1	ELL TRAINING	INHOUSE	physical	6 PAX
	1	DIESEL ENGINE	INHOUSE	physically	2 PAX
	1	BASIC H2S TRAINING	INHOUSE	physical	
	1	5918 : TROPICAL FURTHER OFFSHORE EMERGENCY TRAINING WITH EBS AND TRAVEL SAFELY BY BOAT	EXTERNAL		
	4	RAH, H2S, TBOSET, PPE EQUIPMENT	EXTERNAL	physical	4 Pax
FEB	1	LPS TRAINING	EXTERNAL		1PAX
	1	PTW	EXTERNAL	physical	1PAX
		TFOET + CA-EBS TRAINING	EXTERNAL	physical	1PAX
		TFOET + CA-EBS TRAINING	EXTERNAL	physical	
		CA-EBS TRAINING	EXTERNAL	physical	1PAX
	2	AESP TRAINING	EXTERNAL	physical	2 PAX
		SAFETY GUARD GUIDE CRANES,LIFTING & RIGGING	INTERNAL	physical	
MAR	2	CRANE OPERATOR TRAINING - API RP 2D	EXTERNAL	physical	2PAX
	1	H2S TRAINING	EXTERNAL		1 PAX
	1	H2S TRAINING	EXTERNAL	physical	1 PAX
	1	SIGNALMAN TRAINING	INTERNAL	physical	
	1	H2S TRAINING	EXTERNAL	physical	1PAX
	2	CRANE OPERATOR COURSE	EXTERNAL	physical	3PAX
		RIGGER TRAINING (API-U APPROVED)	EXTERNAL	physical	
APRIL		CRANE LIFTING & RIGGING SAFEGUARD	INTERNAL	physical	
		CRANE OPERATOR API RP 2D COURSE		virtual	1PAX
		DAMAGE CONTROL TEAM	EXTERNAL	physical	4PAX
	3	Offshore Pedestal Crane Training	EXTERNAL	physical	3PAX
	1	H2S TRAINING	EXTERNAL	physical	1PAX
	3	Working at Height Level 3/ Rescue At Height	EXTERNAL	physical	3PAX
MAY		AESP TRAINING	EXTERNAL	physical	1
		AESP TRAINING	EXTERNAL	physical	3PAX
				physical	
	1	OGSP TRAINING	EXTERNAL		
		GREEN BOK - CIDB	EXTERNAL	physical	

SOCIAL

(CONT'D)

MONTH/ YEAR	NO OF DAYS	COURSE TITLE	TYPE OF PROGRAMME	Physical or Virtual Training	TOTAL
JUNE	1	Signalman Training	INTERNAL	virtual	
	5	CRANE LIFTING & SAFEGUARD TRAINING	INTERNAL	virtual	5 PAX
	5	SIGNALMAN TRAINING	INTERNAL	virtual	
	1	SIGNALMAN TRAINING	INTERNAL	virtual	
	1	SIGNALMAN TRAINING	INTERNAL	virtual	2PAX

COMMUNITY ENGAGEMENT (GRI 413, F4GBM)

Handal has been a generous contributor to disadvantaged communities over the years. During the financial year in review, Handal reached out to communities hard hit by the COVID-19 pandemic.

However, the restrictions placed on non-essential activities precluded a greater contribution. Nevertheless, we participated in two worthy causes to aid flood victims and for the Covid-19 White Flag campaign.

Date	Charity Event	Budget
8th January 2021	Mangsa Banjir	No specific budget allocation
5th June 2021	Covid – Bendera Putih	RM 1000.00 (from GMD)



8 January 2021 - Clothes and food for flood victims



5 June 2021 - Clothes and food for Covid Bendera Putih

REVIVING OUR SUSTAINABILITY DRIVE **LOOKING AHEAD**

There have been many corporate victims of the Covid-19 pandemic. While we can count ourselves fortunate to have emerged from a full pandemic year with positive business and financial results, our sustainability journey fell by the wayside when tracked against our ambitions at the start of the financial year in review.

Nevertheless, we marked some progress by having a better structure and more complete mechanisms to monitor our sustainability performance. This is reflected by a higher degree of disclosures in this report.

Going forward, we intend to execute the plans and activities that had been deferred as we focus on business sustainability and operational continuity during the reporting period.

This includes modifications to our Sustainability Governance Structure and Sustainability Policy. A major undertaking for the new financial year would be the Materiality Study we will carry out together with our corporate sustainability consultants.

Meanwhile, we will also align our sustainability achievements to the UNSDG while extending and expanding our disclosures according to the GRI and the Bursa Malaysia Sustainability Reporting Framework incorporating the F4GBM.

At the time of reporting, the Covid-19 scourge has yet to dissipate although life is returning to a new normal. In the same vein, Handal will create and develop a new normal for our business and our stakeholders and this will have corporate sustainability at its heart.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Handal Energy Berhad supports the principles of good corporate governance through establishment and implementation of a proper framework and controls to protect and enhance shareholders' and stakeholders' value and financial performance of the Group on a path of sustainable growth.

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board reports herein the overview of the manner in which the Company has applied the three (3) Principles set out in the MCCG during the financial year ended 30 June 2021 in discharging its regulatory role and commitment in building a long-term sustainable business. Any departure from the Practices of MCCG and the reasons thereof are further disclosed in the Corporate Governance Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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

The Board assumes the following core responsibilities:

- a) ensuring that Company's Goals are clearly established, and that strategies including those on economic, environmental, safety and health, social and governance consideration underpinning sustainability are in place for achieving its strategic aims and promoting long term sustainability;
- b) setting up the Company's values and standards to ensure its obligations to its shareholders and other stakeholders are understood and met;
- c) fostering healthy corporate governance culture which is founded on the principles of transparency, objectivity and integrity, together with the Management;
- d) establishing policies to strengthen the performance of the Company including ensuring that Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- e) providing effective leadership through strengthening its composition and reinforcing independence;

- f) overseeing the Management in daily management of the business and affairs of the Company and having to assess the Management's performance to ensure the Management's strategy is moving towards achieving the Company's goals;
- g) understanding the principal risks of Handal Group's business and ensuring that the Company has sound framework or policies for risk management, internal controls and regulatory compliances;
- h) deciding on whatever steps are necessary to protect Handal Group's financial position which includes ensuring the solvency of Handal Group and the ability to meet its contractual obligations and to safeguard its assets, and ensuring that such steps are taken;
- i) ensuring the integrity of Handal Group's financial and non-financial reporting and that such reporting is in compliance with the relevant laws and regulations;
- j) ensuring that the Company has in place procedures to enable effective communication with shareholders and stakeholders such as an appropriate corporate disclosure policy and procedure, which leverage on information technology for effective dissemination of information, to ensure comprehensive, accurate and timely disclosures;
- k) ensuring that the Company has in place policies and procedures on whistleblowing to encourage employee reporting on genuine concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace;
- l) assessing the training needs of its members and ensuring its members have access to appropriate continuing education programmes which is in line with Paragraph 15.08 of the MMLR;
- m) ensuring positions of Chairman and the Group Managing Director ("GMD") are held by different individuals to ensure both carry out different nature of responsibilities effectively;
- n) appointing the GMD, whom with the sufficient calibre, setting the terms of his employment contract and, where necessary, terminating his employment with the Company;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

- o) ensuring that there is in place an appropriate succession plan for members of the Board and Senior Management;
- p) establishing and reviewing the Board Charter periodically to ensure it remains relevant and making it available publicly on the Company's website.

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

Board Charter

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

Code of Conduct

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

Whistle Blower Policy

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

Decision-making Process

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

The Board meets on a quarterly basis and additionally as and when required. Prior to the Board meetings, all Board members are provided with the notice and agenda of the meetings at least seven (7) days in advance as guided by the Board Charter. Board papers containing information relevant to the business of the meeting are circulated to them in a timely manner (at least 5 days prior to the meetings) to enable them to obtain further explanations, where necessary, from the Management, or seek consultation from the Company Secretary or independent advisors, in order to be properly briefed before the meetings to enable constructive and effective deliberation during meetings.

Risk Management and Internal Control

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

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

Details of the Group's implementation of risk management and internal control are set out in the Group's Statement on Risk Management and Internal Control on pages 78 to 80.

Promoting Sustainability

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

Details of the Group's sustainability initiatives are set out in our 6th Sustainability Report on pages 23 to 57.

Shareholder Communication Policy

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

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

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

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

II. BOARD COMPOSITION

The Board of Directors consists of nine (9) members comprising three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors. The Board has complied with Paragraph 15.02 of the MMLR of Bursa Securities that at least two or one-third of the Board, whichever is the higher are independent directors.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

Given the existing scope and nature of the Group's business operations, the current composition of the Board has facilitated a balanced opinion in order to fairly reflect, through board representation, the interests of the minority shareholders of the Company. The Board is led by an Independent Non-Executive Chairman whose role and responsibilities are clearly divided from those reserved for the Executive Directors as stated in the Board Charter.

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

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

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

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

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

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

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

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

Separation of Position of the Chairman and GMD

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Company Secretary

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

The Company Secretary attends and ensure that all Board and Committee meetings are properly convened. Records of the deliberation, issues discussed, and conclusion are recorded by the Company Secretary who attends all the meetings. The minutes will then be circulated to all Directors for their confirmation before it is signed by the Chairman of the meeting and kept at the Company's registered office. In ensuring adherence to board policies and procedures, the Company Secretary advises the Board on procedural requirements in relation to their duties, responsibilities, regulatory requirements and their implications on the Company.

Nomination Committee

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

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

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

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

- i) Reviewed and recommended the appointment of Datuk Mary @ Mariati Robert as the Independent Non-Executive Director and Audit and Risk Management Committee of the Company;
- ii) Reviewed and assessed the effectiveness of the Board, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Directors;
- ii) Reviewed and recommended the re-election of Directors who were retiring and seeking for re-election at the Annual General Meeting; and
- iv) Reviewed and assessed the independence of its Independent Non-Executive Directors.

Appointment to the Board

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

The Nomination Committee also recommends to the Board those Directors who are retiring at the forthcoming Annual General Meeting for re-election. Pursuant to the MCCG, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify and seek annual shareholders' approval should the Board wishes to retain such Director as an Independent Director. As at 30 June 2021, none of the Independent Directors of the Company has served as an Independent Director for a cumulative term of nine (9) years for a particular appointment. In identifying suitable candidates, the Nomination Committee shall:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

- (i) consider candidates from a wide range of backgrounds and skills as considered appropriate;
- (ii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

Other Board Appointments

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

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

Succession Plan

The Board recognizes the importance of succession planning in maintaining long-term sustainable performance excellence. Through the Nomination Committee, the Board ensures that an appropriate succession plan is in place for members of the Board and to identify and groom Senior Management to maintain continuity of key positions in day to day management of the Company.

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

Annual Assessment and Performance Evaluations

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

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

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

The annual assessments and performance evaluations carried out by the Nomination Committee are aligned with the recommendations of MCCG and the Corporate Governance Guide 3rd Edition issued by Bursa Securities. The assessments and evaluations are based on key areas including but not limited to, the board composition, character, experience, integrity, competence and performance of each Director. These assessments and evaluations are properly documented by the Company Secretary, as recommended by MCCG.

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

Following the annual self-assessment and evaluation carried out for financial year ended 30 June 2021, the Nomination Committee considers that the overall performance of the Board and the Board Committees, current mix of skills, relevant qualities and experience of its members are adequate for the discharge of its duties and responsibilities effectively.

Annual Assessment of Independent Directors

The presence of Independent Non-Executive Directors is to provide independent and unbiased views of financial and business inputs for the interest of the Group and shareholders. The Board recognizes that Independent Directors bring independent and objective judgment to the Board's deliberation and decision-making process. The Board opines that the presence of the five (5) professional Independent Non-Executive Directors will further enhance the check-and-balance process on the functioning of the Group.

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

The Nomination Committee and the Board have upon their annual assessment which was based on the criteria as prescribed by the MMLR and MCCG, concluded that each of the five (5) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfill the definition of independence as set out in the MMLR of Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

Tenure of Independent Directors

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

Re-election and Re-appointment of Directors

In accordance with the Company's Constitution, at least one-third of the Directors for the time being shall retire from office and be subject to retirement by rotation at each AGM. The Constitution also provides that all Directors shall retire once in every three (3) years. Directors who are appointed before the next AGM will retire and be subject to re-election by shareholders at the next AGM.

The Nomination Committee had on 14 October 2021 conducted its meeting and has made their recommendation to the Board for re-electing the following directors who retire pursuant to Clause 125 and 115 of the Company's Constitution:-

- (a) Datuk Mary @ Mariati Robert (Clause 125)
- (b) YAM Tengku Baderul Zaman Ibni Sultan Mahmud (Clause 115)
- (c) Sunildeep Singh Dhaliwal (Clause 115)
- (d) Mior Mokhtar Bin Mior Abu Bakar (Clause 115)

Being eligible, these directors have offered themselves for re-election; for approval of the Shareholders at the forthcoming AGM set on 24 November.

The profiles of the Directors who are due for re-election and re-appointment are set out on pages 6 to 10 of this Annual Report. The Board has considered the assessment of the Directors standing for re-election and re-appointment and collectively agrees that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective responsibilities as Directors.

Boardroom Diversity Policy

The Board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem-solving skills. As part of the Board's routine considerations regarding Board renewal, it will continue its focus on diversity as it has in recent years, to ensure that there is an appropriate mix of diversity, skills, experience and expertise represented on the Board.

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

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

Currently, our Board comprises two (2) female Directors, representing approximately 22.2% of total numbers of the Board. In line with the country's aspirational target of 30% representation of women on Board, the Board will evaluate and match the criteria of the potential candidates as well as considering the appointment of other female directors onto the Board in future to bring about a more diverse perspective.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Board Meetings and Time Commitment

During the financial year, seven (7) Board Meetings were held and the Directors' attendances at the Board Meetings were as follows:-

Name of Director	Attendance
YAM Tengku Baderul Zaman Ibni Sultan Mahmud	7/7
Ms. Jacqueline Fong Yean Yee	7/7
En. Mallek Rizal Bin Mohsin	7/7
En. Mior Mokhtar Bin Mior Abu Bakar	7/7
Dato' Mohammad Medan Abdullah	7/7
Mr. Sunildeep Singh Dhaliwal	7/7
Mr. Terry Busing	7/7
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	7/7
Datuk Mary @ Mariati Robert (Appointed on 16.07.2021)	n/a

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 30 June 2021.

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

Access to Continuing Education Programmes

Apart from the Mandatory Accredited Programme (MAP) as required by Bursa Securities, Board members are also encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Company's operations and business. Through the annual assessments of each Director, the Nomination Committee identifies the appropriate training needs and continuing education programmes, together with the Human Resources Department for its Board members to assist them in keeping abreast of the dynamic environment in which the Group operates, enhance their knowledge with the latest development in the industry and better themselves in discharging their fiduciary and leadership functions more effectively.

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

Name of Director	Trainings, Seminars and/or Conferences
YAM Tengku Baderul Zaman Ibni Sultan Mahmud	Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021
Ms. Jacqueline Fong Yean Yee	Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021
En. Mallek Rizal Bin Mohsin	1. ICDM course 3) MCCG Revision 2021 - Changing the game in corporate governance. 2. Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

En. Mior Mokhtar Bin Mior Abu Bakar	1. MIA International Accountants Conference 2021 (Virtual) – 8 to 10 June 2021 2. Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021
Dato' Mohammad Medan Abdullah	Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021
Mr. Sunildeep Singh Dhaliwal	Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021
Mr. Terry Busing	Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021
YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz	1. Thematic Workshop on Corporate Liability Provision – Session 2. – BURSA – Web Conference on 9 July 2020 2. Artificial Intelligence for SMEs (A14S) Program Inception – MIDA – Webinar 27 January 2021 3. Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Act 2009) – Virtual Session on 7th May 2021
Datuk Mary @ Mariati Robert (Appointed on 16.07.2021)	n/a

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

III. REMUNERATION

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

The present members of Remuneration Committee are as follows:

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

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

- i) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors of the Company;
- ii) Reviewed and recommended the revision of the remuneration package for the Directors;
- iii) Reviewed and recommended the allocation of Employees' Share Option Scheme ("ESOS") option to the Directors of the Company; and
- iv) Reviewed and recommended the Key Performance Indicators for the senior management.

The details of the fees and remuneration of Directors of the Company comprising fees and remuneration received from the Company and subsidiary companies during the financial year are as follows:-

FYE 2021	Company				Subsidiaries					Total RM'000
	Fees^ RM'000	Salaries and Other Emoluments^ RM'000	Benefits- in-kind RM'000	Pension Fund RM'000	Fees RM'000	Salary RM'000	Bonus RM'000	Benefits- in-kind RM'000	Pension Fund RM'000	
Executive Directors										
Mr. Sunildeep Singh Dhaliwal	–	–	–	–	–	1,063	–	–	128	1,191
Mr. Terry Busing	–	–	–	–	–	541	–	–	65	606
Mr. Tengku Munawir Islahuddin Bin Tengku Noone Aziz	–	–	–	–	–	271	–	–	32	303
Non-Executive Directors										
YAM Tengku Baderul Zaman Ibni Sultan Mahmud	192	15	–	–	53	–	–	–	–	260
Dato' Mohammad Medan Abdullah	53	12	–	–	–	–	–	–	–	65
Ms. Jacqueline Fong Yean Yee	53	14	–	–	–	–	–	–	–	67
Mr Mallek Rizal bin Mohsin	486	11	–	–	–	–	–	–	–	497
En. Mior Mokhtar Bin Mior Abu Bakar	53	15	–	–	–	–	–	–	–	68

Note:

^ Including meeting allowances

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

In addition, the remuneration of the key senior management personnel which is a combination of annual salary, bonus and benefits-in-kind are determined in a similar manner as other management employees of the Group. The basis of determination has been consistently applied and is based on individual performance and the overall performance of the Group. The aggregate remuneration of the top eight (8) key senior management received for the financial year ended 30 June 2021 was RM1.8 million representing 7% of the total employees' remuneration of the Group.

The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top eight (8) key senior management personnel who are not Directors.

The Board is of the opinion that disclosure of remuneration of the Directors of the Board by appropriate components and the top eight (8) key senior management's total combined remuneration package should meet the intended objectives of the MCGG.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT**I. AUDIT AND RISK MANAGEMENT COMMITTEE**

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

The Audit and Risk Management Committee meets periodically to carry out its functions and duties as set out in its Terms of Reference. Upon invitation of the Audit and Risk Management Committee, other Board Members also attend the Committee meetings. During the financial year, the Audit and Risk Management Committee met with the External Auditors, without the presence of the Management, to discuss on pertinent issues arising from the interim and final audits and ensuring the Management is responsive to their findings and recommendations. At these meetings, no major financial issues were raised.

Financial Statements

In compliance with the Companies Act 2016, the Board is responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended. In preparing the financial statements for the financial year ended 30 June 2021, the Directors have:-

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

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

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

External Auditors

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

The External Auditor Appointment & Independence Policy has been developed and adopted by the Board. The annual assessment on the suitability and independence of the External Auditors is carried out by the Audit and Risk Management Committee. The Audit and Risk Management Committee Chairman will then report to the Board on the performance and their independent evaluation of the External Auditors. The re-appointment of the External Auditors is subject to Board deliberation and shareholders' approval in the next AGM.

Further elaboration on the composition and activities of the Audit and Risk Management Committee is stated in the Audit and Risk Management Committee Report on pages 78 to 80.

Risk Management And Internal Control

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

Internal Audit Function

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

The Group had incurred RM37,825 during the financial year for its outsourced internal audit function.

Details of the Group's internal control processes are set out in the Statement on Risk Management and Internal Controls in pages 78 to 80 of this Annual Report.

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

I. COMMUNICATION WITH STAKEHOLDERS

Corporate Disclosure Policy and Procedures

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

Leverage on Information Technology for Effective Dissemination of Information

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

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

In upholding its commitment to effective communication with shareholders, the Group adopts the practice of timely and continuing disclosure of information to its shareholders as well as the general investing public. The Group believes that such practice is vital in allowing the shareholders and investors in making informed investment decisions.

The Board has established a Shareholder Section on the Company's website where information on the Shareholder Communication Policy can be assessed at www.handalenergy.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONT'D)

Integrated Reporting

The Company is not categorised as a large company as defined in the MMLR. The Group's annual report for the financial year ended 30 June 2021 partially adopted the integrated reporting approach which covers the Group's strategy, performance, governance and future business prospects are connected towards achieving value creation for its shareholders.

II. CONDUCT OF GENERAL MEETINGS**Shareholder Participation at General Meeting**

The main forum for dialogue with shareholders remains at the AGM which encourages the shareholders to raise questions pertaining to the operations and financials of the Group. Whilst the Company endeavours to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information, and adherence to the Company's Corporate Disclosure Policy.

As recommended by the MCGG, the Board aims to despatch its notice of AGM twenty-eight (28) days before the meeting and mindful that the sufficient notice and time given would allow the shareholders to make necessary arrangements to attend and participate the AGM. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published at least in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

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

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

Poll Voting

With the implementation of Para 8.29A of the MMLR, all resolutions put forth to the shareholders for approval at the 12th AGM held on 30 November 2020 were duly passed by way of poll. All resolutions set out in the Notice of the forthcoming AGM will be voted by poll.

Attendance of Directors at General Meetings

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

COMPLIANCE WITH MCGG

The Board of Directors consider the Group is substantially in compliance with the key principles of the MCGG throughout the financial year ended 30 June 2021. Where a specific Practice of the MCGG has not been observed during the financial year under review, the departure has been explained in the Corporate Governance Report.

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

This Corporate Governance Overview Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 14 October 2021. This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report.

OTHER COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS

The Company had on the following dates announced the private placements of 12,265,000 new ordinary shares ("Placement Shares") in total ("Private Placement") and the listing of and quotation for the said ordinary shares were approved by Bursa Securities:-

Date of Announcement	No. of Placement Shares	Issue Price per share (RM)	Gross Proceeds Raised (RM)
9 March 2021	9,000,000	0.235	2,115,000
19 March 2021	1,065,000	0.235	250,275
26 April 2021	1,100,000	0.235	258,500
9 July 2021	1,100,000	0.235	258,500
	12,265,000		2,882,275
Status of Utilisation			Amount Utilised (RM)
Repayment of borrowings			–
Working capital			2,834,275
Estimated expenses			48,000
			2,882,275
Amount Unutilised			–
Total			2,882,275

2. AUDIT AND NON-AUDIT FEES

	Group RM	Company RM
Audit fees paid and payable to the External Auditors for the financial period ended 30 June 2021	141,000	37,000

The non-audit services rendered by the external auditors to the Group for the financial year ended 30 June 2021 amounted to RM37,500.

3. MATERIAL CONTRACTS WITH RELATED PARTIES

There were no material contracts involving Directors' or Major Shareholders' interests entered by Handal with related parties for the financial year ended 30 June 2021.

OTHER COMPLIANCE INFORMATION

(CONT'D)

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

Transacting Party	Related Party	Nature of transaction	Nature of Relationship	Existing Shareholders' Mandate	
				Estimated value as disclosed in the Circular to Shareholders dated 30 October 2020 (RM'000)	Actual value transacted since last AGM to 30 June 2021
BSO Engineering	Thrustbar	Provision of pipeline pumping services from Thrustbar to BSO Engineering	Seaoffshore Capital is a shareholder of Thrustbar and also a major shareholder of Handal by virtue of its direct and indirect shareholdings in Handal. Seaoffshore Production, Seaoffshore Equities, Sunildeep Singh Dhaliwal and Yamani Hafez Bin Musa are deemed interested by virtue of their direct and/ or indirect shareholdings in Seaoffshore Capital and their indirect interest in Handal. Sunildeep Singh Dhaliwal is also deemed interested by virtue of being the Managing Director of Handal and a major shareholder and director of Seaoffshore Capital.	10,000	Nil
BSO Engineering	Seaoffshore Engineering	Field services personnel to Seaoffshore Engineering for the provision of gas turbine maintenance services	Seaoffshore Engineering is a wholly-owned subsidiary of Seaoffshore Capital. Seaoffshore Capital is also a major shareholder of Handal by virtue of its direct and indirect shareholdings in Handal. Seaoffshore Production, Seaoffshore Equities, Sunildeep Singh Dhaliwal and Yamani Hafez Bin Musa are deemed interested by virtue of their direct and/ or indirect shareholdings in Seaoffshore Capital and their indirect interest in Handal. Sunildeep Singh Dhaliwal is also deemed interested by virtue of him being the Managing Director of Handal and a major shareholder and director of Seaoffshore Capital. YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz is deemed interested by virtue of him being the Executive Director of Handal nominated by Seaoffshore Capital.	15,000	2,000

OTHER COMPLIANCE INFORMATION

(CONT'D)

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") (CONT'D)

Transacting Party	Related Party	Nature of transaction	Nature of Relationship	Existing Shareholders' Mandate	
				Estimated value as disclosed in the Circular to Shareholders dated 30 October 2020 (RM'000)	Actual value transacted since last AGM to 30 June 2021
BSO Engineering	Borneo Seaoffshore	Project management, field services personnel and equipment to Borneo Seaoffshore for subsea well intervention services	Borneo Seaoffshore is a wholly-owned subsidiary of Seaoffshore Capital. Seaoffshore Capital is also a major shareholder of Handal by virtue of its direct and indirect shareholdings in Handal. Seaoffshore Production, Seaoffshore Equities, Sunildeep Singh Dhaliwal and Yamani Hafez Bin Musa are deemed interested by virtue of their direct and/ or indirect shareholdings in Seaoffshore Capital and their indirect interest in Handal. Sunildeep Singh Dhaliwal is also deemed interested by virtue of him being the Managing Director of Handal and a major shareholder and director of Seaoffshore Capital. He is also a director of Borneo Seaoffshore. YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz is deemed interested by virtue of him being the Executive Director of Handal nominated by Seaoffshore Capital.	200,000	Nil

OTHER COMPLIANCE INFORMATION

(CONT'D)

5. INFORMATION ON EMPLOYEES' SHARE OPTION SCHEME ("ESOS") DURING THE FINANCIAL YEAR ENDED 30 JUNE 2021

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

- a) the number of schemes currently in existence during the financial year, and brief details of each scheme including –
- i) total number of options or shares granted;
8,366,600
 - ii) total number of options exercised or shares vested; and
-
 - iii) total options or shares outstanding;
8,366,600
- b) In regard to options or shares granted to the directors and chief executive:
- i) aggregate options or shares granted;
4,540,000
 - ii) aggregate options exercised or shares vested; and
-
 - iii) aggregate options or shares outstanding;
4,540,000
- c) In regard to options or shares granted to the directors and senior management:
- i) aggregate maximum allocation applicable to directors and senior management in percentage; and
N.A.
 - ii) the actual percentage granted to them,
69.32%

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

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

Name of director		Amount of options/shares	Amount of options exercised/shares vested
1	Tengku Baderul Zaman Ibni Sultan Mahmud	720,000	–
2	Mallek Rizal Mohsin	480,000	–
3	Jacqueline Fong Yean Yee	480,000	–
4	Mior Mokhtar Mior Abu Bakar	480,000	–
5	Dato Mohammad Medan Abdullah	480,000	–
Total		2,640,000	–

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

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

Independence of the Audit and Risk Management Committee

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

Financial Literacy of the Audit and Risk Management Committee Members

Collectively, the members of the Audit and Risk Management Committee have the relevant experience and expertise in finance and accounting and have carried out their duties in accordance with the terms of reference of the Audit and Risk Management Committee. The qualification and experience of the individual Audit and Risk Management Committee members are disclosed in the Profiles of Directors on pages 6 to 10 of this Annual Report. The Audit and Risk Management Committee members continuously keep themselves abreast of the latest developments in accounting and auditing standards, statutory laws, regulations and best practices to enable them to discharge their duties effectively.

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

TERMS OF REFERENCE

The Terms of Reference is available on the Handal Group's website at www.handalenergy.com.

COMPOSITION OF MEMBERS

The present Audit and Risk Management Committee comprises of four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The composition of the Audit and Risk Management Committee are as follows:-

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

MEETINGS AND ATTENDANCE

During the financial year ended 30 June 2021, a total of seven (7) Audit and Risk Management Committee meetings were held and the details of attendance of each member are as follows:-

Name	Attendance
Mior Mokhtar Bin Mior Abu Bakar	7/7
Dato' Mohammad Medan Abdullah	7/7
Jacqueline Fong Yean Yee	7/7
Mallek Rizal Bin Mohsin	7/7
YAM Tengku Baderul Zaman Ibni Sultan Mahmud (Resigned as member of Audit and Risk Management Committee on 27.05.2021)	7/7
Datuk Mary @ Mariati Robert (Appointed on 16.07.2021)	n/a

SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year ended 30 June 2021, the Audit and Risk Management Committee engaged with the management, Internal Auditors and the External Auditors to keep abreast of matters affecting the Handal Group. The Chairman of the Audit and Risk Management Committee reports on key issues discussed at each meeting to the Board.

In discharging its functions in accordance with the Terms of Reference, the Audit and Risk Management Committee carried out the following activities during the financial year ended 30 June 2021:-

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(CONT'D)

1. Financial Reporting

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

- I. Changes in accounting policies and practices;
- II. Significant and unusual events, if any;
- III. Significant adjustments arising from the audit;
- IV. The going concern assumption;
- V. Whether the Company had adopted appropriate accounting policies and made appropriate estimates and prudent judgments, taking into account the external auditor's views on the financial statements; and
- VI. Compliance with accounting standards and other legal requirements.

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

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

2. External Audit

The Audit and Risk Management Committee reviewed and discussed with the External Auditors on their scope of work and audit plan for financial year ended 30 June 2021. In reviewing the audit plan, the Audit and Risk Management Committee discussed significant and elevated risk areas identified by the External Auditors. The Audit and Risk Management Committee also held discussions with the External Auditors on audit status, the results of their audit, the audit report and internal control recommendations in respect of improvements in internal control procedures noted in the course of their audit for the financial year ended 30 June 2021.

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

3. Internal Audit

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

Details on the internal audit function are set out in the Statement of Risk Management and Internal Control on pages 78 to 80.

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

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(CONT'D)

During the year, the Audit and Risk Management Committee met the Internal Auditors three (3) times to review and discuss the internal audit function and the soundness of internal controls system on all operating units within the Handal Group. The Audit and Risk Management Committee reviewed the internal audit reports which were tabled during the Audit and Risk Management Committee meetings, the audit recommendations made and Management's response to these recommendations. Where appropriate, the Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

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

4. Related Party Transaction/Recurrent Related Party Transaction

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

During the financial year under review, the Handal Group did not enter into any other material new related party transactions while all recurrent related party transactions were reviewed by the Audit and Risk Management Committee on a quarterly basis. The Audit and Risk Management Committee had also reviewed the Circular to Shareholders on 14 October 2021 on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature. Please refer to the Circular to Shareholders for further information on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature undertaken by the Handal Group.

5. Risk Management and Internal Controls

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

6. Others

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

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

This Audit and Risk Management Committee Report was approved by the Board of Handal Energy Berhad on 14 October 2021.

STATEMENT ON

RISK MANAGEMENT & INTERNAL CONTROLS**INTRODUCTION**

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

In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Controls (the "Statement") which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 30 June 2021 ("Financial Year")

BOARD RESPONSIBILITY

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

APPROACH TO RISK MANAGEMENT

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

The Group is committed to adhere to the following principles:

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

(CONT'D)

RISK GOVERNANCE STRUCTURE

We have refined our risk governance structure by adopting a “Three Lines of Defence” model.

The Audit and Risk Management Committee ("ARMC")

The ARMC is in charge of evaluating the adequacy and effectiveness of the system of internal controls through a series of review of the results of work performed by the internal auditors and external auditors and discussions with the management team of the Group. The ARMC's main responsibilities are also to oversee the risk management process, recommend the ERM strategies, frameworks and policies of the Group, implement and maintain sound ERM frameworks, develop and cultivate a risk awareness culture within the Group.

The ARMC comprises of four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The ARMC Report is disclosed on pages 75 to 77 of this Annual Report.

Management Risk Committee ("MRC")

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

(CONT'D)

Risk Owners

The risk owners are appointed from various departments including but not limited to: Business Development, Legal and Compliance, Commercial, Corporate Affairs, Cranes Services, Energy Solutions, Finance and Operations. Risks owners being the first line of defence in the entire risk governance structure, have the responsibility to review and highlight risks, analyse and identify gaps in internal control, propose relevant risk mitigating measures, ensure proper risk monitoring and periodic review of the identified risks.

During the financial year ended 30 June 2021, the internal audit consultants performed the following internal audit review:-

- a) Review of Billing, Collection and Credit Control Management for Handal Cranes Sdn Bhd.
- b) Review of Treasury and Accounts Payable Management for Handal Energy Group.

The Group had incurred RM37,825 during the financial period for its outsourced Internal Audit function.

RISK MANAGEMENT PROCESS

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

Key Initiatives driven by the MRC in Financial Year 2021

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

INTERNAL AUDIT FUNCTION

The Board of Directors has outsourced the internal audit function to a professional firm of consultants, which is independent of the activities it reviews. The internal audit function reviews the auditable areas based on the risk-based internal audit plan approved by the ARMC and Board of Directors; and provides an independent assessment of the adequacy and effectiveness of the Group's internal control system.

The internal audit function reports directly to the ARMC, which receives reports of audit findings and recommendations arising from each audit review on a quarterly basis. The Management is responsible for ensuring that corrective actions are taken on reported weaknesses and the Internal Audit function will carry out subsequent follow-up review to ensure the highlighted areas are rectified for control improvement.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board has reviewed the adequacy and effectiveness of the Group's risk management activities and internal control framework and ensured that necessary actions have been or are being taken to rectify weaknesses identified during the financial period.

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

In this connection, the Board concludes that an effective system of risk management and internal control is in place to safeguard the shareholders' investment and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Group's Annual Report for the financial year ended 30 June 2021. Their review was carried out in accordance with the Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 14 October 2021.

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DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	232,528	(4,761,168)
- Non-controlling interests	2,502,538	–
	2,735,066	(4,761,168)

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its total issued and paid-up share capital from RM100,468,926 to RM103,044,598 by way of issuance of 11,165,000 ordinary shares of RM0.235 per share upon the issuance of new shares under a private placement exercise. The new ordinary shares issued during the financial year ranks pari-passu in all respect with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

DIRECTORS' REPORT

(CONT'D)

DIRECTORS

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

Mallek Rizal Bin Mohsin
 Dato' Mohammad Medan bin Abdullah
 Sunildeep Singh Dhaliwal
 Y.A.M Tengku Baderul Zaman Ibni Sultan Mahmud
 Jacqueline Fong Yean Yee
 Terry Busing
 Mior Mokhtar Bin Mior Abu Bakar
 YM Tengku Munawir Islahuddin Bin Tengku Noone Aziz
 Datuk Mary @ Mariati Robert (appointed on 16.07.2021)

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	At 1.7.2020	Number of ordinary shares		At 30.6.2021
		Acquired	Disposed	
Interest in the Company				
Direct interest:				
Sunildeep Singh Dhaliwal	400,000	17,245,100	–	17,645,100
Mallek Rizal Bin Mohsin	9,253,296	–	(608,200)	8,645,096
Jacqueline Fong Yean Yee	1,420,500	–	–	1,420,500
Y.A.M Tengku Baderul Zaman Ibni Sultan Mahmud				
Sultan Mahmud	199,700	30,000	–	229,700
Terry Busing	400,000	–	–	400,000
Indirect interest:				
Sunildeep Singh Dhaliwal*	68,257,100	847,000	(17,000,000)	52,104,100
Mallek Rizal Bin Mohsin#	9,263,887	–	(2,717,800)	6,546,087

* Deemed interested through his shareholding in SeaOffshore Capital Sdn. Bhd. and Borneo SeaOffshore Sdn. Bhd. by virtue of Section 8 of the Companies Act, 2016.

Deemed interested by virtue of shares held by his father pursuant to Section 8 of the Companies Act, 2016.

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

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

DIRECTORS' REPORT

(CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are disclosed in Note 30 to the financial statements.

SUBSIDIARY COMPANIES

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 26 to the financial statements.

INDEMNITY AND INSURANCE COSTS

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

EMPLOYEES' SHARE OPTION SCHEME

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

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

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

DIRECTORS' REPORT

(CONT'D)

OTHER STATUTORY INFORMATION

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

- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statement of the Group and of the Company inadequate to any substantial extent; or
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) any amount stated in the financial statements of the Group and of the Company misleading.

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

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:

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

SIGNIFICANT EVENT

The significant event is disclosed in Note 37 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 38 to the financial statements.

DIRECTORS' REPORT

(CONT'D)

AUDITORS

The auditors, HLB AAC PLT (LLP0022843-LCA & AF001977) (formerly known as Morison AAC PLT), have expressed their willingness to accept re-appointment.

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

SUNILDEEP SINGH DHALIWAL

YM TENGKU MUNAWIR ISLAHUDDIN
BIN TENGKU NOONE AZIZ

STATEMENT BY
DIRECTORS

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

We, SUNILDEEP SINGH DHALIWAL and YM TENGKU MUNAWIR ISLAHUDDIN BIN TENGKU NOONE AZIZ, being two of the Directors of HANDAL ENERGY BERHAD do hereby state that in the opinion of the Directors, the financial statements set out on pages 94 to 174 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2021 and of their financial performance and cash flows for the financial year then ended.

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

SUNILDEEP SINGH DHALIWAL

YM TENGKU MUNAWIR ISLAHUDDIN
BIN TENGKU NOONE AZIZ

STATUTORY
DECLARATION

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

I, SUNILDEEP SINGH DHALIWAL, being the Director primarily responsible for the financial management of HANDAL ENERGY BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 94 to 174 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed SUNILDEEP SINGH DHALIWAL)
at: Kuala Lumpur)
on this date of: 25 October 2021)

SUNILDEEP SINGH DHALIWAL

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT

AUDITORS' REPORT

TO THE MEMBERS OF HANDAL ENERGY BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Opinion**

We have audited the financial statements of HANDAL ENERGY BERHAD which comprise the statements of financial position as at 30 June 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 94 to 174.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT

(CONT'D)

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group and the Company <i>(Refer Note 34 – Liquidity risk and Note 37 to the financial statements)</i> The outbreak of COVID-19 has resulted in a challenging operating environment for the Group due to the direct delays arising from the movement control restriction measures and related standard operating procedures nation-wide and worldwide, resulting immense backlog from deferred contracts due to the pandemic. This has adversely affected the liquidity position of the Group and of the Company. In assessing the liquidity position of the Group and the Company, management has considered the repayment obligations for borrowings, other liabilities and cost overheads which are due in the next 12 months, taking into consideration the following: (a) Availability of cash flows over the next 12 months; (b) Utilisation of credit facilities available to the Group; (c) Ability of the Group to generate sufficient cash flows from its existing contracts; and (d) Execution of the Group's cost-cutting measures. We considered this as an area of audit focus due to the significant degree of judgements and estimates used by management in arriving at the cash flow forecast.	Our audit procedures included the following: • Inquired management as to its knowledge of events or conditions beyond the period of management's going concern assessment; • Evaluated management's going concern assessment that covers twelve months from the date of financial statements through review of the cash flow forecast; • Assessed the reasonableness of the management's key assumptions used and judgements exercised on its cash flow forecast; • Assessed the availability of unutilised financing facilities and review the covenants associated with these financing facilities; • Performed sensitivity test for a range of reasonable possible scenarios; and • Considered the completeness and accuracy of disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT

(CONT'D)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition on fabrication of cranes, integrated crane services and pipeline isolation services <i>Refer to Note 2.3(a), 2.3(b), 2.5(s) and 24 to the financial statements</i>	
The Group's revenue during the financial period is mainly contributed by the fabrication of cranes, integrated crane services and pipeline isolation services amounting to RM6,737,209, RM24,606,925, and RM24,445,366 respectively. We focused on this area because the accounting for fabrication of cranes, integrated crane services and pipeline isolation services are inherently complex as it involves the use of significant estimates and judgements made by management which includes the following: (a) Estimation of the total budgeted project costs and the assessment of costs to complete; (b) Determination of the progress towards satisfaction of the performance obligations and overall progress of the Group's projects; and (c) Consideration of variation orders and claims with the Group's customers.	In addressing this area, our procedures included, among others: • Obtained an understanding and tested the Group's internal controls over project budget approval and revenue recognition process; • Evaluated the management's key judgements used in the estimation of budgeted costs by examining documentation such as letter of awards issued, contracts, historical evidence or results and retrospective review of these estimates; • Verified the budgeted revenue by examining the contracts' approved letters of award and purchase orders; • Discussed with the management to understand the nature of variation orders and claims included in budgeted revenue and inspected correspondences from the customers; • Inspected the costs incurred to date and compared against suppliers' claim certificates and certifications of work performed to corroborate the projects' progress towards satisfaction of the performance obligations and reasonableness of the estimated project budgets; • Performed re-computations on the calculation of the stage of completion to ascertain there is no mathematical error in the profit recognition; and • Assessed the reasonableness of the total budgeted project costs by reviewing the historical trends and reviewing budgets for upcoming projects; and • Considered the completeness and accuracy of the disclosures.

INDEPENDENT AUDITORS' REPORT

(CONT'D)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of contract assets - accrued billings and trade receivables <i>Refer to Notes 2.3(c), 2.5(g)(iv) and 10 to the financial statements</i> As at 30 June 2021, the Group's contract assets – accrued billings and trade receivables amounted to RM11,421,074 and RM5,636,692 respectively. Management's assessment of impairment loss for contract assets - accrued billings and trade receivables includes consideration of historical payment trends of customers, adjusted for forward-looking factors specific to the industry of the customer, and any known adverse condition in respect of customers that would affect the recoverability of these balances. We focus on these areas due to the complexity and significant judgement involved in assessing the impairment loss allowance for the contract assets - accrued billings and trade receivables.	In our audit procedures included, among others, the following: • Obtained an understanding on the Group's credit control; • Recalculated the probability of default using historical data and forward-looking information adjustments applied by the management; • Assessed the appropriateness and reasonableness of the assumptions applied in the management's assessment of expected credit loss, taking into account specific known customers' circumstances; • Reviewed the project schedules and investigated any contract assets - accrued billings which are long outstanding; • Scrutinised the trade receivables ageing and investigated unusual trends and conditions that may indicate objective evidence of impairment; • Verified receipts from trade receivables subsequent to the financial year end; and • Considered the completeness and accuracy of the disclosures.
Impairment assessment of intellectual property and goodwill <i>Refer Note 2.3(d), 2.5(e) and 4 to the financial statements</i> As at 30 June 2021 the Group's carrying amounts of intellectual property ("SEACRANE") and goodwill are RM6,281,073 and RM35,256,982 respectively. The intellectual property and goodwill are tested for impairment annually. We focused on this area due to the significant degree of judgements and estimates used by the management on the discounted cash flow forecast in determining the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections.	We have assessed the appropriateness of the discounted cash flow forecast prepared by the management. Our audit procedures included, among others, the following: • Assessed the appropriateness of the determination of cash-generating units; • Assessed the methodology adopted and the mathematical accuracy of the discounted cash flow forecast calculations; • Reviewed the budgeted cash flow forecast prepared and approved by the management; • Assessed the reasonableness of the management's key assumptions used and judgements exercised on its discounted cash flow forecast such as revenue growth rate, profit margins and discount rates; • Performed sensitivity tests for a range of reasonable possible scenarios; and • Considered the completeness and accuracy of disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

(CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

(CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

HLB AAC PLT
(LLP0022843-LCA & AF001977)
Chartered Accountants

KUALA LUMPUR
25 OCTOBER 2021

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 RM	Group 2020 RM Restated
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	30,934,023	30,826,625
Intangible assets	4	41,538,055	41,538,055
Right-of-use assets	5	769,496	1,170,264
Investment in joint venture	7	–	–
		73,241,574	73,534,944
Current Assets			
Inventories	9	9,225,656	10,054,037
Trade receivables	10	16,831,267	15,980,435
Other receivables	11	13,261,835	5,404,273
Contract cost assets	12	7,679,043	2,034,165
Financial assets at fair value through profit or loss	13	102,268	100,083
Tax recoverable		392,509	907,712
Fixed deposits	14	13,380,808	20,193,222
Cash and bank balances		449,389	1,946,003
		61,322,775	56,619,930
TOTAL ASSETS		134,564,349	130,154,874

STATEMENTS OF FINANCIAL POSITION

(CONT'D)

		2021	Group
	Note	RM	2020
			RM
			Restated
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15(a)	103,044,598	100,468,926
Treasury shares	15(b)	(72,044)	(72,044)
Irredeemable convertible preference shares	16	9,407,625	9,407,625
Employees share options scheme ("ESOS") reserve	17	441,423	–
Accumulated losses		(31,211,471)	(31,276,748)
Equity attributable to owners of the Company		81,610,131	78,527,759
Non-controlling interests		128,849	(9,655,103)
TOTAL EQUITY		81,738,980	68,872,656
LIABILITIES			
Non-Current Liabilities			
Lease liabilities	19	1,103,982	1,225,031
Deferred tax liabilities	20	1,840,813	2,491,701
		2,944,795	3,716,732
Current Liabilities			
Trade payables	21	25,303,776	18,520,221
Other payables	22	6,040,885	5,634,141
Amount owing to a Director	23	107,682	100,000
Contract liabilities	12	50,000	2,166,280
Borrowings	18	17,469,147	29,870,562
Lease liabilities	19	908,084	1,274,236
Current tax liabilities		1,000	46
		49,880,574	57,565,486
TOTAL LIABILITIES		52,825,369	61,282,218
TOTAL EQUITY AND LIABILITIES		134,564,349	130,154,874

STATEMENTS OF FINANCIAL POSITION

(CONT'D)

		Company	
	Note	2021 RM	2020 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	2,696,684	2,976,993
Right-of-use assets	5	336,829	180,991
Investment in subsidiary companies	6	66,897,397	52,188,881
Amounts owing by subsidiary companies	8	–	9,098,491
		69,930,910	64,445,356
Current Assets			
Other receivables	11	938,774	304,249
Financial assets at fair value through profit or loss	13	102,268	100,083
Cash and bank balances		161,205	243,723
		1,202,247	648,055
TOTAL ASSETS		71,133,157	65,093,411
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15(a)	103,044,598	100,468,926
Treasury shares	15(b)	(72,044)	(72,044)
Irredeemable convertible preference shares	16	9,407,625	9,407,625
Employees share options scheme ("ESOS") reserve	17	600,586	–
Accumulated losses		(55,759,551)	(50,998,383)
TOTAL EQUITY		57,221,214	58,806,124
LIABILITIES			
Non-Current Liabilities			
Lease liabilities	19	104,130	–
Deferred tax liabilities	20	20,966	20,966
		125,096	20,966
Current Liabilities			
Other payables	22	930,958	948,963
Amounts owing to subsidiary companies	8	12,603,315	5,131,088
Lease liabilities	19	252,574	186,270
		13,786,847	6,266,321
TOTAL LIABILITIES		13,911,943	6,287,287
TOTAL EQUITY AND LIABILITIES		71,133,157	65,093,411

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

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

		2021 RM	Group 2020 RM	2021 RM	Company 2020 RM
	Note				
Revenue	24	73,829,721	99,153,248	–	–
Cost of sales	25	(46,276,044)	(75,701,574)	–	–
Gross profit		27,553,677	23,451,674	–	–
Other operating income		3,309,804	3,049,310	2,839,578	94,598
Administrative expenses		(24,832,444)	(33,070,779)	(2,480,634)	(7,918,501)
Other operating expenses		(2,450,944)	(15,566,191)	(5,100,000)	(5,425,694)
Share of loss of joint venture	7	–	(138,879)	–	–
Profit/(Loss) from operations		3,580,093	(22,274,865)	(4,741,056)	(13,249,597)
Finance costs		(1,594,293)	(1,949,754)	(20,112)	(21,076)
Profit/(Loss) before taxation	26	1,985,800	(24,224,619)	(4,761,168)	(13,270,673)
Taxation	27	749,266	513,305	–	–
Profit/(Loss)/Total comprehensive income/(loss) for the financial year		2,735,066	(23,711,314)	(4,761,168)	(13,270,673)
Profit/(Loss)/ Total comprehensive income/ (loss) for the financial year attributable to:					
- Owners of the Company		232,528	(23,311,130)	(4,761,168)	(13,270,673)
- Non-controlling interests		2,502,538	(400,184)	–	–
		2,735,066	(23,711,314)	(4,761,168)	(13,270,673)
Earnings/(Loss) per share attributable to Owners of the Company (sen)					
- Basic	29	0.10	(10.92)		
- Diluted	29	0.09	(10.92)		

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

STATEMENTS OF

CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Group	Note	Attributable to Owners of the Company					Non-controlling interests	Total
		Share Capital	Treasury Shares	Irredeemable Convertible Preference Shares ("ICPS")	ESOS Reserve	Accumulated losses		
		RM	RM	RM	RM	RM	RM	RM
At 1 July 2020		100,468,926	(72,044)	9,407,625	-	(31,276,748)	(9,655,103)	68,872,656
Profit/Total comprehensive income for the financial year		-	-	-	-	232,528	2,502,538	2,735,066
Issue of new shares, net of transaction costs	15(a)	2,575,672	-	-	-	-	-	2,575,672
Acquisition of additional interest in subsidiary companies	6(c)	-	-	-	-	(167,251)	17,251	(150,000)
Additional contributions by non-controlling interest	6(d)	-	-	-	-	-	7,105,000	7,105,000
Share-based payment under ESOS	17	-	-	-	441,423	-	159,163	600,586
At 30 June 2021		103,044,598	(72,044)	9,407,625	441,423	(31,211,471)	128,849	81,738,980

STATEMENTS OF CHANGES IN EQUITY

(CONT'D)

Group	Note	Attributable to Owners of the Company					Non-controlling interests	Total Equity
		Share Capital	Treasury Shares	Irredeemable Convertible Preference Shares ("ICPS")	Accumulated losses	Total		
		RM	RM	RM	RM	RM	RM	RM
At 1 July 2019								
Loss/Total comprehensive loss for the financial year		84,998,651	(72,044)	–	(7,939,170)	76,987,437	1,021,071	78,008,508
Issue of new shares, net of transaction costs	15(a)	–	–	–	(23,311,130)	(23,311,130)	(400,184)	(23,711,314)
Issue of ICPS, net of transaction costs		15,470,275	–	–	–	15,470,275	–	15,470,275
Acquisition of additional interest in a subsidiary company	16	–	–	9,407,625	–	9,407,625	–	9,407,625
Acquisition of a subsidiary company	6(a)	–	–	–	(26,448)	(26,448)	(3,552)	(30,000)
- As previously stated		–	–	–	–	–	(2,525,581)	(2,525,581)
- Effect of restatement adjustment	39	–	–	–	–	–	(6,848,775)	(6,848,775)
- As restated		–	–	–	–	–	(9,374,356)	(9,374,356)
Disposal of a subsidiary company		–	–	–	–	–	(898,082)	(898,082)
At 30 June 2020		100,468,926	(72,044)	9,407,625	(31,276,748)	78,527,759	(9,655,103)	68,872,656

STATEMENTS OF CHANGES IN EQUITY

(CONT'D)

Group	Note	Non-distributable					Total Equity RM
		Share Capital RM	Treasury Shares RM	Irredeemable Convertible Preference Shares ("ICPS") RM	ESOS Reserve RM	Accumulated losses RM	
At 1 July 2020		100,468,926	(72,044)	9,407,625	—	(50,998,383)	58,806,124
Loss/Total comprehensive loss for the financial year		—	—	—	—	(4,761,168)	(4,761,168)
Issue of new shares, net of transaction costs	15	2,575,672	—	—	—	—	2,575,672
Share-based payment under ESOS	17	—	—	—	600,586	—	600,586
At 30 June 2021		103,044,598	(72,044)	9,407,625	600,586	(55,759,551)	57,221,214
At 1 July 2019		84,998,651	(72,044)	—	—	(37,727,710)	47,198,897
Loss/Total comprehensive loss for the financial year		—	—	—	—	(13,270,673)	(13,270,673)
Issue of new shares, net of transaction costs	15	15,470,275	—	—	—	—	15,470,275
Issue of ICPS, net of transaction costs	16	—	—	9,407,625	—	—	9,407,625
At 30 June 2020		100,468,926	(72,044)	9,407,625	—	(50,998,383)	58,806,124

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

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	2021 RM	Group 2020 RM	2021 RM	Company 2020 RM
Cash flows from operating activities					
Profit/(Loss) before taxation		1,985,800	(24,224,619)	(4,761,168)	(13,270,673)
Adjustments for:					
Depreciation of property, plant and equipment	3	2,418,901	2,785,233	337,682	304,104
Depreciation of right-of-use assets	5	1,106,686	1,021,733	334,778	325,944
Interest income		(99,412)	(549,593)	(1,732)	(2,580)
Interest expense		1,594,293	1,949,754	20,112	21,076
Fair value changes on financial assets at fair value through profit or loss		(2,185)	(63,487)	(2,185)	(63,487)
Impairment losses on:					
- Amount owing from joint venture	11	–	5,421,694	–	5,421,694
- Amount owing from subsidiary company	8	–	–	5,100,000	–
- Intangible assets	4	–	2,398,924	–	–
- Investment in joint venture	7	–	4,961,121	–	–
- Trade receivables	34	226,499	–	–	–
- Property, plant and equipment	3	53,524	–	–	–
Share of result of joint venture	7	–	138,879	–	–
Gain on disposal of property, plant and equipment		(966)	(21,708)	–	–
Gain on early termination of lease		(3,711)	–	–	–
Gain on disposal of non-current assets held for sale		–	(1,933,191)	–	–
Loss on disposal of investment in a subsidiary company		–	–	–	4,000
Property, plant and equipment written off		–	7,350	–	–
Share-based payment under ESOS		600,586	–	189,509	–
Unrealised gain on foreign exchange		(15,215)	(218)	–	–
Operating loss before changes in working capital		7,864,800	(8,108,128)	1,216,996	(7,259,922)

STATEMENTS OF CASH FLOWS

(CONT'D)

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Changes in working capital:					
Inventories		828,381	(26,865)	–	–
Trade and other receivables		(1,740,871)	(5,063,161)	(634,525)	(4,720,297)
Contract cost assets		(5,644,878)	2,789,973	–	–
Contract liabilities		(2,116,280)	2,166,280	–	–
Trade and other payables		7,198,713	(1,246,071)	(18,005)	(232,474)
Amounts owing by subsidiary companies		–	–	8,875,369	4,054,711
Amount owing to a Director		(1,315)	(798,301)	–	–
		(1,476,250)	(2,178,145)	8,222,839	(898,060)
Cash generated from/(used in) operations		6,388,550	(10,286,273)	9,439,835	(8,157,982)
Interest received		99,412	549,593	1,732	2,580
Interest paid		(1,594,293)	(1,949,754)	(20,112)	(21,076)
Tax paid		(272,548)	(767,662)	–	–
Tax refund		857,005	–	–	–
		(910,424)	(2,167,823)	(18,380)	(18,496)
Net cash generated from/(used in) operating activities		5,478,126	(12,454,096)	9,421,455	(8,176,478)
Cash flows from investing activities					
Proceeds from disposal of financial assets at fair value through profit or loss		–	4,800,000	–	4,800,000
Proceeds from disposal of property, plant and equipment		75,001	25,545	–	3,024
Purchase of property, plant and equipment	31(a)	(1,970,582)	(2,647,040)	(57,373)	(376,561)
Acquisition of subsidiary companies, net of cash acquired	6	(323,215)	3,459,084	–	–
Investment in subsidiary companies		(150,000)	–	(11,702,090)	(722,100)
Investment in a joint venture		–	(5,100,000)	–	–
Proceeds from issuance of shares via private placement, net of transaction costs	15(a)	2,575,672	–	2,575,672	–
Proceeds from disposal of investment in subsidiary companies		–	3,260,000	–	3,260,000
Net cash generated from investing activities		206,876	3,797,589	(9,183,791)	6,964,363

STATEMENTS OF CASH FLOWS

(CONT'D)

	Note	Group 2021 RM	2020 RM	Company 2021 RM	2020 RM
Cash flows from financing activities					
Increase/(Decrease) in					
pledged fixed deposits		6,812,414	(6,698,366)	–	–
Drawdown from trade financing	31(b)	–	8,320,624	–	–
Repayment of trade finances	31(b)	(12,207,768)	–	–	–
Repayment of lease liabilities and borrowings	31(b)	(1,592,615)	(1,413,362)	(320,182)	(320,665)
Net cash generated from/(used in) financing activities		(6,987,969)	208,896	(320,182)	(320,665)
Net decrease in cash and cash equivalents		(1,302,967)	(8,447,611)	(82,518)	(1,532,780)
Effect of exchange rate differences		–	218	–	–
Cash and cash equivalents at the beginning of the financial year		(14,331,087)	(5,883,694)	243,723	1,776,503
Cash and cash equivalents at the end of the financial year		(15,634,054)	(14,331,087)	161,205	243,723
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		449,389	1,946,003	161,205	243,723
Fixed deposits	14	13,380,808	20,193,222	–	–
Bank overdrafts	18	(16,083,443)	(16,277,090)	–	–
		(2,253,246)	5,862,135	161,205	243,723
Less: Fixed deposits pledged with licensed banks		(13,380,808)	(20,193,222)	–	–
		(15,634,054)	(14,331,087)	161,205	243,723

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The principal place of business is located at C-L29-07, KL Trillion, 338, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia and Lot PT7358, Kawasan Perindustrian Teluk Kalong, Mukim Teluk Kalong, 24007 Kemaman, Terengganu Darul Iman, Malaysia.

The registered office of the Company is located at 22-09, Menara 1MK, No 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, Malaysia.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on a going concern basis despite the challenges face by the Group and the Company arising from COVID-19 pandemic as management having assessed the sources of liquidity and funding available to the Group and the Company, believes that the Group and the Company can continue as a going concern for the foreseeable future.

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

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

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

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

Amendments to accounting standards and IC interpretations that are effective for the Group's and the Company's financial year beginning on or after 1 July 2020 are as follows:

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.1 Basis of preparation (Cont'd)**

- Amendments to References to the Conceptual Framework in MFRS Standards:
 - ◊ Amendments to MFRS 2, "Share Based Payments"
 - ◊ Amendments to MFRS 3, "Business Combinations"
 - ◊ Amendments to MFRS 6, "Exploration for and Evaluation of Mineral Resources"
 - ◊ Amendments to MFRS 14, "Regulatory Deferral Accounts"
 - ◊ Amendments to MFRS 101, "Presentation of Financial Statements"
 - ◊ Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
 - ◊ Amendments to MFRS 134, "Interim Financial Reporting"
 - ◊ Amendments to MFRS 137, "Provisions, Contingent Liabilities and Contingent Assets"
 - ◊ Amendments to MFRS 138, "Intangible Assets"
 - ◊ Amendments to IC Interpretation 12, "Service Concession Arrangements"
 - ◊ Amendments to IC Interpretation 19, "Extinguishing Financial Liabilities with Equity Instruments"
 - ◊ Amendments to IC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine"
 - ◊ Amendments to IC Interpretation 22, "Foreign Currency Transactions and Advance Considerations"
 - ◊ Amendments to IC Interpretation 132, "Intangible Assets- Web Site Costs"
- Amendments to MFRS 3, "Business Combinations" (Definition of a Business)

Amendments to accounting standards and IC interpretations that are effective for the Group's and the Company's financial year beginning on or after 1 July 2020 are as follows: (continued)

- Amendments to MFRS Standards arising from Definition of Material:
 - ◊ Amendments to MFRS 101, "Presentation of Financial Statements"
 - ◊ Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
 - ◊ Amendments to MFRS 7, "Financial Instruments: Disclosures"
 - ◊ Amendments to MFRS 9, "Financial Instruments"
 - ◊ Amendments to MFRS 139, "Financial Instruments: Recognition and Measurement"

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

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

Annual periods beginning on/after 1 January 2021

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.1 Basis of preparation (Cont'd)**

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

Annual periods beginning on/after 1 January 2022

- Amendments to MFRS 3, "Business Combinations" (Reference to the Conceptual Framework)
- Amendments to MFRS 116, "Property, Plant and Equipment" (Proceeds before Intended Use)
- Amendments to MFRS 137, "Provision, Contingent Liabilities and Contingent Assets" (Onerous Contracts - Cost of Fulfilling a Contract)
- Annual Improvement to MFRS Standards 2018 – 2020:
 - ◊ Amendment to MFRS 101, "First-time Adoption of Malaysian Financial Reporting Standards"
 - ◊ Amendment to MFRS 9, "Financial Instruments"
 - ◊ Amendment to Illustrative Examples accompanying MFRS 16, "Leases"
 - ◊ Amendment to MFRS 141, "Agriculture"

Annual periods beginning on/after 1 January 2023

- MFRS 17, "Insurance Contracts"
- Amendments to MFRS 17, "Insurance Contracts"
- Amendments to MFRS 101, "Presentation of Financial Statements" (Classification of Liabilities as Current or Non-current)

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

- Amendments to MFRS 10 and MFRS 128, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

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

2.2 Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.3 Significant accounting estimates and judgements**

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

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Revenue from fabrication of cranes

The Group recognises revenue from fabrication of cranes in the profit or loss using the percentage of completion method. The percentage of completion is determined by the proportion of costs incurred for work performed to date bear to the estimated total project costs.

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

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

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

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

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

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

(d) Impairment of goodwill and intellectual property

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

(e) Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.4 Basis of consolidation****(a) Subsidiary companies**

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.4 Basis of consolidation (Cont'd)****(b) Joint arrangements**

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

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

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

In relation to the Group's interest in the joint operation, the Group recognises its assets plus its share of any assets held jointly, liabilities plus its share of any liabilities incurred jointly, revenue from the sale of its share of the output arising from the joint operation plus share of the revenue from the sale of the output by the joint operation and expenses plus its share of any expenses incurred jointly.

2.5 Significant accounting policies

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

(a) Investments in subsidiaries

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

(b) Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(c) Foreign currencies****(i) Transaction and balances**

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

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

(d) Property, plant and equipment**(i) Recognition and measurement**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(d) Property, plant and equipment (Cont'd)****(ii) Depreciation and impairment**

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

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

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

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

(e) Intangible assets**(i) Goodwill**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**1.5 Significant accounting policies (Cont'd)****(e) Intangible assets (Cont'd)****(ii) Intellectual property**

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

Intellectual property is tested for impairment annually, irrespective of whether there is any indication of impairment. The useful life of intellectual property is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intellectual property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amounts is recognised in the profit or loss in the year the asset is derecognised.

(f) Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(g) Financial assets****(i) Classification**

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

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

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

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

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

(ii) Recognition and initial measurement

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

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

(iii) Subsequent measurementDebt instruments

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

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

- Amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(g) Financial assets (Cont'd)****(iii) Subsequent measurement (Cont'd)**Debt instruments (Cont'd)

- FVOCI

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

- FVTPL

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

Equity instruments

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

(iv) Impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(g) Financial assets (Cont'd)****(iv) Impairment (Cont'd)**

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

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

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

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

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

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

(h) Financial liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(i) Offsetting financial instruments**

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

(j) Inventories

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

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

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

(k) Cash and cash equivalents

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

(l) Equity**(i) Share capital**

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

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

(ii) Treasury shares

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(m) Contingent assets and contingent liabilities**

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

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

(n) Borrowing costs

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

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

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

(o) Current and deferred income tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(p) Employee benefits****(i) Short-term employee benefits**

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

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

(ii) Defined contribution plans

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

(q) Share-based payments

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

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

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

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

(r) Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(s) Revenue and income recognition****(i) Revenue from contracts with customers**

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

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

Fabrication of cranes

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

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

Integrated crane services

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(s) Revenue and income recognition (Cont'd)****(i) Revenue from contracts with customers (Cont'd)**Workover projects lifting solutions

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

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

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

Pipeline isolation services

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

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

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

Riser maintenance

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(s) Revenue and income recognition (Cont'd)****(i) Revenue from contracts with customers (Cont'd)**Trading and project services

Trading and project services mainly refer to sale of spare parts for crane. Revenue from sale of these products is recognised at a point in time as the customer has the significant risks and rewards of ownership of the asset when the goods have been delivered to the customers and upon its acceptances.

Well services

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

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

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

(ii) Other revenue and income

Revenue and income from other sources are recognised as follows:

Rental income

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

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(t) Leases****(i) Accounting by lessee**

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

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

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

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

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

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

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

(ii) Accounting by lessor

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

Operating leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

2021 Group	Long term leasehold land RM	Building RM	Crane and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop equipment RM	Renovation RM	Capital work-in- progress RM	Total RM
Cost									
At 1 July 2020	4,769,380	16,247,933	22,123,365	3,569,479	5,586,972	2,602,554	1,857,303	7,101,483	63,858,469
Additions	-	-	107	-	189,990	5,150	11,334	1,764,001	1,970,582
Disposals	-	-	-	(489,092)	(122,263)	-	-	-	(611,355)
Reclassification	-	-	1,085,650	-	-	-	550,578	(1,636,228)	-
Acquisition of a subsidiary company (Note 6(b))	-	-	854,095	-	-	-	-	-	854,095
At 30 June 2021	4,769,380	16,247,933	24,063,217	3,080,387	5,654,699	2,607,704	2,419,215	7,229,256	66,071,791
Accumulated depreciation									
At 1 July 2020	757,069	3,250,533	21,424,258	1,933,290	2,938,367	1,513,717	1,214,610	-	33,031,844
Charge for the financial year	79,528	362,078	468,516	370,113	619,852	238,911	279,903	-	2,418,901
Disposals	-	-	-	(415,728)	(121,592)	-	-	-	(537,320)
Acquisition of a subsidiary company (Note 6(b))	-	-	170,819	-	-	-	-	-	170,819
At 30 June 2021	836,597	3,612,611	22,063,593	1,887,675	3,436,627	1,752,628	1,494,513	-	35,084,244
Accumulated impairment									
At 1 July 2020	-	-	-	-	-	-	-	-	-
Impairment during the financial year	-	-	-	-	-	-	-	53,524	53,524
At 30 June 2021	-	-	-	-	-	-	-	53,524	53,524
Carrying amount									
At 30 June 2021	3,932,783	12,635,322	1,999,624	1,192,712	2,218,072	855,076	924,702	7,175,732	30,934,023

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2021 Group	Long term leasehold land RM	Building RM	Crane and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop equipment RM	Renovation RM	Capital work-in- progress RM	Total RM
Cost									
At 1 July 2019	4,769,380	16,035,292	23,488,645	2,425,898	3,601,916	2,524,522	1,555,928	6,165,016	60,546,597
Additions	-	212,641	128,063	643,324	898,476	54,132	264,937	936,467	3,138,040
Disposals	-	-	(1,473,343)	-	(14,686)	-	(27,175)	-	(1,515,204)
Write-off	-	-	-	-	(42,530)	-	-	-	(42,530)
Acquisition of a subsidiary company (Note 6(a))	-	-	-	500,257	1,143,796	23,900	63,613	-	1,731,566
At 30 June 2020	4,769,380	16,247,933	22,123,365	3,569,479	5,586,972	2,602,554	1,857,303	7,101,483	63,858,469
Accumulated depreciation									
At 1 July 2019	677,540	2,890,582	22,045,905	1,392,709	2,135,175	1,267,478	1,028,428	-	31,437,817
Charge for the financial year	79,529	359,951	851,696	453,275	591,249	239,069	210,464	-	2,785,233
Disposals	-	-	(1,473,343)	-	(10,849)	-	(27,175)	-	(1,511,367)
Write-off	-	-	-	-	(35,180)	-	-	-	(35,180)
Acquisition of a subsidiary company (Note 6(a))	-	-	-	87,306	257,972	7,170	2,893	-	355,341
At 30 June 2020	757,069	3,250,533	21,424,258	1,933,290	2,938,367	1,513,717	1,214,610	-	33,031,844
Carrying amount									
At 30 June 2020	4,012,311	12,997,400	699,107	1,636,189	2,648,605	1,088,837	642,693	7,101,483	30,826,625

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Long term leasehold land RM	Renovation RM	Furniture, fittings and office equipment RM	Total RM
2021				
Cost				
At 1 July 2020	2,110,090	360,325	1,125,568	3,595,983
Additions	–	–	57,373	57,373
At 30 June 2021	2,110,090	360,325	1,182,941	3,653,356
Accumulated depreciation				
At 1 July 2020	149,464	152,227	317,299	618,990
Charge for the financial year	35,168	97,023	205,491	337,682
At 30 June 2021	184,632	249,250	522,790	956,672
Carrying amount				
At 30 June 2021	1,925,458	111,075	660,151	2,696,684
2020				
Cost				
At 1 July 2019	2,110,090	301,497	811,867	3,223,454
Additions	–	58,828	317,733	376,561
Disposals	–	–	(4,032)	(4,032)
At 30 June 2020	2,110,090	360,325	1,125,568	3,595,983
Accumulated depreciation				
At 1 July 2019	114,296	57,552	144,046	315,894
Charge for the financial year	35,168	94,675	174,261	304,104
Disposals	–	–	(1,008)	(1,008)
At 30 June 2020	149,464	152,227	317,299	618,990
Carrying amount				
At 30 June 2020	1,960,626	208,098	808,269	2,976,993

Leasehold land and buildings of the Group with a carrying amount of RM2,007,325 (2020: RM2,051,685) have been pledged to secure banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

Included in the property, plant and equipment of the Group are motor vehicles acquired under hire purchase financing with carrying amount of RM1,192,711 (2020: RM1,216,000).

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. INTANGIBLE ASSETS

Group	Goodwill on consolidation RM	Intellectual property RM	Total RM
2021			
Cost			
At 1 July 2020/30 June 2021	35,630,951	11,958,567	47,589,518
Accumulated impairment loss			
At 1 July 2020/30 June 2021	373,969	5,677,494	6,051,463
Carrying amount			
At 30 June 2021	35,256,982	6,281,073	41,538,055
2020			
Cost			
At 1 July 2019	4,708,515	11,958,567	16,667,082
Acquisition of a subsidiary company (Note 6(a))			
- As previously stated	28,128,666	–	28,128,666
- Effect of restatement adjustment	7,128,316	–	7,128,316
- As restated	35,256,982	–	35,256,982
Disposal of a subsidiary company	(4,334,546)	–	(4,334,546)
At 30 June 2020	35,630,951	11,958,567	47,589,518
Accumulated impairment loss			
At 1 July 2019	2,478,547	3,278,570	5,757,117
Disposal of a subsidiary company	(2,104,578)	–	(2,104,578)
Impairment loss for the financial year	–	2,398,924	2,398,924
At 30 June 2020	373,969	5,677,494	6,051,463
Carrying amount			
At 30 June 2020	35,256,982	6,281,073	41,538,055

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

4. INTANGIBLE ASSETS (CONT'D)**(a) Goodwill on consolidation**

The Group considers each subsidiary company as a single cash generating unit ("CGU") and the carrying amount of goodwill is allocated to the respective subsidiary companies.

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

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period (2020: five-year). Cash flows beyond the three-year period is extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

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

	Group	
	2021	2020
Revenue growth rate (per annum)	1.00%	5.00%
Terminal growth rate	0.00%	0.00%
Pre-tax discount rate	10.00%	9.00%

(b) Intellectual property

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

Management determined the financial budgets based on past performance and its expectations of market developments.

The recoverable amount of CGU is determined based on value-in-use calculations using probability weighted discounted cash flows projections based on financial budgets approved by management covering a three-year (2020: three-year) period. Cash flows beyond the three-year period is extrapolated using the estimated terminal growth rate stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

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

	Group	
	2021	2020
Revenue growth rate (per annum)	1.00%	0.00%
Terminal growth rate	0.00%	0.00%
Pre-tax discount rate	10.00%	9.00%

No impairment charge for the financial year (2020: RM2,398,924). The impairment charge in the previous financial year was due to the declined in customer demand in the fabrication of cranes and slowdown of cranes integrated services, coupled with the declining gross margin of both fabrication of cranes and cranes integrated services.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

5. RIGHT-OF-USE ASSETS

Group	Apartment RM	Yard RM	Land RM	Office RM	Total RM
2021					
Cost					
At 1 July 2020	103,875	816,734	30,085	1,241,303	2,191,997
Additions	–	–	113,692	768,813	882,505
Termination	(103,875)	(816,734)	–	(103,875)	(1,024,484)
At 30 June 2021	–	–	143,777	1,906,241	2,050,018
Accumulated depreciation					
At 1 July 2020	1,732	445,492	21,235	553,274	1,021,733
Charge for the financial year	12,118	371,242	22,114	701,212	1,106,686
Termination	(13,850)	(816,734)	–	(17,313)	(847,897)
At 30 June 2021	–	–	43,349	1,237,173	1,280,522
Carrying amount					
At 30 June 2021	–	–	100,428	669,068	769,496
2020					
Cost					
At 1 July 2019	–	–	–	–	–
Additions	103,875	816,734	30,085	1,241,303	2,191,997
At 30 June 2020	103,875	816,734	30,085	1,241,303	2,191,997
Accumulated depreciation					
At 1 July 2019	–	–	–	–	–
Charge for the financial year	1,732	445,492	21,235	553,274	1,021,733
At 30 June 2020	1,732	445,492	21,235	553,274	1,021,733
Carrying amount					
At 30 June 2020	102,143	371,242	8,850	688,029	1,170,264

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

5. RIGHT-OF-USE ASSETS (CONT'D)

	2021 RM	Company 2020 RM
Office Cost		
At the beginning of the financial year	506,935	–
Additions	490,616	506,935
At end of the financial year	997,551	506,935
Accumulated depreciation		
At the beginning of the financial year	325,944	–
Charge for the financial year	334,778	325,944
At end of the financial year	660,722	325,944
Carrying amount		
At end of the financial year	336,829	180,991

6. INVESTMENT IN SUBSIDIARY COMPANIES

	2021 RM	Company 2020 RM
At cost		
Unquoted shares	82,701,893	81,404,765
Less: Impairment loss	(54,146,757)	(54,146,757)
Unquoted irredeemable convertible preference shares	28,555,136	27,258,008
Capital contribution to subsidiary companies (Note 6(d), 6(e), 6(h))	24,930,873	24,930,873
Advances to subsidiary companies treated as quasi-investment (Note 6(g))	10,816,039	–
	2,595,349	–
Carrying amount	66,897,397	52,188,881

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies and shareholdings therein are as follows:

Name of companies	Country of incorporation and place of business	Effective ownership and voting interest (%)		Principal activities
		2021	2020	
Direct holding:				
Handal Cranes Sdn. Bhd. (“HCSB”)	Malaysia	100	100	Overhaul and maintenance, manufacturing or fabrication of new offshore pedestal cranes, offshore crane rental business, workover projects and other services such as supply of manpower and parts.
Borneo Seaoffshore Engineering Sdn. Bhd. (“BSOE”)	Malaysia	51	51	Provision of engineering services, maintenance services, steel fabrication, mechanical piping works and installation of electrical and instrumentation equipment in oil and gas industry.
Handal Engineering Sdn. Bhd. (“HESB”)	Malaysia	100	100	Selling of industrial plant and equipment and telecommunication equipment.
Handal Energy Solutions Sdn. Bhd. (“HESSB”)	Malaysia	99.82	99.82	Consultants in engineering project support services.
Handal Digital Sdn. Bhd. (“HDSB”) (formerly known as Gotools Solutions Sdn. Bhd.)	Malaysia	100	85	Fabrication and machining, building of oil and gas modules, skids, supply of oil and gas equipment.
Handal Floaters Sdn. Bhd. (“HFLSB”)	Malaysia	100	100	Reproduction of machinery components, engineering services and repair and general workshop practices.
Gotools Sdn. Bhd. (“Gotools”)	Malaysia	100	–	Leasing of compressors, pumps and related equipment used in oil and gas industry.
Indirect holding through:				
<u>Handal Cranes Sdn. Bhd.</u>				
Handal Energy LLC*#	USA	100	100	Explore for potential business opportunities in United States and to provide technical and logistical support for existing businesses. However, it has not commenced business.
<u>Handal Floaters Sdn. Bhd.</u>				
Handal Operation Maintenance Engineering Sdn. Bhd. (“HOME”)	Malaysia	100	100	Developing and providing new technologies and innovative solutions for the oil and gas industry.

* Not required to be audited in its country of incorporation and the Company is dormant.

Company not audited by HLB AAC PLT.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**(a) Acquisition of BSOE**

On 13 August 2019, the Company acquired 51% equity interest in BSOE for a purchase consideration of RM25,500,000 from Seaoffshore Capital Sdn. Bhd. ("Vendor"), a company in which certain Directors of the Company have interest, to be satisfied by way of issuance and allotment of 42,857,100 new ordinary shares and 26,061,819 units of Irredeemable Convertible Preference Shares ("ICPS") respectively of the Company at an issue price of RM0.37 each.

The following summarises the purchase consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RM Restated
Property, plant and equipment	1,376,225
Deferred tax liabilities	(95,490)
Trade receivables	1,305,582
Other receivables	174,100
Amount due from related company	432,889
Cash and cash equivalents	4,111,184
Trade payables	(17,869,333)
Other payables and accruals	(2,597,438)
Amount due to director	(898,301)
Lease liabilities	(292,736)
Bank borrowings	(4,181,718)
Current tax liabilities	(596,302)
Total identifiable net liabilities	(19,131,338)
Less: Non-controlling interest	9,374,356
Add: Goodwill (Note 4)	35,256,982
Purchase consideration	25,500,000
Purchase consideration	25,500,000
Less: Issuance of ordinary shares, net of transaction costs	(15,470,275)
Less: Issuance of ICPS, net of transaction costs	(9,407,625)
Less: Cash and cash equivalents acquired	(4,111,184)
Cash outflow on acquisition, net of cash acquired	(3,489,084)

During the financial year, the Group finalised and have retrospectively adjusted the provisional amounts recognised as at the acquisition date as disclosed in Note 39 to the financial statements.

Based on the Share Sale Agreement, the vendor undertakes to provide a profit guarantee that BSOE will achieve a profit after tax of RM5,000,000 for the financial year ended 30 June 2020 ("Profit Guarantee"). However, BSOE did not achieve the Profit Guarantee for the financial year ended 30 June 2020, the Vendor has paid the difference between the Profit Guarantee with the actual results of BSOE as at 30 June 2020 based on the share of interest by the Company, the gain on Profit Guarantee is disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**(b) Acquisition of Gotools Sdn. Bhd. (formerly known as Borneo Seaoffshore Resources Sdn. Bhd. ("Gotools"))**

On 1 July 2020, the Company entered into a shares sale agreement with Seaoffshore Capital Sdn. Bhd., a company in which certain Directors of the Company have interest, for the acquisition of 100% interests in Gotools at purchase consideration of RM347,128 based on the audited net assets. Gotools became a wholly owned subsidiary of the Company on 28 July 2020.

The following summarises the purchase consideration, the fair value of assets acquired and liabilities assumed at the acquisition date:

	RM
Property, plant and equipment	683,276
Other receivables	8,936
Amount due from related company	162,000
Cash and cash equivalents	23,913
Other payables and accruals	(88,714)
Amount due to director	(8,997)
Lease liabilities	(403,207)
Current tax liabilities	(30,079)
Total identifiable net assets/Purchase consideration	347,128
Purchase consideration	347,128
Less: Cash and cash equivalents acquired	(23,913)
Cash outflow on acquisition, net of cash acquired	323,215

(c) Acquisition of 15% of HDSB

On 11 May 2021 the Company completed the acquisition of 15% equity interest of HDSB with purchase consideration of RM150,000, HDSB becomes a 100% owned subsidiary of the Company. The net loss on acquisition of additional shares in HDSB from the non-controlling interest amounted to RM167,251 is recognised in equity.

(d) Additional investment in BSOE

Advances of RM7,395,000 owing by BSOE, a 51% owned subsidiary to the Company as at 30 June 2021 were reclassified from amounts due from subsidiary companies to investments in subsidiary company after having considered the working capital needs of BSOE. Subsequently, these advances are not repayable by BSOE and are treated as an increase in the Company's net investment in BSOE. The non-controlling interest also contributed RM7,105,000 representing its 49% share of equity interest in BSOE.

(e) Additional investment in HESSB

Advances of RM3,009,962 owing by HESSB, a 99.82% owned subsidiary to the Company as at 30 June 2021 were reclassified from amounts due from subsidiary company to investments in subsidiary company after having considered the working capital needs of HESSB. Subsequently, these advances are not repayable by HESSB and are treated as an increase in the Company's net investment in HESSB.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**(f) Additional investment in HESB**

On 17 September 2020, the Company has increased its investment in HESB, a 100% owned subsidiary to the Company, by RM800,000 by way of subscription of 800,000 new ordinary shares in HESB.

(g) Advances to subsidiary companies treated as quasi-investment

The advances to subsidiary companies are unsecured, interest-free with no fixed terms of repayment. The settlement of the advances is neither planned nor likely in the foreseeable future and they are determined to form part of the Company's net investment in the subsidiary companies.

(h) Capitalisation of share-based payments

During the financial year, the Company awarded ESOS share-based payments to eligible employees of its subsidiary companies. Accordingly, the Company capitalised RM411,077 (2020: Nil) based on the fair value at grant date over the vesting period by way of a capital contribution to the subsidiary companies.

(i) Material non-controlling interests

	2021 RM	2020 RM Restated
Carrying amount of non-controlling interest		
BSOE	128,453	(9,635,594)
Other subsidiaries with immaterial non-controlling interest	396	(19,509)
	128,849	(9,655,103)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

(i) Summarised statement of financial position

	2021 RM	BSOE 2020 RM
Current		
Assets	23,880,862	9,209,570
Liabilities	(24,758,294)	(30,432,523)
Total net current liabilities	(877,432)	(21,222,953)
Non-current		
Assets	1,344,764	1,948,665
Liabilities	(205,183)	(390,189)
Total net non-current assets	1,139,581	1,558,476
Net asset/(liabilities)	262,149	(19,664,477)

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)**(i) Material non-controlling interests (Cont'd)**

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations. (Cont'd)

(ii) Summarised statement of profit or loss and other comprehensive income

	2021 RM	BSOE 2020 RM
Revenue	31,811,207	50,781,594
Profit/(Loss) before taxation	5,149,973	(525,734)
Taxation	(48,168)	(7,405)
Profit/(Loss) after taxation	5,101,805	(533,139)
Total comprehensive income/(loss)	5,101,805	(533,139)
Total comprehensive income/(loss) allocated to non-controlling interest	2,499,884	(261,238)
Dividends paid to non-controlling interest	–	–

(iii) Summarised statement of cash flows

	2021 RM	BSOE 2020 RM
Net cash generated from operating activities	(14,249,487)	2,454,137
Net cash used in investing activities	–	(318,340)
Net cash used in financing activities	9,884,334	(805,625)
	(4,365,153)	1,330,172

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

7. INVESTMENT IN JOINT VENTURE

	Group	
	2021 RM	2020 RM
Unquoted shares at cost	5,100,000	5,100,000
Share of results	(138,879)	(138,879)
Less: Impairment loss	4,961,121 (4,961,121)	4,961,121 (4,961,121)
At end of the financial year	–	–

The Company and its subsidiary companies have entered into a legal suit with the joint venture partner as disclosed in Note 36 to the financial statements.

(a) The details of the joint venture are as follows:

Name of joint ventures	Country of incorporation and place of business	Effective ownership and voting interest (%)		Principal activities
		2021 %	2020 %	
Handal Oceans Asset Sdn. Bhd ("HOASB")	Malaysia	51	51	Engage in the business relating to oil and gas ownership, and mobile production of oil and gas.

(b) Set out below are summarised financial information for the joint ventures which are accounted for using equity method.

(i) Summarised statement of financial position

	HOASB	
	2021 RM	2020 RM
Current assets	99,823	103,080
Current liabilities	(2,782,116)	(10,993,698)
Non-current assets	–	20,618,307
Net assets	(2,682,293)	9,727,689
Included in net assets are:		
Cash and cash equivalents	99,823	103,079

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

7. INVESTMENT IN JOINT VENTURE (CONT'D)

- (b) Set out below are summarised financial information for the joint ventures which are accounted for using equity method. (Cont'd)

(ii) Summarised statement of profit or loss and other comprehensive income

	HOASB	
	2021 RM	2020 RM
Revenue	–	–
Expenses	–	(272,311)
Loss/Total comprehensive loss from continuing operations	–	(272,311)

(iii) Reconciliation of summarised information

	HOASB	
	2021 RM	2020 RM
Net (liabilities)/assets	(2,782,116)	9,727,689
Group's equity interest	51%	51%
Group's share of net assets	N/A	4,961,121

8. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

	Company	
	2021 RM	2020 RM
Non-current assets		
Amounts owing by subsidiary companies	5,100,000	9,098,491
Less: Impairment loss	(5,100,000)	–
	–	9,098,491
Current liabilities		
Amounts owing to subsidiary companies	12,603,315	5,131,088

These amounts are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

8. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES (CONT'D)

The movement of impairment loss is as follows:

	2021 RM	Company 2020 RM
At beginning of the financial year	–	–
Charge during the financial year	5,100,000	–
At end of the financial year	5,100,000	–

9. INVENTORIES

	2021 RM	Group 2020 RM
Raw materials, consumables and crane components at cost	9,225,656	10,054,037

10. TRADE RECEIVABLES

	2021 RM	Group 2020 RM Restated
Trade receivables	5,636,692	7,153,036
Less: Impairment loss	(226,499)	–
	5,410,193	7,153,036
Contract assets - accrued billings	11,421,074	8,827,399
	16,831,267	15,980,435

Contract assets - accrued billings consist of contract jobs which have been completed and yet to be invoiced due to the due process of approval by customers.

The Group's normal credit term ranges from 30 days to 45 days (2020: 30 days to 60 days) from the date of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables of the Group and the Company is an amount of RM50,000 (2020: RM73,772) owing by company in which a Director of the Company has vested interest.

Movements on the Group's provision for impairment of trade receivables is disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

11. OTHER RECEIVABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Amount owing from joint ventures	5,433,646	5,421,694	5,433,646	5,421,694
Less: impairment loss	(5,421,694)	(5,421,694)	(5,421,694)	(5,421,694)
	—	—	—	—
Other receivables	8,765,576	1,156,743	786,098	61,436
Deposits	610,702	467,102	139,664	174,667
Advances	13,718	44,750	—	19,500
Prepayments	3,859,887	3,735,678	1,060	48,646
	13,261,835	5,404,273	938,774	304,249

Included in other receivables of the Group is an amount of RM6,688,341 (2020: RM Nil) representing capital advances to be transferred by the non-controlling interest of a subsidiary company.

Included in prepayments of the Group is an amount of RM3,837,102 (2020: RM3,628,013) being advance payments to suppliers for goods purchased.

Movements on the Group's and the Company's impairment loss for the other receivables are disclosed in Note 34 to the financial statements.

12. CONTRACT COST ASSETS/(CONTRACT LIABILITIES)

	Note	2021 RM	Group 2020 RM
Contract cost assets			
Work-in-progress	(a)	46,815	34,677
Amount due from contract customers	(b)	7,632,228	1,999,488
		7,679,043	2,034,165
Contract liabilities			
Amount due to contract customers	(b)	(50,000)	(2,166,280)

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

12. CONTRACT COST ASSETS/(CONTRACT LIABILITIES) (CONT'D)

- (a) This represents cost incurred to date on parts trading for specific performance obligations which are not satisfied at the reporting date.
- (b) Amount due from/(to) contract customers

	2021 RM	Group 2020 RM
Contract costs incurred to date	23,303,452	32,787,770
Add: Attributable profits	3,510,233	3,935,732
Less: Foreseeable losses	(94,631)	(277,687)
	26,719,054	36,445,055
Less: Progress billings	(19,136,826)	(36,611,847)
	7,582,228	(166,792)
Represented by:		
Amount due from contract customers	7,632,228	1,999,488
Amount due to contract customers	(50,000)	(2,166,280)
	7,582,228	(166,792)

This amount is arising from fabrication of cranes, pipeline isolation services and riser services, representing the timing differences in revenue recognition and the milestone billings.

- (c) Unsatisfied long-term contracts

As at the end of the financial year, the aggregate amount of the transaction price allocated to the remaining unfulfilled performance obligations of the Group is RM3,717,629 (2020: RM8,252,646) which will be recognised as revenue when the relevant projects are completed, which are expected to occur over the next 12 months (2020: 12 to 24 months).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group/Company 2021 RM	2020 RM
Quoted investments	102,268	100,083

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

14. FIXED DEPOSITS

The fixed deposits of the Group amounting to RM13,380,808 (2020: RM20,193,222) have been pledged to licensed banks as security for banking facilities granted to a certain subsidiary company as disclosed in Note 18 to the financial statements.

15. SHARE CAPITAL AND TREASURY SHARES**(a) Share capital**

	Group/Company		Amount	
	Number of ordinary shares		2021 RM	2020 RM
	2021 Units	2020 Units		
Issued and fully paid				
At beginning of the financial year	218,826,000	175,968,900	100,468,926	84,998,651
Issuance during the financial year	11,165,000	42,857,100	2,575,672	15,470,275
At end of the financial year	229,991,000	218,826,000	103,044,598	100,468,926

During the financial year, the Company increased its total issued and paid-up share capital from RM100,468,926 to RM103,044,598 by way of issuance of 11,165,000 ordinary shares of RM0.23 per share with nominal value of RM2,575,672, net of transaction costs. The new ordinary shares issued during the financial year ranked pari-passu in all respect with the existing ordinary shares of the Company.

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 25 May 2017, had renewed the approval granted to the Company to buy back its own shares up to 10% of the total issued and paid up share capital of the Company.

The movements in treasury shares are as follows:

	Number of treasury shares Units	Cost RM	Average cost per share RM
At beginning/end of the financial year	310,200	72,044	0.23

The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As treasury shares, the rights attached to voting, dividends and participation in other distributions are suspended.

None of the treasury shares were resold or cancelled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

16. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

	Group/Company		Amount	
	2021 Units	2020 Units	2021 RM	2020 RM
Issued and fully paid				
At beginning of the financial year	26,061,819	–	9,407,625	–
Issuance during the financial year	–	26,061,819	–	9,407,625
At end of the financial year	26,061,819	26,061,819	9,407,625	9,407,625

On 9 August 2019, the Company issued 26,061,819 units of 5-years ICPS ("Consideration ICPS") for the acquisition of a subsidiary company, Borneo Seaoffshore Engineering Sdn. Bhd.. Maturity date of the ICPS is on the market day immediately before the 5th anniversary of the date of issue. The Consideration ICPS was issued at price of RM0.37 per ICPS with nominal value in issue of RM9,407,625, net of transaction costs.

The salient terms of the ICPS are as follows:

(a) Voting rights

The Consideration ICPS shall carry no right to vote at any general meeting of the Company except with regard to:

- (i) on any proposal to wind-up the Company or during the winding up of the Company; or
- (ii) on any proposal that affects the rights and privileges of the Consideration ICPS holders; or
- (iii) on any proposal to reduce the share capital of the Company; or
- (iv) on any proposal for the disposal of the whole or a substantial part of property, business and undertaking of the Company.

In any of the cases above, the Consideration ICPS holders shall be entitled to vote together with the holders of ordinary shares and to 1 vote and if voting by way of a poll, the Consideration ICPS holder shall have 1 vote for each Consideration ICPS held.

(b) Ranking

The Consideration ICPS are unsecured and rank pari-passu in all respect between the holders thereof except that:

- (i) they will not be entitled to any rights, allotments and/or other distribution (except dividends) that may be declared by the Company; and
- (ii) the Consideration ICPS shall carry no right to vote at any general meeting of the Company except with regard to any proposal to wind-up the Company, during the winding-up of the Company, any proposal that affects the rights and privileges of the Consideration ICPS holders, any proposal to reduce the Company's share capital or any proposal for the disposal of the whole or a substantial part of the Company's property, business and undertaking. In any such case, the Consideration ICPS holders shall be entitled to vote together with the holders of ordinary shares and to 1 vote for each Consideration ICPS held.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

16. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONT'D)

The salient terms of the ICPS are as follows: (Cont'd)

(c) Dividends

The dividends for the Consideration ICPS shall be determined solely at the discretion of the Board of Directors of the Company.

(d) Conversion period

- (i) The Consideration ICPS shall be convertible into new ordinary shares of the Company based on the Conversion Ratio at any time upon the issuance of Consideration ICPS up to and including the Maturity Date; and
- (ii) any Consideration ICPS that remains outstanding on the Maturity Date shall be automatically converted into the ordinary shares of the Company.

(e) Adjustment to Conversion Ratio and right to conversion

The Conversion Ratio may from time to time be adjusted by the Directors of the Company as and when they deem necessary and expedient, in consultation with the auditor of the Company in all or any of the following cases:

- (i) an alteration of the value of ordinary shares in the Company by reason of consolidation or subdivision; or
- (ii) a bonus issue of fully paid-up ordinary shares by the Company; or
- (iii) a capital distribution or repayment to shareholders whether by way of reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by assets); or
- (iv) a rights issue of ordinary shares by the Company; or
- (v) capitalisation of the reserves of the Company; or
- (vi) any other circumstances which in the opinion of the Directors of the Company be deemed necessary.

No adjustment to the Conversion Ratio and/or number of ordinary shares in the Company to be issued arising from conversion of the Consideration ICPS shall be made unless it has been certified by the auditor of the Company. For avoidance of doubt, any fraction of new ordinary shares of the Company arising from the conversion in favour of a holder of Consideration ICPS otherwise entitled thereto shall be disregarded and no refund or credit, whether in the form of the ICPS, cash or otherwise, shall be given in respect of the fractional entitlement be disregarded.

(f) Conversion Rights

The Consideration ICPS holders will have the right to convert the Consideration ICPS into new ordinary shares of the Company at any time on any Market Day upon the issuance of Consideration ICPS up to and including the Maturity Date.

(g) Redemption

The Consideration ICPS is not redeemable for cash.

(h) Transferability

The Consideration ICPS is fully transferable with the prior approvals of the relevant authorities, if any and if required.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

16. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONT'D)

The salient terms of the ICPS are as follows: (Cont'd)

(i) Listing

The Consideration ICPS is not listed on Bursa Securities. However, an application for approval in principle of Bursa Securities was made for the listing and quotation for the new ordinary shares of the Company to be issued arising from the conversion of the Consideration ICPS on the Main Market of Bursa Securities.

(j) Ranking of new ordinary shares of the Company from conversion

All new ordinary shares of the Company to be issued upon the conversion of the Consideration ICPS shall upon allotment and issuance, rank pari-passu in all respects with the then existing ordinary shares of the Company, save and except that the new ordinary shares of the Company shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of such new ordinary shares of the Company.

(k) Rights of holders on the liquidation of the Company

In the event of any form of winding-up of, or return of capital by the Company, the Consideration ICPS holders shall be entitled to receive payment (after payment to creditors of the Company, whether secured or unsecured) of the nominal amount of the Consideration ICPS held by them together with any arrears of dividend (whether earned or declared or not) calculated to the date of such payment in priority to the members of the Company, on a pari-passu basis amongst the other holders of the Consideration ICPS, but shall have no other right to participate in the assets or profits of the Company.

(l) Rights to receive notices, reports and accounts and attend meetings

Consideration ICPS holders shall have the right to receive notices, reports and accounts and attend meetings, being the same as those which ordinary shareholder are entitled.

(m) Participation rights of Consideration ICPS holders in any distributions and/or offer of further securities

The Consideration ICPS holders shall not have any right to participate in any distribution and/or offers of further securities by the Company unless otherwise resolved by members of the Company at a general meeting.

17. EMPLOYEES' SHARE OPTION SCHEME

The Company's ESOS is governed by the By-Laws which was approved by the shareholders at the Extraordinary General Meeting held on 5 August 2019.

Under the ESOS, an Eligible Person as defined in the By-Laws of the scheme are offered options which vest on an annual pro-rata basis over a 4-year period from the grant date. Once vested, the options remain exercisable up to the expiry date of the ESOS.

The ESOS Options shall not carry any right to vote at any general meeting of the Group.

When exercisable, each option is convertible into one ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

17. EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The salient terms of the ESOS are as follows:

(a) Eligibility

Any Director or Employee of the Group shall be eligible to participate in the ESOS and qualify for selection by the ESOS Committee, if, as at the Date of Offer (where applicable):

- (i) such Employee or Director has attained the age of eighteen (18) years;
- (ii) such Employee is in employment within the Group and has not served a notice to resign nor received a notice of termination;
- (iii) such Employee has been employed on a full-time basis and is on the payroll of any corporation within the Group and his employment has been confirmed or such Employee is serving in a specific designation under an employment contract for a fixed duration of at least one (1) year (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of service from one (1) year to a lesser period as it deems fit);
- (iv) such Director has been appointed as a Director of any company in the Group;
- (v) such Director has his/her allocation of the ESOS Options approved by the shareholders of the Group at a general meeting;
- (vi) such Employee or Director is under an employment contract, the contract is for a duration of at least three (3) years and shall have not expired within three (3) months from the Date of Offer;
- (vii) such Employee or Director is not a participant of any other employee share option scheme implemented by any company within the Group which is in force for the time being; and
- (viii) such Employee or Director has fulfilled any other eligibility criteria and/or falls within such grade/category as may be determined by the ESOS Committee at its sole discretion from time to time, provided that nothing herein shall invalidate any selection of any Eligible Person which may have been made by the Board on or prior to the Effective Date. For the avoidance of doubt, the ESOS Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in By-Law 5.1 of the Scheme, for purposes of selecting an Eligible Person at any time and from time to time, in the ESOS Committee's discretion

(b) Ranking and listing and quotation for the shares

- (i) The new Shares to be allotted and issued upon any exercise of the ESOS Options shall upon such allotment and issuance, rank pari-passu in all respects with the then existing issued Shares except that the new Shares so issued will not be entitled to any dividends, rights, allotments and/or other distributions, the Entitlement Date of which is prior to the date of which the new Shares are credited into the CDS Accounts of the Grantees.
- (ii) The Grantees will not be entitled to any dividends, rights, allotments and/or other distributions until and unless such Grantees exercise their ESOS Options into new Shares and such new Shares are credited into the Grantees' respective CDS Accounts.
- (iii) The new Shares allotted and credited into the CDS Accounts would also carry rights to vote at any general meeting of the Company provided that the shareholder is registered on the Entitlement Date as at the close of business to be entitled to attend and vote at the general meeting.
- (iv) The new Shares shall be subjected to all the provisions of the M&A of the Company in relation to their issuance and allotment, transfer, transmission or otherwise.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

17. EMPLOYEES' SHARE OPTION SCHEME (CONT'D)**(c) Alteration of share capital and adjustment**

In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, subdivision or consolidation of shares or capital reduction or any other variation of capital:

- (i) the number of new Shares which a Grantee shall be entitled to subscribe for upon the exercise of each ESOS Option (excluding ESOS Options already exercised); and/or
- (ii) the Exercise Price

Set out below is the movement of share options granted under the ESOS:

	Number of options granted Units	Number of options vested and exercisable Units
As at July 2020	10,591,200	2,647,800
Vested during the financial year	—	2,091,650
Forfeited during the financial year	(2,224,600)	(556,150)
As at June 2021	8,366,600	4,183,300

Share options outstanding at the end of the financial year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price RM
23 June 2020	26 December 2024	0.24

18. BORROWINGS

	2021 RM	Group 2020 RM
Current		
Secured:		
Bank overdrafts	16,083,443	16,277,090
Banker's acceptance	1,385,704	13,593,472
	17,469,147	29,870,562

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

18. BORROWINGS (CONT'D)Bank overdrafts and banker's acceptance

The bank overdrafts and banker's acceptance are secured by the following:

- (i) pledge of fixed deposits on lien of a subsidiary company as disclosed in Note 14 to the financial statements;
- (ii) a first party fixed charge over the long-term leasehold land and building of a subsidiary company as disclosed in Note 3 to the financial statements;
- (iii) irrevocable payment instruction to designated Paymaster(s) to remit proceeds from certain contracts of a subsidiary company into a designated Escrow Account maintained by the subsidiary company with the financial institution;
- (iv) a first legal charge over the designated Escrow Account and all monies standing to the credit of the said account of a subsidiary company;
- (v) corporate guarantee by the Company; and
- (vi) joint and several guarantee by certain directors of the Company.

The range of effective interest rates per annum are as follows:

	2021 %	Group 2020 %
Bank overdrafts	6.89 - 8.95	6.89 - 8.95
Banker's acceptance	5.49 - 6.59	3.96 - 7.19

19. LEASE LIABILITIES

	2021 RM	Group 2020 RM	Company 2021 RM	2020 RM
Gross lease payments:				
- less than 1 year	990,969	1,374,065	265,770	190,392
- between 1 to 5 years	1,158,765	1,302,052	105,211	-
	2,149,734	2,676,117	370,981	190,392
Less: Future finance charges	(137,668)	(176,850)	(14,277)	(4,122)
	2,012,066	2,499,267	356,704	186,270
Present value of lease liabilities:				
- less than 1 year	908,084	1,274,236	252,574	186,270
- between 1 to 5 years	1,103,982	1,225,031	104,130	-
	2,012,066	2,499,267	356,704	186,270

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

19. LEASE LIABILITIES (CONT'D)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Analysed as:				
Repayable within twelve months	908,084	1,274,236	252,574	186,270
Repayable after twelve months	1,103,982	1,225,031	104,130	–
	2,012,066	2,499,267	356,704	186,270

The effective interest rate per annum of the Group and the Company ranges from 3.80% to 7.15% and 5.83% (2020: 3.80% to 7.15% and 5.83%) respectively.

20. DEFERRED TAX (ASSETS)/LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax liabilities	1,840,813	2,491,701	20,966	20,966

The movement on the net deferred tax (assets)/liabilities are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At beginning of the financial year	2,491,701	2,700,395	20,966	20,966
Recognised in profit or loss: (Note 27)				
- property, plant and equipment	(57,362)	352,227	–	–
- intellectual property	–	(575,741)	–	–
- unabsorbed capital allowance	(260,138)	–	–	–
- unutilised tax losses	(334,079)	(76,351)	–	–
- others	691	(4,319)	–	–
	(650,888)	(304,184)	–	–
Acquisition of a subsidiary company (Note 6(a))	–	95,490	–	–
At end of the financial year	1,840,813	2,491,701	20,966	20,966

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

20. DEFERRED TAXATION (CONT'D)

The components of deferred tax assets and liabilities of the Group and the Company during the financial year prior to offsetting are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax liabilities				
- property, plant and equipment	1,081,322	1,064,913	20,966	20,966
- intellectual property	1,507,458	1,507,458	–	–
- others	337	–	–	–
	2,589,117	2,572,371	20,966	20,966
Offsetting	(748,304)	(80,670)	–	–
Net deferred tax liabilities	1,840,813	2,491,701	20,966	20,966
Deferred tax assets				
- unabsorbed capital allowances	(336,123)	–	–	–
- unutilised tax losses	(410,430)	(76,351)	–	–
- others	(1,751)	(4,319)	–	–
	(748,304)	(80,670)	–	–
Offsetting	748,304	80,670	–	–
Net deferred tax assets	–	–	–	–

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Provisions	6,098,609	6,305,028	5,421,694	5,421,694
Property, plant and equipment	273,716	37,748	(330,767)	(455,951)
Unutilised tax losses	15,046,349	15,380,914	–	–
Others	–	–	–	5,279
	21,418,674	21,720,819	5,090,927	4,971,022
Deferred tax assets not recognised at 24% (2020: 24%)	5,140,482	5,212,997	1,221,822	1,193,045

With effect from Year of Assessment ("YA") 2019, unutilised tax losses in a YA can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business source.

The deferred tax assets are not recognised due to uncertainty of the ability of the subsidiary companies to generate future taxable profits which allow the deferred tax assets to be utilised against.

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21. TRADE PAYABLES

	2021 RM	Group 2020 RM Restated
Trade payables	25,303,776	18,520,221

The normal trade credit term granted to the Group ranges from 30 to 90 days (2020: 30 to 90 days).

22. OTHER PAYABLES

	2021 RM	Group 2020 RM	2021 RM	Company 2020 RM
Other payables	2,784,566	2,555,335	867,558	911,813
Accruals	3,256,319	3,078,806	63,400	37,150
	6,040,885	5,634,141	930,958	948,963

23. AMOUNT OWING TO A DIRECTOR

The amount owing to a Director is unsecured, interest-free and repayable on demand.

24. REVENUE

	2021 RM	Group 2020 RM
Revenue recognised from contracts with customers:		
- Construction contract	6,737,209	5,284,272
- Services	58,570,255	82,115,073
- Trading	8,522,257	11,753,903
	73,829,721	99,153,248

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

24. REVENUE (CONT'D)

Breakdown of revenue recognised from contracts with customers is as follows:

	2021 RM	Group 2020 RM
Major goods and services		
Fabrication of cranes	6,737,209	5,284,272
Integrated crane services	24,606,925	23,952,039
Workover projects lifting solutions	806,612	7,381,440
Pipeline isolation services	24,445,366	48,539,977
Riser services	7,365,841	2,241,617
Trading and project services	8,522,257	11,753,903
Well services	1,345,511	–
	73,829,721	99,153,248
Geographical market		
Malaysia	73,829,721	99,153,248
Timing of revenue recognition		
At a point in time	8,522,257	11,753,903
Over time	65,307,464	87,399,345
	73,829,721	99,153,248

25. COST OF SALES

	2021 RM	Group 2020 RM
Cost of fabrication of cranes	3,369,503	5,637,772
Cost of integrated crane services	20,890,043	15,434,321
Cost of workover projects lifting solutions	68,791	2,618,755
Cost of pipeline isolation services	11,517,420	41,208,853
Cost of riser services	3,240,087	3,320,798
Cost of trading and project services	5,989,320	7,481,075
Cost of well services	1,200,880	–
	46,276,044	75,701,574

NOTES TO THE FINANCIAL STATEMENTS

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26. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is derived after charging/(crediting):

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Auditors' remuneration:				
- Statutory audit				
- Current year	141,000	137,000	37,000	37,000
- Under provision in prior year	—	3,330	—	3,330
- Other services	37,500	5,000	30,000	5,000
Depreciation of property, plant and equipment	2,418,901	2,785,233	337,682	304,104
Depreciation of right-of-use assets	1,106,686	1,021,733	334,778	325,944
Fair value changes on financial asset at fair value through profit or loss	(2,185)	(63,487)	(2,185)	(63,487)
Gain on disposal of property, plant and equipment	(966)	(21,708)	—	—
Gain on disposal of non-current assets held for sale	—	(1,933,191)	—	—
Gain from early termination of lease	(3,711)	—	—	—
Impairment losses on:				
- Amount owing from joint venture	—	5,421,694	—	5,421,694
- Amount owing by a subsidiary company	—	—	5,100,000	—
- Intangible assets	—	2,398,924	—	—
- Investment in joint venture	—	4,961,121	—	—
- Property, plant and equipment	53,524	—	—	—
- Trade receivables	226,499	—	—	—
Interest expenses:				
- Bank overdrafts	1,232,614	673,725	—	—
- Banker's acceptance	222,156	1,131,364	—	—
- Lease liabilities	139,523	144,665	20,112	21,076
Interest income:				
- Placement in money market funds	(1,732)	(2,580)	(1,732)	(2,580)
- Short term deposits	(97,680)	(547,013)	—	—
Loss on disposal of investment in a subsidiary company	—	—	—	4,000
Net (gain)/loss on foreign exchange:				
- Realised	(30,842)	29,543	—	(20,705)
- Unrealised	(15,215)	(218)	—	—
Property, plant and equipment written off	—	7,350	—	—
Profit guarantee income	(2,821,900)	—	(2,821,900)	—
Rental of short-term leases:				
- Premises	238,782	61,932	—	—
- Equipment	101,875	109,642	—	12,600
Share-based payments under ESOS	600,586	—	189,509	—

NOTES TO THE FINANCIAL STATEMENTS

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27. TAXATION

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current taxation:				
- Current year provision	11,999	221,205	–	–
- Over provision in prior years	(110,379)	(430,326)	–	–
	(98,378)	(209,121)	–	–
Deferred taxation: (Note 20)				
- Origination and reversal of temporary differences	579,042	(413,966)	–	–
- (Over)/Under provision in prior years	(1,229,930)	109,782	–	–
	(650,888)	(304,184)	–	–
	(749,266)	(513,305)	–	–

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable loss for the financial year.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before taxation	1,985,800	(24,224,619)	(4,761,168)	(13,270,673)
Share of loss of joint venture	–	138,879	–	–
Profit/(Loss) before taxation and share of loss of joint venture	1,985,800	(24,085,740)	(4,761,168)	(13,270,673)
Taxation at statutory tax rate of 24% (2020: 24%)	476,592	(5,780,578)	(1,142,680)	(3,184,962)
Expenses not deductible for tax purposes	880,537	3,984,333	1,792,550	3,199,818
Income not subject to tax	(693,572)	(478,822)	(678,647)	(14,856)
Deferred tax asset not recognised	57,326	2,082,306	28,777	–
Utilisation of previously unrecognised deferred tax assets	(129,841)	–	–	–
Over provision of current taxation in prior years	(110,379)	(430,326)	–	–
(Over)/Under provision of deferred taxation in prior years	(1,229,930)	109,782	–	–
Taxation for the financial year	(749,266)	(513,305)	–	–

NOTES TO THE FINANCIAL STATEMENTS

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28. STAFF INFORMATION

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Staff costs (excluding Directors)	25,779,318	39,782,512	–	2,733,231

Included in staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM2,357,996 and RM NIL (2020: RM3,065,303 and RM271,234) respectively.

29. EARNINGS/(LOSS) PER SHARE**(a) Basic earnings/(loss) per share**

The basic earnings/(loss) per ordinary share is calculated by dividing the consolidated loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	Group 2021 RM	2020 RM
Profit/(Loss) attributable to owners of the Company	232,528	(23,311,130)
Weighted average number of ordinary shares in issue	221,945,636	213,466,881
Basic earnings/(loss) per share (sen)	0.10	(10.92)

(b) Diluted earnings/(loss) per share

For the purpose of calculating diluted earnings/(loss) per share, consolidated profit/(loss) attributable to owners of the Company, adjusted for dilutive adjustments is divided by weighted average number of ordinary shares in issue during the financial year, adjusted for the dilutive effects of all potential ordinary shares.

For the previous financial year, the potential conversion of ICPS and share options are anti-dilutive as the conversion of the ICPS and share options would result in a reduction in diluted loss per share upon conversion.

For the current financial year, the potential conversion of share options is excluded as the exercise price is higher than the average market price of the Company for the financial year ended 30 June 2021. The remaining dilutive effect arising from the potential conversion of ICPS is as follows:

	Group 2021
Profit attributable to owners of the company (RM)	232,528
Weighted average number of ordinary shares in issue Adjusted for assumed conversion of ICPS	221,945,636 26,061,819
Adjusted weighted average number of ordinary shares in issue	248,007,455
Diluted earnings per share (sen)	0.09

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

30. RELATED PARTIES DISCLOSURES

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

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the financial year:

	2021 RM	Group 2020 RM
Company in which a Director of the Company has substantial financial interest		
<u>Thrustbar Resources Sdn. Bhd.</u>		
Provision of pipeline pumping services	–	3,293,107
<u>Seaoffshore Engineering Sdn. Bhd.</u>		
Provision of gas turbine maintenance services	1,921,250	–

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Information regarding remuneration of key management personnel is as follows:

	2021 RM	Group 2020 RM	2021 RM	Company 2020 RM
Short-term benefits for:				
Directors:				
- Salaries and other emoluments	1,941,834	2,836,619	66,400	1,689,845
- Fees	889,200	754,200	836,400	618,400
- Employees' provident fund	224,796	294,943	–	188,846
- Share-based payment under ESOS	325,898	–	189,509	–
	3,381,728	3,885,762	1,092,309	2,479,091
Other key management personnel:				
- Salaries and other emoluments	1,608,227	982,547	–	–
- Employees' provident fund	150,275	123,830	–	–
- Share-based payment under ESOS	38,045	–	–	–
	1,796,547	1,106,377	–	–
	5,178,275	4,992,139	1,092,309	2,479,091

NOTES TO THE FINANCIAL STATEMENTS

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31. CASH FLOW INFORMATION**(a) Purchase of property, plant and equipment**

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cost of property, plant and equipment purchased	1,970,582	3,138,040	57,373	376,561
Less: hire purchase financing	–	(491,000)	–	–
Cash payment	1,970,582	2,647,040	57,373	376,561

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities RM	Banker's acceptance RM	Total RM
Group			
At 1 July 2020	2,499,267	13,593,472	16,092,739
Acquisition of a subsidiary company (Note 6(b))	403,207	–	403,207
Addition of right-of-use assets	882,505	–	882,505
Early termination of lease	(180,298)	–	(180,298)
Net cash flows in financing activities	(1,592,615)	(12,207,768)	(13,800,383)
At 30 June 2021	2,012,066	1,385,704	3,397,770

	Lease liabilities RM	Banker's acceptance RM	Total RM
Group			
At 1 July 2019	936,896	1,091,130	2,028,026
Hire purchase financing	491,000	–	491,000
Acquisition of a subsidiary company (Note 6(a))	292,736	4,181,718	4,474,454
Addition of right-of-use assets	2,191,997	–	2,191,997
Net cash flows in financing activities	(1,413,362)	8,320,624	6,907,262
At 30 June 2020	2,499,267	13,593,472	16,092,739

	Lease liabilities	
	2021 RM	2020 RM
Company		
At beginning of the financial year	186,270	–
Addition of right-of-use assets	490,616	506,935
Net cash flows in financing activities	(320,182)	(320,665)
At end of the financial year	356,704	186,270

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION

Segmental information is presented in respect of the Group's business segments which is based on the Group's management and internal reporting structure.

The main business segments of the Group comprise the following:

- a) Investment holding;
- b) Integrated crane services contracts ("Integrated Crane Services");
- c) Manufacturing and fabrication of new offshore pedestal cranes ("Fabrication of Cranes");
- d) Pipeline engineering services
- e) Trading and project services
- f) All other segments include:
 - i) Workover projects lifting solutions;
 - ii) Manpower services;
 - iii) Supply, fabrication & servicing industrial equipments & tank systems;
 - iv) Consultants in engineering project support services;
 - v) Research and developing in advance composite material; and
 - vi) Well services

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exist. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liability is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Managing Director.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION (CONT'D)

2021	Investment holding RM	Integrated crane services RM	Fabrication of cranes RM	Pipeline engineering services RM	Trading and project services RM	All other segments RM	Total RM
Revenue							
Total operating revenue	-	24,623,654	6,737,209	33,636,394	8,507,767	2,488,813	75,993,837
Inter segment	-	(16,729)	-	(1,825,187)	(14,490)	(336,690)	(2,164,116)
External operating revenue	-	24,606,925	6,737,209	31,811,207	8,522,257	2,152,123	73,829,721
Results							
Segment results	1,216,996	4,952	-	6,227,060	169,638	246,154	7,864,800
Finance income	1,732	-	-	97,672	-	8	99,412
Finance cost	(20,112)	(1,130,270)	-	(334,627)	(86,387)	(22,897)	(1,594,293)
Depreciation of property, plant and equipment	(337,682)	(1,668,807)	-	(255,229)	(18,676)	(138,507)	(2,418,901)
Depreciation of right-of-use assets	(334,778)	(509,798)	-	(262,110)	-	-	(1,106,686)
Gain on disposal of property, plant and equipment	-	966	-	-	-	-	966
Gain on early termination of lease	-	1,682	-	2,029	-	-	3,711
Unrealised gain on foreign exchange	-	-	-	-	4,442	10,773	15,215
Fair value changes to financial assets through profit or loss	2,185	-	-	-	-	-	2,185
Impairment losses on:							
- Trade receivables	-	(226,499)	-	-	-	-	(226,499)
- Property, plant and equipment	-	-	-	-	-	(53,524)	(53,524)
Share-based payment under ESOS	(189,509)	(83,384)	-	(324,822)	-	(2,871)	(600,586)
Profit/(Loss) before taxation	338,832	(3,611,158)	-	5,149,973	69,017	39,136	1,985,800
Taxation							749,266
Profit for the financial year							2,735,066

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION (CONT'D)

2021	Investment holding RM	Integrated crane services RM	Fabrication of cranes RM	Pipeline engineering services RM	Trading and project services RM	All other segments RM	Total RM
Assets							
Segment assets	39,492,742	69,569,740	–	22,458,737	660,769	2,382,361	134,564,349
Liabilities							
Segment liabilities	1,308,628	24,934,037	–	22,323,792	2,333,155	1,925,757	52,825,369
Segment assets include:							
Additions to property, plant and equipment	57,373	1,913,209	–	–	–	–	1,970,582

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION (CONT'D)

2020	Investment holding RM	Integrated crane services RM	Fabrication of cranes RM	Pipeline engineering services RM	Trading and project services RM	All other segments RM	Total RM
Revenue							
Total operating revenue	-	24,310,727	5,284,272	50,781,594	11,753,903	7,381,440	99,511,936
Inter segment	-	(358,688)	-	-	-	-	(358,688)
External operating revenue	-	23,952,039	5,284,272	50,781,594	11,753,903	7,381,440	99,153,248
Results							
Segment results	(7,263,922)	4,064,388	-	811,211	(786,111)	(4,933,694)	(8,108,128)
Finance income	2,580	392,716	-	125,502	28,605	190	549,593
Finance cost	(21,076)	(871,241)	-	(982,179)	(75,258)	-	(1,949,754)
Depreciation of property, plant and equipment	(304,104)	(2,161,573)	-	(252,938)	(18,013)	(48,605)	(2,785,233)
Depreciation of right-of-use assets	(325,944)	(468,459)	-	(227,330)	-	-	(1,021,733)
Property, plant and equipment written off	-	(7,350)	-	-	-	-	(7,350)
Gain on disposal of property, plant and equipment	-	21,708	-	-	-	-	21,708
Unrealised loss on foreign exchange	-	-	-	-	218	-	218
Gain on disposal of non-current assets	-	-	-	-	-	-	-
held for sale	-	-	-	-	-	1,933,191	1,933,191
Fair value changes to financial assets through profit or loss	63,487	-	-	-	-	-	63,487
Impairment losses on:							
- Intangible assets	-	(2,398,924)	-	-	-	-	(2,398,924)
- Investment in joint venture	-	-	-	-	-	(4,961,121)	(4,961,121)
- Amount due from joint venture	(5,421,694)	-	-	-	-	-	(5,421,694)
Share of loss of joint venture	-	-	-	-	-	(138,879)	(138,879)
Loss before taxation	(13,270,673)	(1,428,735)	-	(525,734)	(850,559)	(8,148,918)	(24,224,619)
Taxation							513,305
Loss for the financial year							(23,711,314)

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION (CONT'D)

2020	Investment holding RM	Integrated crane services RM	Fabrication of cranes RM	Pipeline engineering services RM	Trading and project services RM	All other segments RM	Total RM
Assets							
Segment assets	39,063,021	78,234,028	–	10,942,329	1,077,820	837,676	130,154,874
Liabilities							
Segment liabilities	1,156,199	30,994,613	–	26,210,170	2,179,616	741,620	61,282,218
Segment assets include:							
Additions to property, plant and equipment	376,561	2,357,414	–	318,340	27,782	57,943	3,138,040

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

32. SEGMENT INFORMATION (CONT'D)

Geographical segments

The Group operates principally in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the Group revenue:

	Group		Segment
	2021 RM	2020 RM	
Customer A	18,317,347	20,263,854	Integrated crane services, Pipeline engineering services
Customer B	12,783,193	6,792,113	Integrated crane services, Pipeline engineering services
Customer C	5,785,520	49,963,983	Integrated crane services, Pipeline engineering services
	<u>36,886,060</u>	<u>77,019,950</u>	

33. CONTINGENT LIABILITY

	Company	
	2021 RM	2020 RM
Unsecured:		
Corporate guarantee issued for credit facilities granted to subsidiary companies:		
Limit of guarantee	25,450,337	48,500,000
Utilised as at end of financial year	23,972,522	38,259,467

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS

The following table analyses the financial assets and financial liabilities of the Group and of the Company by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets at fair value through profit or loss RM	Financial assets and liabilities at amortised cost RM	Total RM
2021			
Group			
Financial assets			
Financial assets at fair value through profit or loss	102,268	–	102,268
Trade receivables	–	5,410,193	5,410,193
Other receivables (excluding prepayments)	–	9,401,948	9,401,948
Cash and cash equivalents	–	13,830,197	13,830,197
	102,268	28,642,338	28,744,606
Financial liabilities			
Trade payables	–	25,303,776	25,303,776
Other payables	–	6,040,885	6,040,885
Borrowings	–	17,469,147	17,469,147
Amount owing to a Director	–	107,682	107,682
Lease liabilities	–	2,012,066	2,012,066
	–	50,933,556	50,933,556
Company			
Financial assets			
Financial asset at fair value through profit or loss	102,268	–	102,268
Other receivables (excluding prepayments)	–	937,714	937,714
Cash and cash equivalents	–	161,205	161,205
	102,268	1,098,919	1,201,187
Financial liabilities			
Other payables	–	930,958	930,958
Lease liabilities	–	356,704	356,704
	–	1,287,662	1,287,662

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

	Financial assets at fair value through profit or loss RM	Financial assets and liabilities at amortised cost RM Restated	Total RM Restated
2020			
Group			
Financial assets			
Financial asset at fair value through profit or loss	100,083	–	100,083
Trade receivables	–	7,153,036	7,153,036
Other receivables (excluding prepayments)	–	1,668,595	1,668,595
Cash and cash equivalents	–	22,139,225	22,139,225
	100,083	30,960,856	31,060,939
Financial liabilities			
Trade payables	–	18,520,221	18,520,221
Other payables	–	5,634,141	5,634,141
Amount owing to a Director	–	100,000	100,000
Borrowings	–	29,870,562	29,870,562
Lease liabilities	–	2,499,267	2,499,267
	–	56,624,191	56,624,191
Company			
Financial assets			
Financial asset at fair value through profit or loss	100,083	–	100,083
Other receivables (excluding prepayments)	–	255,603	255,603
Cash and cash equivalents	–	243,723	243,723
	100,083	499,326	599,409
Financial liabilities			
Other payables	–	948,963	948,963
Lease liabilities	–	186,270	186,270
	–	1,135,233	1,135,233

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management**

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade receivables and contract assets - accrued billings.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables and contract assets – accrued billings ageing.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statement of financial position.

The ageing analysis of the Group's trade receivables and contract assets - accrued billings are as follows:

	2021 RM	Group 2020 RM Restated
Neither past due nor individually impaired	13,713,899	13,036,032
Past due but not individually impaired:		
- 1 to 30 days	423,389	422,858
- 31 to 60 days	187,540	857,214
- 61 to 90 days	225,099	612,118
- More than 90 days	2,507,839	1,052,213
Impairment losses	3,343,867 (226,449)	2,944,403 –
	16,831,267	15,980,435

Trade receivables and contract assets - accrued billings that are neither past due nor individually impaired are creditworthy debtors with good payment records with the Group. These debtors are mostly long-term customers with no history of default in payments.

The Group's trade receivables and contract assets - accrued billings of RM3,343,867 (2020: RM2,944,403) was past due but not individually impaired. These relate to a number of independent customers for whom there is no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management (Cont'd)**Credit risk (Cont'd)

Movement on the Group's and the Company's loss allowance for impairment of trade and other receivables are as follows:

	Trade receivables RM	Other receivables RM	Total RM
Group 2021			
At beginning of the financial year	–	5,421,694	5,421,694
Charge during the financial year	226,499	–	226,499
At end of the financial year	226,499	5,421,694	5,648,193
Represented by:			
Individual impairment	–	5,421,694	5,421,694
Lifetime expected credit loss impairment	226,499	–	226,499
	226,499	5,421,694	5,648,193
2020			
At beginning of the financial year	–	–	–
Charge during the financial year	–	5,421,694	5,421,694
At end of the financial year	–	5,421,694	5,421,694
Represented by:			
Individual impairment	–	5,421,694	5,421,694

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management (Cont'd)**Credit risk (Cont'd)

	Other receivables RM
Company	
2021	
At beginning/end of the financial year	5,421,694
Represented by:	
Individual impairment	5,421,694
2020	
At beginning of the financial year	–
Charge during the financial year	5,421,694
At end of the financial year	5,421,694
Represented by:	
Individual impairment	5,421,694

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables, borrowings and lease liabilities.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

Based on the cash flow forecast for the next twelve months from the date of the financial statements, the Group's obligations are expected to be funded by generating sufficient cash inflows from its existing contracts and utilising banking facilities available to the Group. In order to further manage and strengthen the cash flow position, the Group had implemented cost-cutting measures to only incur expenditure that are vital to the continuous operations of the Group as a whole. Significant assumptions and judgements are used in the preparation of the cash flow forecast.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	Between 1 to 2 years RM	Between 2 to 5 years RM
Group 2021						
Trade payables	25,303,776	-	25,303,776	25,303,776	-	-
Other payables	6,040,885	-	6,040,885	6,040,885	-	-
Amount owing to a Director	107,682	-	107,682	107,682	-	-
Bank overdrafts	16,083,443	6.89 - 8.95	16,083,443	16,083,443	-	-
Banker's acceptance	1,385,704	5.49 - 6.59	1,385,704	1,385,704	-	-
Lease liabilities	2,012,066	1.98 - 7.15	2,149,734	990,969	827,819	330,946
	50,933,556		51,071,224	49,912,459	827,819	330,946

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (Cont'd)

Liquidity risk (Cont'd)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	Between 1 to 2 years RM	Between 2 to 5 years RM
Group						
2020						
Trade payables	18,520,221	-	18,520,221	18,520,221	-	-
Other payables	5,634,141	-	5,634,141	5,634,141	-	-
Amount owing to a Director	100,000	-	100,000	100,000	-	-
Bank overdrafts	16,277,090	6.89 - 8.95	16,277,090	16,277,090	-	-
Banker's acceptance	13,593,472	3.96 - 7.19	13,593,472	13,593,472	-	-
Lease liabilities	2,499,267	1.98 - 7.15	2,676,117	1,374,065	548,961	753,091
	56,624,191		56,801,041	55,498,989	548,961	753,091
Company						
2021						
Other payables	930,958	-	930,958	930,958	-	-
Lease liabilities	356,704	5.83	370,981	265,770	105,211	-
	1,287,662		1,301,939	1,196,728	105,211	-
2020						
Other payables	948,963	-	948,963	948,963	-	-
Lease liabilities	186,270	5.83	190,392	190,392	-	-
	1,135,233		1,139,355	1,139,355	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management (Cont'd)**Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group's financial position and cash flows. The Group is not significantly affected by foreign exchange rate and price risks.

(a) Cash flow and fair value interest rate risk

The Group's fixed rate borrowings are not exposed to a risk of change in interest rates. The Group's variable rate borrowings are exposed to a change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group manages such exposure by maintaining a prudent mix of fixed and floating rate borrowing facilities.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2021 RM	Group 2020 RM
Fixed rate instruments		
Financial assets	13,380,808	20,193,222
Financial liabilities	(1,208,986)	(1,305,729)
	12,171,822	18,887,493
Floating rate instruments		
Financial liabilities	(17,469,147)	(29,870,562)

Since the Group's fixed rate financial assets and liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Group's profit or loss.

As at the end of the financial year, if interest rates of floating rate instruments had been lower by 25 basis points ("bp") with all other variables held constant, this will result in post-tax increase in Group's loss of RM33,191 (2020: RM56,754) in statement profit or loss and other comprehensive income of the Group.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Group. The Group's trade receivables and trade payables balances at the reporting date have similar exposures. The foreign currencies in which these transactions are denominated are mainly United States Dollar ["USD"], Singapore Dollar ["SGD"], Australian Dollar ["AUD"] and British Pound Sterling ["GBP"].

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)**Financial risk management (Cont'd)**Market risk (continued)

(b) Foreign currency risk (continued)

The Group holds cash and cash equivalents denominated in foreign currency for working capital purposes.

Exposure to foreign currency risk

The currency profile of the Group is as follows:

Group 2021	USD RM	SGD RM	GBP RM	Total RM
Cash and cash equivalents	8,891	7,912	–	16,803
Trade receivables	–	–	326,808	326,808
Trade payables	(999,545)	(14,099)	(1,205,791)	(2,219,435)
Other payables	(678,220)	–	–	(678,220)
	(1,668,874)	(6,187)	(878,983)	(2,554,044)

Group 2020	USD RM	SGD RM	GBP RM	AUD RM	Total RM
Cash and cash equivalents	8,891	7,912	–	–	16,803
Trade payables	(1,862,057)	–	(455,886)	(3,037)	(2,320,980)
	(1,853,166)	7,912	(455,886)	(3,037)	(2,304,177)

Sensitivity analysis for foreign currency risk

The following table demonstrated the sensitivity of the Group's profit net of tax to a reasonably possible change in USD, SGD, GBP and AUD exchange rates against the functional currency of the Group, with all other variables held constant. The Group's profit/loss net of tax would increase/(decrease), as applicable, by the amounts stated below if the individual foreign currency had strengthened/weakened by the following percentage:

	Strengthened in currency rate %	2021 RM	Group 2020 RM
USD	5	(63,417)	(70,240)
SGD	5	(235)	301
GBP	5	(33,401)	(17,324)
AUD	5	–	(115)

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

34. FINANCIAL INSTRUMENTS (CONT'D)

Fair value information

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair value hierarchy for financial instruments carried at fair value in the statement of financial position:

Group/ Company	Note	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2021					
Financial assets					
Financial asset at fair value through profit or loss	13	102,268	–	–	102,268
2020					
Financial assets					
Financial asset at fair value through profit or loss	13	100,083	–	–	100,083

The following table analyses the fair values of financial instruments not carried at fair value, together with their carrying amounts in the statements of financial position:

	2021		2020	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Lease liabilities	1,208,986	1,103,936	1,305,729	1,190,778

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

35. CAPITAL MANAGEMENT

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company.

	2021 RM	Group 2020 RM
Borrowings	17,469,147	29,870,562
Lease liabilities	1,208,986	1,305,729
Less: Cash and bank balances	(449,389)	(1,946,003)
Less: Fixed deposits	(13,380,808)	(20,193,222)
Net borrowings	4,847,936	9,037,066
Equity attributable to owners of the Company	81,610,131	78,527,759
Gearing ratio	6%	13%

There were no changes to the Group's approach to capital management during the financial year.

36. LITIGATIONS

On 3 August 2020, the Company and its two subsidiaries, Borneo Seaoffshore Engineering Sdn Bhd ("BSOE") and Handal Engineering Sdn Bhd ("HESB") (the "Plaintiff") filed a legal suit against Brian Chang, Tracy Chang, Emily Soon Wai Chin, Calm Oceans Pte Ltd ("COPL") and Brian Chang Holdings Ltd (the "Defendants"). The suit is premised on, among others, the Deceit and Negligent Misstatement of the Defendants wherein the Defendants misled the Plaintiffs on the cost efficiency of the Mono-Column Platform("MCP"). The Plaintiffs relied on Defendants' misleading representations to their own detriment, causing the Plaintiffs to suffer loss and damage. The Plaintiffs are seeking, among others, the following relief from the Court: -

- i. Special damages amounting to the Plaintiffs' Investment being RM10,589,823.00;
- ii. Special damages amounting to the Plaintiffs' Expenses being RM1,676,121.91;
- iii. General Damages of RM140,153,860.03;
- iv. Aggravated damages to be assessed and/or determined by the Court;
- v. Interest at 5% per annum from 27.9.2020 until full settlement; and
- vi. Costs.

The Plaintiffs solicitors successfully served the court document on the Defendants in Singapore and the British Virgin Islands.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

36. LITIGATIONS (CONT'D)

On 15 December 2020, the Defendants solicitors entered appearance on their behalf in this suit.

On 28 December 2020, the Defendants' solicitors filed an application to stay proceedings including the filing of the Defence on the basis that the suit should be referred to arbitration (the "Stay Application"). The affidavit in support of the Stay Application was affirmed by Tracy Chang on 11 January 2021.

On 25 January 2021 the Plaintiffs' filed an Affidavit in Reply to oppose the Stay Application, and in turn the Defendants filed the Defendants' Affidavit in Reply on 8 February 2021.

On 19 February 2021, the Plaintiffs filed a further Affidavit in Reply to address certain matters raised in the Defendants' Affidavit in Reply.

On 23 February 2021, the Plaintiffs filed a Notice of Discontinuance in respect of the 2nd Plaintiff, Borneo Seaoffshore Engineering Sdn Bhd. On this same day, the Defendants filed Written Submissions in respect of the Stay Application.

The said application was heard on 22 March 2021 whereby the Defendants' application was dismissed with no order as to costs. Dissatisfied with the dismissal, the Defendants have filed an appeal to the Court of Appeal on 2 April 2021. The appeal has yet to be set down for hearing but in the meantime, the Defendants have filed a stay of proceedings in the High Court pending the resolution of the said appeal. This Stay of Proceedings application was heard and allowed on 28 June 2021.

The Appeal before the Court of Appeal has been fixed for 24 January 2022.

Investment in joint venture has been fully impaired in previous financial year as disclosed in Note 7 to the financial statements.

37. SIGNIFICANT EVENTS

The COVID-19 pandemic continued to exacerbate throughout the financial year, resulting in two additional Movement Control Order (MCO) periods this year, which have impacted the local and global oil and gas industry. The Group's operations were affected due to the direct delays arising from the movement control restriction measures and related standard operating procedures nation-wide and worldwide, resulting immense backlog from deferred contracts due to the pandemic. In response to the pandemic, the Group has undertaken the necessary changes to its operations, including implementing revenue and cost optimisation measures as well as initiatives to improve operational efficiency and productivity.

38. SUBSEQUENT EVENTS

The Company has completed the listing of additional 1,100,000 ordinary shares via the private placement exercise on the Main Market of Bursa Securities on 9 July 2021.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D)

39. RESTATEMENTS ARISING FROM MEASUREMENT PERIOD ADJUSTMENTS FROM ACQUISITION OF BSOE

On 13 August 2019, the Company completed the acquisition of 51% equity interest in BSOE for a consideration of RM25,500,000 and goodwill on consolidation from the acquisition was recognised on a provisional basis in the previous financial year.

In accordance with MFRS 3 "Business Combinations", the Group retrospectively adjusted the provisional effects recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that would affect the fair value of the identifiable assets, liabilities and contingent liabilities of BSOE.

As a result of the above, certain comparative effects as at 30 June 2020 have been restated as follows:

	As previously stated RM	Adjustments RM	As restated RM
Group			
Statement of financial position			
as at 31 December 2020 (extract)			
Intangible assets	34,409,739	7,128,316	41,538,055
Trade receivables	27,193,146	(11,212,711)	15,980,435
Non-controlling interests	2,806,328	6,848,775	9,655,103
Trade payables	(15,755,841)	(2,764,380)	(18,520,221)

40. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 25 October 2021.

LIST OF
PROPERTIES

No	Location	Description/ Existing Use	Approximate Age of Building	Tenure	Land Area/ Built-up Area (sqf)	NBV as at 30.06.2021 (RM'000)	Date of acquisition (if no revaluation is done)
1	PT 7358, Mukim Telok Kalong, District of Kemaman, Terengganu Darul Iman	Industrial Lot/Fabrication yard/ Workshop	16 years	Leasehold for 60 Years expiring on 15.10.2066	Land – 40,000 square metres/10 acres Building/ Workshop – 5,955.75 square metres	2,007	11 Oct 2009
2	Lot 60739, Kawasan Perindustrian Teluk Kalong, Kemaman, Terengganu Darul Iman.	The land must be utilized only for the purpose of civil and mechanical engineering services for the petrochemical, oil and gas industries and the construction and completion of building related thereto.	6 years	Leasehold for 60 Years expiring on 30.04.2076	Land – 50,000 square metres/12.36 acres (vacant)	1,925	11 July 2007

ANALYSIS OF SHAREHOLDINGS

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 29 SEPTEMBER 2021

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	263	11.39	10,005	0.00
100 - 1,000	193	8.36	109,803	0.05
1,001 - 10,000	842	36.47	5,273,647	2.29
10,001 - 100,000	842	36.47	29,467,600	12.77
100,001 to less than 5% of issued shares	167	7.23	133,962,645	58.05
5% and above of issued shares	2	0.09	61,957,100	26.85
Total	2,309	100.00	230,780,800	100.00

DIRECTORS' SHAREHOLDINGS AS AT 29 SEPTEMBER 2021

Name of Director	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
YAM TENGKU BADERUL ZAMAN				
IBNI SULTAN MAHMUD	329,700	0.14%	—	—
SUNILDEEP SINGH DHALIWAL	17,665,100	7.65%	52,104,100 ¹	22.58%
MALLEK RIZAL BIN MOHSIN	8,645,096	3.75%	6,546,087 ²	2.84%
YM TENGKU MUNAWIR ISLAHUDDIN				
BIN TENGKU NOONE AZIZ	—	—	—	—
DATUK MARY @ MARIATI ROBERT	—	—	—	—
JACQUELINE FONG YEAN YEE	1,420,500	0.62%	—	—
TERRY BIUSING	400,000	0.17%	—	—
DATO' MOHAMMAD MEDAN ABDULLAH	—	—	—	—
MIOR MOKHTAR BIN MIOR ABU BAKAR	—	—	—	—

Notes:

- 1 Deemed interested through the shares held in Seaoffshore Capital Sdn Bhd, Borneo Seaoffshore Sdn Bhd and his spouse pursuant to Section 8 of the Act
- 2 Deemed interested by virtue of his family relationship with Dato' Mohsin Abdul Halim pursuant to Section 8 of the Act

SUBSTANTIAL SHAREHOLDERS AS AT 29 SEPTEMBER 2021

Name of Director	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
SEAOFFSHORE CAPITAL SDN BHD	44,957,100	19.48%	6,300,000 ¹	2.73%
SEAOFFSHORE PRODUCTION SOLUTIONS SDN BHD	—	—	51,257,100 ²	22.21%
SEAOFFSHORE EQUITIES SDN BHD	—	—	51,257,100 ²	22.21%
CHAN CHEU LEONG	18,344,800	7.95%	—	—
SUNILDEEP SINGH DHALIWAL	17,665,000	7.65%	52,104,100 ³	22.58%
YAMANI HAFEZ BIN MUSA	—	—	51,257,100 ²	22.21%
MALLEK RIZAL BIN MOHSIN	8,645,096	3.75%	6,246,087 ⁴	2.71%
DATO' MOHSIN ABDUL HALIM	6,246,087	2.71%	8,645,096 ⁵	3.75%

ANALYSIS OF SHAREHOLDINGS

(CONT'D)

SUBSTANTIAL SHAREHOLDERS AS AT 29 SEPTEMBER 2021 (CONT'D)

Notes:

- 1 Deemed interested through the shares held in Borneo Seaoffshore Sdn Bhd pursuant to Section 8 of the Act
- 2 Deemed interested through the shares held in Seaoffshore Capital Sdn Bhd and Borneo Seaoffshore Sdn Bhd pursuant to Section 8 of the Act
- 3 Deemed interested through the shares held in Seaoffshore Capital Sdn Bhd, Borneo Seaoffshore Sdn Bhd and his spouse pursuant to Section 8 of the Act
- 4 Deemed interested by virtue of his family relationship with Dato' Mohsin Abdul Halim pursuant to Section 8 of the Act
- 5 Deemed interested by virtue of his family relationship with En. Mallek Rizal Bin Mohsin pursuant to Section 8 of the Act

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 SEPTEMBER 2021

No.	Shareholders	Holdings	%
1	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEAOFFSHORE CAPITAL SDN BHD	44,957,100	19.48
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR SUNILDEEP SINGH DHALIWAL (BX1068)	17,000,000	7.37
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHAN CHEU LEONG (PB)	8,750,000	3.79
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR MALLEK RIZAL BIN MOHSIN (SMART)	8,645,096	3.75
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	8,550,000	3.70
6	HOW CHENG KONG	7,933,300	3.44
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ASHVIN JETHANAND VALIRAM (PB)	7,324,400	3.17
8	BORNEO OFFSHORE SDN BHD	6,300,000	2.73
9	DATO' MOHSIN ABDUL HALIM	6,246,087	2.71
10	MALTA CORP. SDN BHD	5,000,000	2.17
11	TAN CHEE ENG MARTINA	4,975,200	2.16
12	DAVID LEE BAIR EN	4,468,500	1.94
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IZWAN HASLI BIN MOHD IBRAHIM	4,303,500	1.86
14	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	3,125,000	1.35
15	LD REKA SDN BHD	3,062,806	1.33
16	KUEH JOO CHIEN	3,000,000	1.30
17	J B PROPERTIES SDN BHD	2,946,750	1.28
18	HARJIT SINGH A/L PURAN SINGH	2,000,000	0.87
19	LIM SENG CHEE	1,835,000	0.80
20	LAVINA MANOHAR MELWANI	1,711,200	0.74
21	JACQUELINE FONG YEAN YEE	1,420,500	0.62
22	ZAHARI BIN HAMZAH	1,321,966	0.57
23	CHAN WYE LING	1,260,000	0.55
24	SAMEER SAIGAL	1,100,000	0.48
25	CH'NG CHAN SENG	1,065,000	0.46
26	CHAN CHEU LEONG	1,044,800	0.45
27	TUNKU SHAM BIN TUNKU MAHMUD	995,900	0.43
28	KULIDEEP KAUR A/P NARANJAN SINGH	847,000	0.37
29	RAMLY BIN ABDULLAH	800,000	0.35
30	TAN AI JIEW	800,000	0.35

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth (13th) Annual General Meeting of Handal Energy Berhad (“Handal” or “the Company”) will be held at Tanjung Room, Level 2, Shangri-La Tanjung Aru Resort & Spa, 20, Jalan Aru, Tanjung Aru, 88100 Kota Kinabalu, Sabah, on Wednesday, 24 November 2021 at 2.00 p.m. for the purpose of transacting the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2021 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To approve the payment of Directors’ fees of up to RM1,000,000 to be divided amongst the Directors in such manner as the Directors may determine for the period from 24 November 2021 until the conclusion of next Annual General Meeting of the Company. (Ordinary Resolution 1)
3. To approve the payment of Directors’ benefits (excluding Directors’ fees) of up to RM200,000 to the Non-Executive Directors with effect from 24 November 2021 until the next Annual General Meeting of the Company. (Ordinary Resolution 2)
4. To re-elect Datuk Mary @ Mariati Robert who retires pursuant to Clause 125 of the Company’s Constitution. (Ordinary Resolution 3)
5. To re-elect the following Directors who retire pursuant to Clause 115 of the Company’s Constitution :
 - (a) YAM Tengku Baderul Zaman Ibni Sultan Mahmud (Ordinary Resolution 4)
 - (b) Mr. Sunildeep Singh Dhaliwal (Ordinary Resolution 5))
 - (c) Encik Mior Mokhtar Bin Mior Abu Bakar (Ordinary Resolution 6)
6. To re-appoint Messrs. HLB AAC PLT as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)

As Special Business:

To consider and, if thought fit, to pass the following resolutions:

7. **Proposed Allocation of Employees’ Share Option Scheme (“ESOS”) Options to Datuk Mary @ Mariati Robert, the Independence Non-Executive Director of the Company** (Ordinary Resolution 8)

“THAT, subject to the approvals of all relevant authorities or parties (where required) being obtained, the Board be and is hereby authorised at any time and from time to time throughout the duration of the ESOS, to offer and grant to Datuk Mary @ Mariati Robert, the Independent Non-Executive Director of the Company, options to subscribe for such number of new ordinary shares in Handal (“Handal Shares”) and if such options are accepted and exercised, to allot and issue such number of shares of new Handal Shares as may be required to be issued to her under the provisions of the By-Laws of the ESOS provided that her allocation is not more than 10% of the total Handal Shares of the Company made available under the ESOS, if she either singly or collectively through persons connected with her, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares);

AND THAT subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/ or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS.”

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

8. **Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** (Ordinary Resolution 9)

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act"), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 April 2020 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the issued share capital of the Company for the time being ("20% General Mandate") and that the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued.

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to its letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act."

9. To transact any other ordinary business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

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

Kuala Lumpur
Date: 28 October 2021

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Company's Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Record of Depositors as at 17 November 2021 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out above will be put to vote by way of poll.

EXPLANATORY NOTES :**1. Audited Financial Statements for the Financial Year Ended 30 June 2021**

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2017 provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 1 : To Approve the Payment of Directors' Fees to Non-Executive Directors

Section 230(1) of the Companies Act, 2016 requires the fees payable to Directors of the Company be approved at a general meeting. In this respect, the Board agreed, with the Remuneration Committee's recommendation, for the payment of the Directors' fees of up to RM1,000,000 and that the shareholders' approval shall be sought at the Thirteenth (13th) Annual General Meeting to approve the said payment of Directors' fees for the period from 24 November 2021 until the conclusion of the next annual general meeting of the Company.

3. Ordinary Resolution 2 : Payment of Directors' Benefits (excluding Directors' fees) to Non-Executive Directors

The Directors' benefits payable comprises meeting attendance allowance of RM1,000 per meeting for each Member and RM1,500 per meeting for Chairman of each Committee which is calculated based on the current Board size and the number of scheduled Board and Board Committee meetings and other benefits payable to the Non-Executive Directors with effect from 24 November 2021 until the conclusion of the next annual general meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

EXPLANATORY NOTES : (CONT'D)**4. Ordinary Resolutions 3 to 6 : Re-election of Directors**

The following Directors are standing for re-election as Directors of the Company pursuant to the provision of the Company's Constitution at the Thirteenth (13th) Annual General Meeting of the Company and are being eligible have offered themselves for re-election at the Thirteenth (13th) Annual General Meeting in accordance with the Company's Constitution :

- i) Datuk Mary @ Mariati Robert (Clause 125);
- ii) YAM Tengku Baderul Zaman Ibni Sultan Mahmud (Clause 115);
- iii) Mr. Sunildeep Singh Dhaliwal (Clause 115); and
- iv) Encik Mior Mokhtar Bin Mior Abu Bakar (Clause 115)

(collectively referred to as "Retiring Directors")

The Board of Directors through the Nomination Committee ("NC") has deliberated on the suitability of the Retiring Directors to be re-elected as Directors. Upon deliberation, the Board (except for the Retiring Directors) collectively agreed that the Retiring Directors meet the criteria of character, experience, integrity, competence and time commitment to effectively discharge their respective roles as Directors of the Company and recommended the Retiring Directors be re-elected as the Directors of the Company.

Further, in line with Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG"), the NC has considered and affirmed, and the Board has endorsed that YAM Tengku Baderul Zaman Ibni Sultan Mahmud, Datuk Mary @ Mariati Robert and Encik Mior Mokhtar Bin Mior Abu Bakar, the Independent Non-Executive Directors who is seeking re-election at the Thirteenth (13th) Annual General Meeting of the Company comply with the independence criteria as prescribed in the Listing Requirements of Bursa Malaysia Securities Berhad and remained independent in exercising their judgment and in carrying out their duties as Independent Non-Executive Directors.

5. Ordinary Resolution 8 : Proposed Allocation of Employees' Share Option Scheme ("ESOS") Options to Datuk Mary @ Mariati Robert, the Independent Non-Executive Director of the Company

The proposed Ordinary Resolution 8, if passed, will enable the Company to offer and grant to Datuk Mary @ Mariati Robert, the Independent Non-Executive Director of the Company, options to subscribe for new Handal Shares and if such options are accepted and exercised, to allot and issue such number of new Handal Shares as may be required to be issued to her under the Company's ESOS approved by the shareholders at the Extraordinary General Meeting held on 5 August 2019, in accordance with the provisions of the By-Laws governing the ESOS (as may be amended, varied or supplemented from time to time).

6. Ordinary Resolution 9 : Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 9, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 20% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

Bursa Malaysia Securities Berhad ("Bursa Securities") has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 ("Extended Utilisation Period") and thereafter, the 10% general mandate will be reinstated. Having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Companies Act, 2016 from its shareholders at the forthcoming AGM of the Company.

The 20% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

EXPLANATORY NOTES : (CONT'D)**6. Ordinary Resolution 9 : Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 (Cont'd)**

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

As at the date of this Notice, 12,265,000 new ordinary shares in the Company were issued by way of private placement pursuant to the general mandate granted to the Directors at the Twelfth (12th) Annual General Meeting held on 30 November 2020. The total proceeds raised from the said private placement exercise was around RM2.88 million. The details and status of the utilisation of proceeds raised from the said private placement exercise are as follows :

Status of Utilisation	Amount Utilised (RM)
Repayment of borrowings	–
Working capital	2,834,275
Estimated expenses	48,000
	2,882,275
Amount Unutilised	–
Total	2,882,275

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 9 as stated in the Notice of Annual General Meeting of the Company for the details.

ADMINISTRATIVE GUIDE

FOR THE THIRTEENTH (13TH) ANNUAL GENERAL MEETING (“AGM”)

Dear Shareholders Greeting from Handal Energy Berhad

In view of the evolving development of COVID-19 situation in Malaysia, shareholders are encouraged to visit the Company's website and Bursa's website from time to time for any changes or updated information on the Company's Annual General Meeting.

Details and Procedures of 13th AGM

Date	Time	Venue
Wednesday, 24 November 2021	2.00 p.m.	Tanjung Room, Level 2, Shangri-La Tanjung Aru Resort & Spa, 20, Jalan Aru, Tanjung Aru, 88100 Kota Kinabalu, Sabah

1. The 13th AGM will be a physical annual general meeting.
2. As the Covid-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take such precautionary measures as may be required or recommended by the relevant authorities from time to time.
3. The Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website for any updates.
4. Shareholders who are above 60 years old are strongly encouraged to appoint the Chairman of the Meeting as proxy to attend and vote on behalf at the forthcoming AGM. You may submit your proxy forms with pre-determined voting instructions for the Chairman to vote on behalf.

Precautions and Preventive Measures in view of COVID-19

1. The Company takes the well-being of all stakeholders seriously and therefore precautionary measures will be taken at the 13th AGM in order to minimise the risk of community spread of Covid-19.
2. The Company reserves the right to limit the number of physical attendees including invited guests to 30. Hence, the total members present in person or by proxy or attorney or authorised representative shall preferably be limited to 20, on first come first serve basis, after taking into consideration of the attendance of the Directors, Company Secretary, Poll Administrator, Scrutineer and Auditors.
3. As a precautionary measure, members, their appointed proxies or representatives (“Attendees”) are NOT ALLOWED to attend the Meeting if:-
 - (a) they are not fully vaccinated (as defined by Majlis Keselamatan Negara); or
 - (b) they are unwell with sore throat, flu, cough, fever, diarrhea and/or shortness of breath; or
 - (c) they have travel history to high-risk countries affected by Covid-19 in the past 14 days; or
 - (d) they have been in contact with a person who is confirmed with Covid-19 infection in the past 14 days.
4. Attendees are required to undergo a Covid-19 test on the spot using a self-testing kit which will be provided by the Company. Alternatively, the Attendees may undergo a PT-PCR or RTK swab test at any health facility within 48 hours before the Meeting date at their own cost. The negative test results have to be presented at the registration counter.
5. The Attendees are required to show their fully vaccinated status through their MySejahtera App and undergo a temperature screening. The Company requires all Attendees to sanitise their hands before entering the Meeting venue and adhere to social distancing rules of at least one (1) meter between each Attendee and a face mask must be worn at all times throughout the AGM. Attendees are advised to arrive at the Meeting venue early given that the above measures may cause a delay in the registration process.
6. The Company seeks the understanding and cooperation of all Attendees for the above precautionary measures.

ADMINISTRATIVE GUIDE
FOR THE THIRTEENTH (13TH) ANNUAL GENERAL MEETING (“AGM”)

(CONT'D)

Entitlement to Participate in the AGM

Only members whose names appear on the Record of Depositors as at 17 November 2021 shall be entitled to attend the AGM or appoint proxies in his/her stead or in the case of a corporation, a duly authorised representative to attend and to vote in his/her stead. A proxy must be 18 years and above and need not be a member of the Company.

No Lunch, Refreshment nor Door Gift

There will be light refreshment provided for this year's AGM.

Pre-Registration to attend the 13th AGM

Members and/or proxy holders who wish to attend the Company's 13th AGM in person are required to pre-register to allow the Company to make the necessary arrangements in relation to the Meeting, i.e. infrastructure, logistics and meeting venue(s) to accommodate the Meeting participants.

Please adhere to the following procedures to pre-register your physical attendance at the 13th AGM via the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not later than Monday, 22 November 2021 at 2.00 p.m.:

Step	Action
Note	Only a depositor whose name appears on the Record of Depositors as at 17 November 2021 shall be entitled to attend or appoint proxies to attend and/or vote on his/her behalf at the 13th AGM. If you have already signed up with Boardroom Smart Investor Portal, you may proceed to Step 2.
1	(a) Access Boardroom Smart Investor Portal at https://investor.boardroomlimited.com , (b) Click <<Register>> to sign up as a user. (c) Complete registration and upload softcopy of MyKAD or Passport (front and back in JPG, PNG or PDF format). (d) Please enter a valid email address and wait for Boardroom's email verification. (e) Your registration will be verified and approved within (1) one business day and an email notification will be provided.
2	(a) Log in to https://investor.boardroomlimited.com , (b) At left-menu, click on <<PRE-REGISTRATION>> (c) Look for “HANDAL AGM”, click <<Register>> (d) Read and agree to the terms and conditions, click <<Next>> (e) Key in your CDS Account Number, click <<Submit>> (f) You will receive notification from Boardroom that your request(s) has been received.
3	(a) Upon system verification against the General Meeting Record of Depositors as at 17 November 2021, you will receive an email either approving or rejecting your pre-registration. (b) On the day of the 13 th AGM, please present your original MyKAD or Passport to the registration staff for verification against the pre-registration attendance list.

ADMINISTRATIVE GUIDE
FOR THE THIRTEENTH (13TH) ANNUAL GENERAL MEETING ("AGM")

(CONT'D)

Registration

1. Registration will start at 1.00 p.m. on Wednesday, 24 November 2021.
2. Kindly produce your original MyKad/Passport (for foreigners) to the registration staff at the registration counter for verification. Please ensure to collect your MyKad/Passport thereafter.
3. Upon verification, you are required to sign on the Attendance list prepared by the registration staff.
4. After registration, a polling slip will be issued to the respective shareholders. For-electronic polling, shareholders will be given a wristband. Shareholders are required to put on for voting purpose later.
5. No person will be allowed to register on behalf of another person, even with the original MyKad/Passport of that person.
6. The registration counter will handle only verification of identity and registration.
7. ALL Attendees are also required to observe social distancing rule.
8. Please vacate the registration area immediately after registration.

Proxy

1. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him. If you are unable to attend the Meeting and wish to appoint a proxy to vote on your behalf, please submit your Proxy Form in accordance with the notes and instructions printed therein.
2. You may submit your Proxy Form to the office of the Share Registrar of our Company, Boardroom Share Registrar Sdn. Bhd. by email to bsr.helpdesk@boardroomlimited.com or fax +603-7890 4670. We do not acknowledge receipt of the Form(s) of Proxy.
3. If you wish to attend the Meeting yourself, please do not submit any Proxy Form. You will not be allowed to attend the Meeting together with a proxy appointed by you.
4. If you have submitted your Proxy Form prior to the Meeting and subsequently decided to attend the Meeting yourself, please proceed to the Help Desk at the registration counter to revoke the appointment of your proxy.

Poll Voting

1. In accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the voting at the 13th AGM will be conducted by poll rather than show of hand. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.
2. Upon completion of the voting session for the 13th AGM, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

ADMINISTRATIVE GUIDE
FOR THE THIRTEENTH (13TH) ANNUAL GENERAL MEETING (“AGM”)

(CONT'D)

Annual Report 2021

1. The Company's Annual Report 2021, Notice of the 13th AGM, Proxy Form and Administrative Guide are available on the following websites:
 - (a) <https://www.bursamalaysia.com>
 - (b) <https://handalenergy.com>
2. If you wish to request for a printed copy of the Annual Report 2021, please complete and send the Request Form that can be downloaded from the Company's website at <https://handalenergy.com> and email the same to the Share Registrar.
3. Kindly think of the environment before you decide to print the Annual Report 2021. We would appreciate your support by going paperless as part of the Company “Go Green” initiative to help protect the environment for current and future generations.

Enquiry

1. If you have any query prior to the Meeting, please contact the following officers during office hours:

Boardroom Share Registrar Sdn. Bhd. Registration No. 199601006647 (378993-D) 11 th Floor, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim Seksyen 13, 46200 Petaling Jaya Selangor Darul Ehsan, Malaysia	Tel No.	+603-7890 4700
	Fax No.	+603-7890 4670
	Email Add	Mohammad.Helmi@boardroomlimited.com
	Contact Person:	ENCIK MOHAMMAD HELMI NURI

The Company and its subsidiary companies, their officers and employees shall have no liability whatsoever to any and all shareholders, their proxies, corporate representatives and/or any other party arising out of or in connection of any infection or suspicion of any infection from Covid-19 and/or suffering any losses arising out of or in connection with attendance at the Company's AGM and/or measures are undertaken by the Company in the Company's sole discretion in response to the Covid-19 pandemic.



HANDAL ENERGY BERHAD

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

Form of Proxy

I / We (Full Name in Block Letters) _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of HANDAL ENERGY BERHAD hereby appointed : _____

_____ NRIC No. / Passport No. _____

of _____

and/or _____ NRIC No. / Passport No. _____

of _____

or failing *him/her, the Chairman of the meeting as my / our proxy to vote and act on my / our behalf at the Thirteenth (13th) Annual General Meeting of Handal Energy Berhad ("Handal" or "the Company") to be held at Tanjung Room, Level 2, Shangri-La Tanjung Aru Resort & Spa, 20, Jalan Aru, Tanjung Aru, 88100 Kota Kinabalu, Sabah, on Wednesday, 24 November 2021 at 2.00 p.m. and at any adjournment thereof.

No.	Resolutions		For	Against
1.	To approve the payment of Directors' fees for the period from 24 November 2021 until the conclusion of next Annual General Meeting of the Company	Ordinary Resolution 1		
2.	To approve the payment of Directors' benefits for the period from 24 November 2021 until the conclusion of next Annual General Meeting of the Company	Ordinary Resolution 2		
3.	To re-elect Datuk Mary @ Mariati Robert as Director.	Ordinary Resolution 3		
4.	To re-elect YAM Tengku Baderul Zaman Ibni Sultan Mahmud as Director.	Ordinary Resolution 4		
5.	To re-elect Mr. Sunildeep Singh Dhaliwal as Director.	Ordinary Resolution 5		
6.	To re-elect Encik Mior Mokhtar Bin Mior Abu Bakar as Director.	Ordinary Resolution 6		
7.	To re-appoint Messrs. HLB AAC PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
8.	To approve the proposed allocation of ESOS Options to Datuk Mary @ Mariati Robert.	Ordinary Resolution 8		
9.	To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	Ordinary Resolution 9		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolution as he/she may think fit.)

Signed this _____ day of _____, 2021.

Signature : _____

(If shareholder is a corporation, this form should be executed under seal)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

First Proxy

No. of Shares:

Percentage :%

Second Proxy

No. of Shares:

Percentage :%

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The Form of Proxy or other instruments of appointment must be deposited at the office of the Company's Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim), Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Record of Depositors as at 178 November 2021 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out above will be put to vote by way of poll.

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**AFFIX
STAMP**

**THE SHARE REGISTRAR OF
HANDAL ENERGY BERHAD**

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Semangat (Jalan Professor Khoo Kay Kim)
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fold This Flap For Sealing

ANNUAL REPORT 2021

HANDAL ENERGY BERHAD 200801015549 (816839-X)

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50400 Kuala Lumpur, Malaysia

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