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HANGJI GLOBAL LIMITED

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 30 JUNE 2021

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HANGJI GLOBAL LIMITED
FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 30 JUNE 2021

Contents

HANGJI GLOBAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The Directors submit their report together with the audited financial statements of Hangji Global Limited ('the Company'), for the year ended 30 June 2021.

Principal activity

The principal activity of the Company is providing turnkey solutions (a project value chain solution) for projects via engineering and technology interventions for both growth and expansion companies as well as restructuring and turnaround companies across four diversified verticals viz, industrials, power and renewable energy, mining and infrastructure.

Financial results and appropriations

The financial results of the Company for the year ended 30 June 2021 are set out in the statement of profit or loss and other comprehensive income.

Events after the reporting period

With effect from 1 October 2021, Priya Ratheen Chaturvedi was appointed as the Executive Director and Secretary of the Company as per the board resolution. There are no other significant events after the reporting period.

Other matter

The board of directors had intended to list the Company on the Regulated Main Market of the Cyprus Stock Exchange as per the board resolution dated 14 January 2021 and the Company is in the process of getting listed on the Regulated Main Market of the Cyprus Stock Exchange.

Directors

The Directors who served during the year are as follows:

Vipul Choudhari

Rakesh Kumar Dhoot

Panicos Euripides (with effect from 1 July 2020)

Auditors

The financial statements have been audited by Kreston Menon Chartered Accountants, who retire and, being eligible, offer themselves for reappointment.

Rakesh Kumar Dhoot
Director
30 October 2021

Vipul Choudhari
Director

VV/1386/OCT/2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HANGJI GLOBAL LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hangji Global Limited, British Virgin Islands ('the Company'), which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

KRESTON MENON CHARTERED ACCOUNTANTS P.O.Box: 55535 DUBAI - U.A.E.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HANGJI GLOBAL LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 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 auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KRESTON MENON CHARTERED ACCOUNTANTS
P.O.Box: 55535
DUBAI - U.A.E.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HANGJI GLOBAL LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

We communicate with those charged with governance 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.

KRESTON MENON CHARTERED ACCOUNTANTS
P.O.Box: 55535
DUBAI - U.A.E.

Dubai
30 October 2021

Raju Menon
Reg No: 271
Kreston Menon Chartered Accountants

HANGJI GLOBAL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	30.06.2021 US$	30.06.2020 US$
Assets			
Non-current assets			
Property and equipment	4	146,721	172,613
Right-of-use asset	5	604,288	755,257
Intangible asset	6	20,000,000	-
Capital work-in-progress	7	16,182,530	-
Advance for capital expenditure	8	9,600,000	9,600,000
Advance for investments	9	20,020,276	13,264,909
Investment in joint venture	10	11,000,000	-
Loan to third parties	11	16,600,985	19,600,985
Total non-current assets		94,154,800	43,393,764
Current assets			
Inventories	12	39,095,827	48,941,285
Trade and other receivables	13	30,716,814	50,712,578
Cash and cash equivalents	14	415,295	398,366
Total current assets		70,227,936	100,052,229
Total assets		**164,382,736**	**143,445,993**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	15	50,201,100	50,201,100
Retained earnings		91,887,911	72,340,941
Total shareholders' equity		142,089,011	122,542,041
Non-current liabilities			
Lease liability	16	457,922	630,337
Current liabilities			
Trade and other payables	17	21,665,523	20,131,090
Lease liability	16	170,280	142,525
Total current liabilities		21,835,803	20,273,615
Total liabilities		22,293,725	20,903,952
Total shareholders' equity and liabilities		**164,382,736**	**143,445,993**

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

Authorised for issue by the Directors on 30 October 2021.

For Hangji Global Limited

Rakesh Kumar Dhoot
Director

Vipul Choudhari
Director

KRESTON MENON CHARTERED ACCOUNTANTS

HANGJI GLOBAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	30.06.2021 US$	30.06.2020 US$
Revenue	19	112,574,649	104,635,210
Direct costs	20	(90,262,390)	(77,339,011)
Gross profit		22,312,259	27,296,199
Other income	21	392,027	773,848
Administrative and selling expenses	22	(3,131,695)	(4,233,625)
Profit from operating activities		19,572,591	23,836,422
Finance costs	23	(25,621)	(36,503)
Profit for the year		**19,546,970**	**23,799,919**
Other comprehensive income		-	-
Total comprehensive income for the year		**19,546,970**	**23,799,919**
Earnings per share			
Basic		**0.39**	**0.47**

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

KRESTON MENON CHARTERED ACCOUNTANTS

HANGJI GLOBAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital US$	Retained earnings US$	Total US$
Balance as at 1 July 2019	50,201,100	48,541,022	98,742,122
Total comprehensive income for the year	-	23,799,919	23,799,919
Balance as at 30 June 2020	**50,201,100**	**72,340,941**	**122,542,041**
Total comprehensive income for the year	-	19,546,970	19,546,970
Balance as at 30 June 2021	**50,201,100**	**91,887,911**	**142,089,011**

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

KRESTON MENON CHARTERED ACCOUNTANTS *

HANGJI GLOBAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	30.06.2021 US$	30.06.2020 US$
Cash flows from operating activities		
Profit for the year	19,546,970	23,799,919
Adjustments for:		
Depreciation on right-of-use asset	150,969	151,382
Depreciation on property and equipment	25,892	30,461
Finance costs	25,621	36,503
Interest income	(392,027)	(773,848)
Operating cash flows before changes in working capital	19,357,425	23,244,417
Decrease/(increase) in inventories	9,845,458	(48,941,285)
Decrease in trade and other receivables	8,995,764	24,962,979
Increase in trade and other payables	1,534,433	3,930,823
Cash generated from operations	39,733,080	3,196,934
Finance costs paid	(25,621)	(36,503)
Cash generated from operating activities	39,707,459	3,160,431
Cash flows from investing activities		
Loan repaid by third parties	3,000,000	19,091,213
Interest received on loan to third parties	392,027	773,848
Addition to property and equipment	-	(154,000)
Advance for capital expenditure	-	(9,600,000)
Advance for investments paid during the year	(15,020,276)	(13,264,909)
Advance for investments refunded during the year	8,264,909	-
Addition to capital work-in-progress	(16,182,530)	-
Addition to intangible asset	(20,000,000)	-
Net cash used in investing activities	(39,545,870)	(3,153,848)
Cash flows from financing activities		
Payment of lease liability	(144,660)	(133,777)
Net cash used in financing activities	(144,660)	(133,777)
Net increase/(decrease) in cash and cash equivalents	16,929	(127,194)
Cash and cash equivalents at beginning of year	398,366	525,560
Cash and cash equivalents at end of year (Note 14)	**415,295**	**398,366**

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

KRESTON MENON CHARTERED ACCOUNTANTS *

HANGJI GLOBAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Hangji Global Limited ('the Company') formerly known as Hangji Impex Limited, was formed and registered as a BVI Company on 20 May 2015 with company's registration number 1874896 under the BVI Business Companies Act 2004 (amended) as a Limited Company. The registered office of the Company is located at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. The Company's principal place of business and registered office is the same.

The principal activity of the Company is providing turnkey solutions (a project value chain solution) for projects via engineering and technology interventions for both growth and expansion companies as well as restructuring and turnaround companies across four diversified verticals viz, industrials, power and renewable energy, mining and infrastructure.

The Company is listed in Cyprus Stock Exchange under Emerging Companies Market (non-regulated).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis. The financial statements are presented in United State Dollars (US$) and all values are rounded to the nearest United State Dollar. The principal accounting policies adopted are set out below. Those policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards.

2.3 Adoption of new and revised International Financial Reporting Standards

The following new and revised Standards including amendments thereto and Interpretations which became effective for the current reporting period have been adopted, wherever applicable. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the financial reporting for future transactions or arrangements.

Amendments to IFRS 3: Business Combinations - Amendments to clarify the definition of a Business

Amendments to IAS 1 and IAS 8: Amendments regarding the definition of Material

Amendments to revised Conceptual Framework for Financial Reporting

Amendments to IFRS 9, IAS 39 and IFRS 7: Amendments regarding interest rate benchmark reform

Amendment to IFRS 16 - COVID-19 - Related Rent Concessions

The following Standards, amendments thereto and interpretations have been issued prior to 30 June 2021 but have not been applied in these financial statements as their effective dates of adoption are for future periods. It is anticipated that their adoption in the relevant accounting periods will have impact only on disclosures within the financial statements.

KRESTON MENON CHARTERED ACCOUNTANTS

IFRS 17: Insurance Contracts - 1 January 2023

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16- Interest Rate Benchmark Reform – Phase 2- 1 January 2021

Amendments to IAS 37- Onerous Contracts – Cost of Fulfilling a Contract- 1 January 2022

Amendments to IAS 16- Property, Plant and Equipment: Proceeds before Intended Use – 1 January 2022

Amendments to IFRS 3 - Reference to the Conceptual Framework – 1 January 2022

Annual Improvements to IFRS Standards 2018–2020- 1 January 2022

Amendments to IAS 1- Classification of Liabilities as Current or Non-current - 1 January 2023

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Date to be determined.

2.4 Foreign currencies

(a) Functional and presentation currency

The financial statements are prepared and the items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in United State Dollars (US$), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of outstanding amounts of such transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies at each reporting date are recognised in the profit or loss. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.5 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and identified impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items including installation costs. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss during the reporting period in which they are incurred.

KRESTON MENON CHARTERED ACCOUNTANTS

The depreciation is calculated on a written down value basis over the estimated useful lives of the assets. The depreciation rates are as follows:

Furniture and fixtures	15%
Office equipments	15%

The assets' residual values and useful lives are reviewed at each reporting date, with the effect of any changes in estimates adjusted on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses arising on the disposal or retirement of an item of property and equipment is determined by comparing the disposal proceeds with the carrying amount of the asset and is recognised in profit or loss.

2.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average method basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing them to their present location and condition. Net realisable value represents the estimate of the selling price in the ordinary course of business, less all estimated costs of marketing and costs necessary to make the sale.

2.7 Financial instruments

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) are initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Financial assets

A financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; fair value through other comprehensive income ("FVOCI") – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are; solely; payments of principal and interest on the outstanding principal amount.

KRESTON MENON CHARTERED ACCOUNTANTS

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method and is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the sum of consideration paid and payable is recognised in profit or loss.

2.8 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

KRESTON MENON CHARTERED ACCOUNTANTS

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model which requires considerable judgement in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. IFRS 9 requires the Company to record an allowance for ECLs for all financial assets at amortised cost, debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has three types of financial assets that are subject to IFRS 9's expected credit loss model:

- Trade and receivables,
- Loan to third parties, and
- Cash and cash equivalents

While the above financial assets are subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

Under IFRS 9, loss allowances are measured on either of the following bases:

12 month ECLs: these are ECLs that result from possible default within 12 months after the reporting date; and

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instruments.

The Company has applied the standard's simplified approach for trade receivables and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

KRESTON MENON CHARTERED ACCOUNTANTS

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and other short-term highly liquid investments with a maturity date of three months or less from the date of investment, net of temporary bank overdrafts.

2.11 Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The investment in joint venture is accounted for at cost less impairment losses, if any. Subsequently the results and assets and liabilities of joint venture is incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in a joint venture is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the joint venture.

When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

2.12 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in Note 6. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is recognised in the profit or loss, net of any reimbursement.

2.14 Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- the payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for any remeasurement of lease liability.

Right-of-use asset is depreciated on straight line basis, over the shorter period of lease term and useful life of the underlying asset. The useful life of the asset is 6 years.

The right-of-use asset is presented as a separate line in the statement of financial position. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

2.15 Earnings per share

Earnings per share (EPS) measures are intended to represent the income earned (or loss incurred) by each ordinary share during a reporting period and therefore provide an indicator of reported performance for the period.

KRESTON MENON CHARTERED ACCOUNTANTS

Basic EPS are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company (after adjusting for interest on the convertible preference shares, if any) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

2.16 Revenue recognition

The details of the accounting policy in relation to the Company's recognition of revenue from the sale of goods or services are set out below.

Revenue is recognised when a customer obtains control of the goods or sevices. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. The Company recognises revenue from sale of goods or services based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer goods to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

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When the Company satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

Revenue is recognised based on the following specific recognition criteria:

Sale of goods

Revenue from sale of goods is recognized at the point in time when control and ownership relating to concerned goods are transferred to the customer. Payment of the transaction price is due after the completion of credit period offered to the customer from the date of issuance of invoice.

Rendering of services

Revenue from rendering of services is recognised over a period of time with reference to completion of milestones when the outcome of the transaction, related revenue and cost can be measured reliably.

Interest income

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation 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 discussed below:

a) *Depreciation of property and equipment*

Management assigns useful lives and residual values to property and equipment based on the intended use and the economic lives of those assets. Subsequent changes in circumstances could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life or residual value of an asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

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b) Amortisation of intangible assets

Management assigns useful lives and residual values to intangible assets based on the intended use and the economic lives of those assets. Subsequent changes in circumstances could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life of residual value of an asset requires amendment, the net book amount in excess of the residual value is amortised over the revised remaining useful life.

c) Impairment of non-financial assets

Assessments of net recoverable amounts of property and equipment and other non-financial assets are based on assumptions regarding future cash flows expected to be received from the related assets.

d) Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

e) Inventory provisions

The Company reviews the carrying amounts of the inventories at each reporting date and assesses the likely realisation proceeds taking into account, the age of inventory, estimated future demand for various items in the inventory and physical damage etc. Based on the assessment, adequate provisions are made.

f) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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g) Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

h) Lease term and useful lives of right-of-use asset

The Company's management determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. PROPERTY AND EQUIPMENT

	Office equipments US$	Furniture & fixtures US$	Total US$
Cost			
At 1 July 2019	57,734	-	57,734
Additions	-	154,000	154,000
At 30 June 2020	57,734	154,000	211,734
At 30 June 2021	57,734	154,000	211,734
Accumulated depreciation			
At 1 July 2019	8,660	-	8,660
Charge for the year (Note 22)	7,361	23,100	30,461
At 30 June 2020	16,021	23,100	39,121
Charge for the year (Note 22)	6,257	19,635	25,892
At 30 June 2021	22,278	42,735	65,013
Carrying amount			
At 30 June 2021	**35,456**	**111,265**	**146,721**
At 30 June 2020	41,713	130,900	172,613

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FOR THE YEAR ENDED 30 JUNE 2021

5. RIGHT-OF-USE ASSET

	Land US$
Cost	
Effect of adoption of IFRS 16 as at 1 July 2019	906,639
At 30 June 2020	906,639
At 30 June 2021	906,639
Accumulated depreciation	
Charge for the year (Note 22)	151,382
At 30 June 2020	151,382
Charge for the year (Note 22)	150,969
At 30 June 2021	302,351
Carrying amount	
At 30 June 2021	**604,288**
At 30 June 2020	755,257

6. INTANGIBLE ASSET

	30.06.2021 US$	30.06.2020 US$
Cost		
Mining rights	20,000,000	-

The above intangible asset related to two mining licenses which were acquired to develop mines. Management has estimated that the intangible asset have useful life of 15 years.

The mining licenses were acquired in January 2021 and no major development works are carried out during the year. Accordingly, the management decided to commence amortisation of intangible assets with effect from 1 July 2021.

7. CAPITAL WORK-IN-PROGRESS

	30.06.2021 US$	30.06.2020 US$
Addition during the year	16,182,530	-

The above capital work-in-progress is related to the development of Artificial Intelligence engine and a decision supporting system, for improving project execution capability.

8. ADVANCE FOR CAPITAL EXPENDITURE

	30.06.2021 US$	30.06.2020 US$
Advance for purchase of property and equipment	9,600,000	9,600,000

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The above advance is for purchase of steel plant for US$ 19,200,000. The balance commitment for the purchase is US$ 9,600,000 (Note 29). Due to COVID-19, there were no additional investments during the year.

9. ADVANCE FOR INVESTMENTS

	30.06.2021 US$	30.06.2020 US$
Balance at the beginning of the year	13,264,909	-
Advance paid during the year	15,020,276	13,264,909
Refunded during the year	(8,264,909)	-
Balance at the end of the year	20,020,276	13,264,909

The above advance represents advance for purchase of 100% stake into a Singapore registered company. During the year, debentures amounting to US$ 3,264,909 and shares amounting to US$ 5,000,000 were refunded.

10. INVESTMENT IN JOINT VENTURE

	30.06.2021 US$	30.06.2020 US$
Project Minetree, Republic of Mauritus	11,000,000	-

The objective of the joint venture is to Explore the mining operations in Nigeria. The joint venture not yet commenced its commercial operations and the investment is stated at cost as at the end of the reporting period.

11. LOAN TO THIRD PARTIES

	30.06.2021 US$	30.06.2020 US$
Balance at the beginning of the year	19,600,985	38,692,198
Repaid during the year	(3,000,000)	(19,091,213)
Balance at the end of the year	16,600,985	19,600,985

The above loan to third parties carries interest at 2% p.a and the interest income earned on these advances amounting to US$ 392,027 (2020 : US$ 773,848) (Note 21). The maturity date for the loan is 30 June 2023.

While loan to third parties is subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

12. INVENTORIES

	30.06.2021 US$	30.06.2020 US$
Inventories (Note 20)	39,095,827	48,941,285

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

13. TRADE AND OTHER RECEIVABLES

	30.06.2021 US$	30.06.2020 US$
Trade receivables	30,316,814	50,712,578
Refundable deposits	400,000	-
	30,716,814	50,712,578

The above trade receivables are non-interest bearing and average credit period is 180 days.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

As at 30 June, the ageing analysis of trade receivables is as follows:

	Current US$	181-365 days US$	Over 365 days US$	Total US$
2021				
Gross receivables	22,135,329	8,181,485	-	30,316,814
Provision %	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-
Net receivables	22,135,329	8,181,485	-	30,316,814
2020				
Gross receivables	50,712,578	-	-	50,712,578
Provision %	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-
Net receivables	50,712,578	-	-	50,712,578

14. CASH AND CASH EQUIVALENTS

	30.06.2021 US$	30.06.2020 US$
Cash in hand	366,336	366,336
Cash at bank : Current account	48,959	32,030
	415,295	398,366

15. SHARE CAPITAL

	30.06.2021 US$	30.06.2020 US$
Authorised, issued and fully paid :		
50,201,100 ordinary shares of US$ 1 each	50,201,100	50,201,100

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

16. LEASE LIABILITY

	30.06.2021	30.06.2020
	US$	US$
Balance at the beginning of the year	772,862	-
Effect of adoption of IFRS 16 as at 1 July 2019	-	906,639
Interest charged during the year (Note 23)	25,621	36,503
Payments during the year	(170,281)	(170,280)
Balance at the end of the year	628,202	772,862
Less: Non-current portion	(457,922)	(630,337)
Current portion	170,280	142,525

17. TRADE AND OTHER PAYABLES

	30.06.2021	30.06.2020
	US$	US$
Trade payables	21,660,077	20,125,644
Accrued expenses	5,446	5,446
	21,665,523	20,131,090

18. RELATED PARTY TRANSACTIONS

Related parties include the shareholders, key management personnel, fellow subsidiaries, associates, joint ventures, directors and entities which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. Transactions between the Company and its related parties are described below. Transactions with related parties were entered into on terms as agreed by the management.

Compensation of key managerial personnel

Key managerial remuneration represents the compensation paid or payable to key management for employee services. The key management includes directors and other members of senior management. The compensation of key management for the year is shown below:

	30.06.2021	30.06.2020
	US$	US$
Salaries and allowances	417,758	306,992

Key managerial remuneration is included in employee costs (Note 24).

19. REVENUE

	30.06.2021	30.06.2020
At a point time :	US$	US$
Sale of goods under turnkey projects	31,577,971	42,612,972
Over a period of time :		
Service rendered	80,996,678	62,022,238
	112,574,649	104,635,210

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

20. DIRECT COSTS

	30.06.2021 US$	30.06.2020 US$
Opening inventories	48,941,285	-
Purchases	56,318,766	90,134,855
Less: Closing inventories (Note 12)	(39,095,827)	(48,941,285)
Cost of sale	66,164,224	41,193,570
Subcontracting cost	24,098,166	36,145,441
	90,262,390	77,339,011

21. OTHER INCOME

	30.06.2021 US$	30.06.2020 US$
Interest income on loan to third parties (Note 11)	392,027	773,848

22. ADMINISTRATIVE AND SELLING EXPENSES

	30.06.2021 US$	30.06.2020 US$
Employee costs (Note 24)	2,333,894	2,465,700
Legal and professional fees	470,844	216,833
Depreciation on right-of-use asset (Note 5)	150,969	151,382
Travelling expenses	49,980	220,434
Business development expenses	49,976	1,058,233
Depreciation on property and equipment (Note 4)	25,892	30,461
Bank charges	22,701	1,357
Office expenses	13,875	-
Communication	12,324	12,324
Other expenses	1,240	76,901
	3,131,695	4,233,625

23. FINANCE COSTS

	30.06.2021 US$	30.06.2020 US$
Interest on lease liability (Note 16)	25,621	36,503

24. EMPLOYEE COSTS

	30.06.2021 US$	30.06.2020 US$
Salaries and allowances	2,333,894	2,324,700
Bonus	-	141,000
	2,333,894	2,465,700

KRESTON MENON CHARTERED ACCOUNTANTS

The entire employee cost is allocated to administrative and selling expenses (Note 22).

Above employee costs include key managerial remuneration of US$ 417,758 (2020 : US$ 306,992) (Note 18).

25. FINANCIAL INSTRUMENTS

The net carrying amounts of the financial assets and financial liabilities at the end of the reporting period are classified below :

	At amortised cost	
	30.06.2021	**30.06.2020**
	US$	**US$**
Financial assets		
Trade and other receivables (Note 13)	30,716,814	50,712,578
Loan to third parties (Note 11)	16,600,985	19,600,985
Cash and cash equivalents (Note 14)	415,295	398,366
	47,733,094	70,711,929

	At amortised cost	
	30.06.2021	**30.06.2020**
	US$	**US$**
Financial liabilities		
Trade and other payables (Note 17)	21,665,523	20,131,090
Lease liability (Note 16)	628,202	772,862
	22,293,725	20,903,952

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.7 to the financial statements.

26. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while providing maximum return to stakeholders through the optimisation of the debt and equity balance and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy on capital risk management remains unchanged from the previous year.

The capital structure of the Company consists of equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

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27. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's management. The management identifies and evaluates financial risks on regular basis to minimise the adverse impact over the Company's operation.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks : interest rate risk, currency risk and any other price risk such as equity risk and commodity price risk. The Company's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(i) 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 Company's exposure to risk of changes in foreign exchange rates relates primarily to the company's operating activities, when revenue or expense are denominated in a different currency from the Company's functional currency which is United States Dollar(US$). The company manages the risks through regular monitoring of the currency markets to determine appropriate action to minimise the exposure to the foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have significant exposure to interest rate risk.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables and committed transactions) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Company deals only with highly reputed local and international banks. In respect of major customers, credit risk is managed by assessing the credit quality of these major customers, taking into account their financial position, past experience and other factors including regular follow up.

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(c) Liquidity risks

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Company manages the liquidity risk through risk management framework for the Company's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent to ensure funds are available to meet its commitments for liabilities as they fall due.

The table below analyses the Company's remaining contractual maturity for its financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Less than 1 year US$	Above 1 year US$	Total US$
As at 30 June 2021			
Trade and other payables (Note 17)	21,665,523	-	21,665,523
Lease liability (Note 16)	170,280	457,922	628,202
	21,835,803	457,922	22,293,725
As at 30 June 2020			
Trade and other payables (Note 17)	20,131,090	-	20,131,090
Lease liability (Note 16)	142,525	630,337	772,862
	20,273,615	630,337	20,903,952

28. FAIR VALUE

The fair value of a particular asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of the financial assets and liabilities approximate their carrying amounts as reflected in these financial statements.

29. COMMITMENTS

Details of the commitments of the Company which are in the normal course of the business activities are as follows:

	30.06.2021 US$	30.06.2020 US$
Purchase of steel plant (Note 8)	9,600,000	9,600,000

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30. IMPACT OF COVID-19

The outbreak of COVID-19 continues to evolve and therefore, it is challenging to predict the extent and duration of its business and economic impact at this stage. These conditions are considered non-adjusting events as at the reporting date. Considering the unprecedented nature of the crisis, a reliable estimate of its impact on economy in general and business in particular, cannot be made at the date of the authorization of these financial statements. The management is closely monitoring the situation and has prepared action plans to ensure continuity of its business operations. Following the analysis of different possible scenarios, the management has concluded that sufficient reserves are available in respect of the liquidity and also the equity base of the Company to guarantee continuity of its operations at the date of the authorization of these financial statements.

31. LINE OF CREDIT FACILITY

As per the agreement dated 7 June 2021, Hangji Global Limited obtained a line of credit facility upto US$ 25,000,000 from KCT Capital Limited.

32. COMPARATIVE FIGURES

Previous year figures have been regrouped and reclassified, wherever necessary, to conform with the current year presentation.

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