

**HANGJI GLOBAL LIMITED AND
ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS
FOR THE YEAR ENDED 30 JUNE 2022**

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HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

The Directors submit their report together with the audited consolidated financial statements of Hangji Global Limited, British Virgin Islands ('the Company') and its Subsidiaries, Hangji Global FZ LLC, Fujairah and Hangji Infratech Private Limited, India (together referred to as 'the Group'), for the year ended 30 June 2022.

Principal activities

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

Financial results and appropriations

The financial results of the Group for the year ended 30 June 2022 are set out in the consolidated statement of profit or loss and other comprehensive income.

Events after the reporting period

There are no significant events after the reporting period.

Directors

The Directors who served during the year are as follows:

Vipul Choudhari

Panicos Euripides

Rakesh Kumar Dhoot (resigned on 24 December 2021)

Priya Chaturvedi (with effect from 1 October 2021)

Auditors

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



Priya Chaturvedi

Director

13 December 2022

VV/1386/DEC/2022

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hangji Global Limited, British Virgin Islands ('the Company') and its Subsidiaries, Hangji Global FZ LLC, Fujairah and Hangji Infratech Private Limited, India (together referred to as 'the Group'), which comprise the consolidated statement of financial position as at 30 June 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Kreston Menon Chartered Accountants,

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Dubai | Abu Dhabi | Sharjah | Ras Al Khaimah | Jebel Ali | DAFZ | HFZ | DMCC | KIZAD



An independent member of the
Kreston Global network

MEMBER OF THE
FORUM OF FIRMS

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES (Continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES (Continued)**

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

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

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.

Dubai
13 December 2022



Raju Menon
Reg No: 271

Kreston Menon Chartered Accountants



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

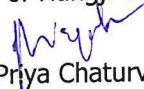
	Note	<u>30.06.2022</u> US\$	<u>30.06.2021</u> US\$
Assets			
<i>Non-current assets</i>			
Property and equipment	4	124,713	146,721
Right-of-use asset	6	453,319	604,288
Intangible asset	7	-	20,000,000
Goodwill	8	6,874,925	-
Capital work-in-progress	9	-	16,182,530
Advance for capital expenditure	10	-	9,600,000
Advance for investments	11	60,708	20,020,276
Investment	12	20,600,000	-
Investment in joint venture	13	-	11,000,000
Loan to third parties	14	-	16,600,985
Total non-current assets		<u>28,113,665</u>	<u>94,154,800</u>
<i>Current assets</i>			
Intangible asset	7	36,200,000	-
Loan to third parties	14	16,933,005	-
Inventories	15	28,500,000	39,095,827
Trade and other receivables	16	93,238,949	30,716,814
Cash and cash equivalents	17	448,520	415,295
Total current assets		<u>175,320,474</u>	<u>70,227,936</u>
Total assets		<u>203,434,139</u>	<u>164,382,736</u>
Shareholders' equity and liabilities			
<i>Shareholders' equity</i>			
Share capital	18	50,201,100	50,201,100
Retained earnings		117,947,344	91,887,911
Total shareholders' equity		<u>168,148,444</u>	<u>142,089,011</u>
<i>Non-current liabilities</i>			
Lease liability	19	313,392	457,922
<i>Current liabilities</i>			
Trade and other payables	20	34,805,370	21,665,523
Lease liability	19	166,933	170,280
Total current liabilities		<u>34,972,303</u>	<u>21,835,803</u>
Total liabilities		<u>35,285,695</u>	<u>22,293,725</u>
Total shareholders' equity and liabilities		<u>203,434,139</u>	<u>164,382,736</u>

The accompanying notes on pages 9 to 30 form an integral part of these consolidated financial statements.

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

Authorised for issue by the Directors on 13 December 2022.

For Hangji Global Limited and Its Subsidiaries


Priya Chaturvedi
Director



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	<u>30.06.2022</u> <u>US\$</u>	<u>30.06.2021</u> <u>US\$</u>
Revenue	22	140,074,814	112,574,649
Direct costs	23	(111,634,865)	(90,262,390)
Gross profit		28,439,949	22,312,259
Other income	24	349,490	392,027
Administrative and selling expenses	25	(2,707,555)	(3,131,695)
Profit from operating activities		26,081,884	19,572,591
Finance cost	26	(22,451)	(25,621)
Profit for the year		26,059,433	19,546,970
Other comprehensive income		-	-
Total comprehensive income for the year		26,059,433	19,546,970
Earnings per share			
Basic		0.52	0.39

The accompanying notes on pages 9 to 30 form an integral part of these consolidated financial statements.

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



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	<u>Share capital</u> <u>US\$</u>	<u>Retained earnings</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Balance as at 1 July 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
Total comprehensive income for the year	-	26,059,433	26,059,433
Balance as at 30 June 2022	50,201,100	117,947,344	168,148,444

The accompanying notes on pages 9 to 30 form an integral part of these consolidated financial statements.

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



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Cash flows from operating activities		
Profit for the year	26,059,433	19,546,970
Adjustments for:		
Depreciation on right-of-use asset	150,969	150,969
Depreciation on property and equipment	22,008	25,892
Finance cost	22,451	25,621
Gain on disposal of capital work-in-progress	(17,470)	-
Interest income	(332,020)	(392,027)
Operating cash flows before changes in working capital	<u>25,905,371</u>	<u>19,357,425</u>
Decrease in inventories	10,595,827	9,845,458
(Increase)/decrease in trade and other receivables	(45,810,997)	8,995,764
Increase in trade and other payables	9,499,143	1,534,433
Cash generated from operations	<u>189,344</u>	<u>39,733,080</u>
Finance cost paid	(22,451)	(25,621)
Net cash generated from operating activities	<u>166,893</u>	<u>39,707,459</u>
Cash flows from investing activities		
Advance for investments refunded	-	8,264,909
Loan repaid by third parties	-	3,000,000
Interest received on loan to third parties	-	392,027
Addition to capital work-in-progress	-	(16,182,530)
Advance for investments paid	(40,432)	(15,020,276)
Addition to intangible asset	-	(20,000,000)
Net cash used in investing activities	<u>(40,432)</u>	<u>(39,545,870)</u>
Cash flows from financing activities		
Payment of lease liability	(147,877)	(144,660)
Net cash used in financing activities	<u>(147,877)</u>	<u>(144,660)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(21,416)</u>	<u>16,929</u>
Cash and cash equivalents at beginning of year	415,295	398,366
On acquisition of a subsidiary (Note 5)	54,641	-
Cash and cash equivalents at end of year (Note 17)	<u><u>448,520</u></u>	<u><u>415,295</u></u>

The accompanying notes on pages 9 to 30 form an integral part of these consolidated financial statements.

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



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. GENERAL INFORMATION

These consolidated financial statements of Hangji Global Limited and its Subsidiaries (together referred to as 'the Group') represent the activities of the following Group entities:

a) Hangji Global Limited, British Virgin Islands

Hangji Global Limited ('the Company'), 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 activities of the Company are providing turnkey solutions (a project value chain solution) for projects via engineering & technology interventions for both growth & expansion companies as well as restructuring & turnaround companies across four diversified verticals viz, industrials, power & renewable energy, mining and infrastructure.

b) Hangji Global FZ LLC, Fujairah

Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ LLC) ('the Company'), was formed and registered as a Limited Liability Company on 30 September 2018 with Fujairah Media Free Zone Authority. The registered office of the Company is located at Creative Tower, P.O. Box : 4422, Fujairah.

The principal activities of the Company are project management services, consulting engineering in management information systems and general trading.

c) Hangji Infratech Private Limited, India

Hangji Infratech Private Limited ('the Company') was formed and registered as a Limited Company on 1 June 2022 with Ministry of Corporate Affairs, India. The registered office of the Company is located in Geeta Tower Phase I, 99, Old Mahabalipuram Road, Industrial Estate, Perungudi, Chennai, Tamil Nadu, India.

The principal activities of the Company are to undertake project development and promotion of infrastructure related projects.

The Group 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 consolidated financial statements have been prepared on the historical cost basis. The consolidated 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 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Company (its Subsidiaries) as at 30 June 2022.



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Control is achieved where all the following criteria are met:

- (a) The Company has power over an entity;
- (b) The Company has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) The Company has ability to use its power over the entity to affect the amount of the Company's return.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including;

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date in which the Company obtains control, and continued to be consolidated until the date when such control ceases. The financial statements of the Subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra group balances, transactions unrealized gains and losses resulting from intra group transactions and dividends are eliminated in full on consolidation.

2.3 Statement of compliance

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

2.4 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 consolidated financial statements but may affect the financial reporting for future transactions or arrangements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16- Interest Rate Benchmark Reform - Phase 2
Amendment to IFRS 16 - COVID-19-Related Rent Concessions

The following Standards, amendments thereto and interpretations have been issued prior to 30 June 2022 but have not been applied in these consolidated 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 consolidated financial statements.

IFRS 17: Insurance Contracts - 1 January 2023

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

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

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

Amendments to IAS 16 - Proceeds before Intended Use - 1 January 2022



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

Annual Improvements to IFRS Standards 2018–2020 - Amendments to IFRS 1, IFRS 9 and IAS 41 - 1 January 2022

Amendments to IAS 1 and IFRS Practice Statement 2- Disclosure of Accounting Policies - 1 January 2023

Amendments to IAS 8 - Definition of Accounting Estimates - 1 January 2023

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - 1 January 2023

2.5 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the profit or loss as a bargain purchase gain. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

2.6 Foreign currencies

(a) Functional and presentation currency

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



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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.

2.7 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 Group 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.

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

	Rate
Office equipment	15%
Furniture & fixtures	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.

2.8 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.

2.9 Financial instruments

Financial assets and financial liabilities are recognised when, and only when, the Group 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.



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Financial assets

A financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; fair value through other comprehensive income ("FVTOCI") – 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.

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 Group 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 Group derecognises financial liabilities when, and only when, the Group'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.

2.10 Impairment of tangible and intangible assets

At the end of each reporting period, the Group 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 Group 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.



HANGJI GLOBAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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. 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.

2.11 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 Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. IFRS 9 requires the Group 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 Group has three types of financial assets that are subject to IFRS 9's expected credit loss model:

- Trade and other receivables (excluding advance to suppliers),
- 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 Group has applied the standard's simplified approach for trade receivables and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group'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 Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.



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

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

2.12 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.

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

2.14 Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. 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. 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.

2.15 Provisions

Provisions are recognised when the Group 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.



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2.16 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 Group 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 Group 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 consolidated 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 consolidated 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.

2.17 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. 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.



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Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Group (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.

2.18 Revenue recognition

The details of the accounting policy in relation to the Group'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 services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. The Group 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 Group 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 Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

The Group 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 Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group 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.

When the Group 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.



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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 Group's consolidated 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.

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.



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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 Group 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 Group 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 Group'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 Group 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, 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 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 Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

g) Calculation of loss allowance

When measuring ECL the Group 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 Group'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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4. PROPERTY AND EQUIPMENT

	<u>Office equipment</u> <u>US\$</u>	<u>Furniture & fixtures</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Cost			
At 1 July 2020	57,734	154,000	211,734
At 30 June 2021	57,734	154,000	211,734
At 30 June 2022	57,734	154,000	211,734
Accumulated depreciation			
At 1 July 2020	16,021	23,100	39,121
Charge for the year (Note 25)	6,257	19,635	25,892
At 30 June 2021	22,278	42,735	65,013
Charge for the year (Note 25)	5,318	16,690	22,008
At 30 June 2022	27,596	59,425	87,021
Carrying amount			
At 30 June 2022	30,138	94,575	124,713
At 30 June 2021	35,456	111,265	146,721



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5. BUSINESS COMBINATION

Acquisitions in 2021

Effective 1 October 2021, the Company acquired 100% ownership from Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C) at a purchase consideration of US\$ 20,136,000. Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C) operates in United Arab Emirates. The carrying value of the goodwill of US\$ 6,874,925 represents the excess purchase consideration over the fair value of the net assets as on 30 June 2021.

The goodwill of US\$ 6,874,925 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Hangji Global Limited and its subsidiaries and Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C). The business of Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C) has been acquired to expand business in the United Arab Emirates.

The consideration paid and the value of assets acquired and liabilities recognised are summarised below:

	<u>Hangji Global FZ LLC</u>
	<u>Fair value</u>
	<u>US\$</u>
Assets	
Trade and other receivables	16,711,138
Cash and cash equivalents	54,641
Total assets	<u>16,765,779</u>
Liabilities	
Trade and other payables	3,504,704
Total liabilities	<u>3,504,704</u>
Total identifiable net assets	13,261,075
Goodwill arising on acquisition (Note 8)	6,874,925
Purchase consideration	<u><u>20,136,000</u></u>

Details of Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C) is as follows:

Name of entity	Country of incorporation	Principal activities
Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C)	United Arab Emirates	Project management services, consulting engineering in management information systems, general trading



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6. RIGHT-OF-USE ASSET

Cost	<u>Land</u> <u>US\$</u>
At 1 July 2020	906,639
At 30 June 2021	906,639
At 30 June 2022	906,639
Accumulated depreciation	
At 1 July 2020	151,382
Charge for the year (Note 25)	150,969
At 30 June 2021	302,351
Charge for the year (Note 25)	150,969
At 30 June 2022	453,320
Carrying amount	
At 30 June 2022	<u>453,319</u>
At 30 June 2021	<u>604,288</u>

7. INTANGIBLE ASSET

Cost	<u>Mining</u> <u>rights</u> <u>US\$</u>	<u>Digital</u> <u>currency</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Additions	20,000,000	-	20,000,000
At 30 June 2021	20,000,000	-	20,000,000
Addition	-	36,200,000	36,200,000
Disposal	(20,000,000)	-	(20,000,000)
At 30 June 2022	<u>-</u>	<u>36,200,000</u>	<u>36,200,000</u>

The above intangible asset relating to two mining rights which were acquired to develop mines were terminated during the year and the corresponding proceeds of US\$ 20,000,000 were refunded.

The above digital currency relates to NZT crypto coins held with a third party on behalf of the Group.

8. GOODWILL

	<u>30.06.2022</u> <u>US\$</u>	<u>30.06.2021</u> <u>US\$</u>
Amount recognised on business combination (Note 5)	<u>6,874,925</u>	<u>-</u>

Effective 1 October 2021, the Company acquired 100% ownership from Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C) at a purchase consideration of US\$ 20,136,000. Hangji Global FZ LLC (formerly known as Emirates Global Corporate Services FZ L.L.C) operates in United Arab Emirates. The carrying value of the goodwill of US\$ 6,874,925 represents the excess purchase consideration over the fair value of the net assets as on 30 June 2021.



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9. CAPITAL WORK-IN-PROGRESS

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Balance at the beginning of the year	16,182,530	-
Addition during the year	-	16,182,530
Disposed during the year	(16,182,530)	-
Balance at the end of the year	<u>-</u>	<u>16,182,530</u>

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.

During the year, the management disposed the above software.

10. ADVANCE FOR CAPITAL EXPENDITURE

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Balance at the beginning of the year	9,600,000	-
Paid during the year	-	9,600,000
Refunded during the year	(9,600,000)	-
Balance at the end of the year	<u>-</u>	<u>9,600,000</u>

The above advance was for purchase of steel plant for US\$ 19,200,000 (Note 32).

During the year, the agreement for the purchase of steel plant was terminated.

11. ADVANCE FOR INVESTMENTS

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Balance at the beginning of the year	20,020,276	13,264,909
Advance paid during the year	40,432	15,020,276
Refunded during the year	(20,000,000)	(8,264,909)
Balance at the end of the year	<u>60,708</u>	<u>20,020,276</u>

The above advance represents advance for purchase of 100% stake a steel processing company.

During the year, agreement for advance for shares amounting to US\$ 20,000,000 was terminated.

12. INVESTMENT

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Non-voting redeemable preference shares		
Balance at the end of the year	<u>20,600,000</u>	<u>-</u>

The above investment relates to the acquisition of 206,000 Class B non-voting redeemable preference shares in a value added supply chain and engineering company.



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13. INVESTMENT IN JOINT VENTURE

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Balance at the beginning of the year	11,000,000	-
Invested during the year	-	11,000,000
Disposed during the year	(11,000,000)	-
Balance at the end of the year	<u>-</u>	<u>11,000,000</u>

The objective of the joint venture is to explore the mining operations. The joint venture not yet commenced its commercial operations and the investment is stated at cost as at the end of the reporting period. However, during the year, investment in joint venture was terminated.

14. LOAN TO THIRD PARTIES

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Balance at the beginning of the year	16,600,985	19,600,985
Interest charged during the year	332,020	392,027
Repaid during the year	-	(3,392,027)
Balance at the end of the year	<u>16,933,005</u>	<u>16,600,985</u>

The above loan to third parties carries interest at 2% p.a and the interest income earned on these advances amounts to US\$ 332,020 (2021 : US\$ 392,027) (Note 24). 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.

15. INVENTORIES

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Inventories (Note 23)	<u>28,500,000</u>	<u>39,095,827</u>

16. TRADE AND OTHER RECEIVABLES

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Trade receivables	92,318,316	30,316,814
Advance to suppliers	520,633	-
Refundable deposits	400,000	400,000
	<u>93,238,949</u>	<u>30,716,814</u>

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 Group's provision matrix. As the Group'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 Group's different customer base.



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

	<u>Current</u> <u>US\$</u>	<u>181-365</u> <u>days</u> <u>US\$</u>	<u>Over 365</u> <u>days</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
2022				
Gross receivables	83,593,046	8,725,270	-	92,318,316
Provision %	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-
Net receivables	<u>83,593,046</u>	<u>8,725,270</u>	<u>-</u>	<u>92,318,316</u>
2021				
Gross receivables	22,135,329	8,181,485	-	30,316,814
Provision %	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-
Net receivables	<u>22,135,329</u>	<u>8,181,485</u>	<u>-</u>	<u>30,316,814</u>

17. CASH AND CASH EQUIVALENTS

	<u>30.06.2022</u> <u>US\$</u>	<u>30.06.2021</u> <u>US\$</u>
Cash in hand	420,977	366,336
Cash at bank : Current account	27,543	48,959
	<u>448,520</u>	<u>415,295</u>

18. SHARE CAPITAL

	<u>30.06.2022</u> <u>US\$</u>	<u>30.06.2021</u> <u>US\$</u>
Authorised, issued and fully paid :		
50,201,100 ordinary shares of US\$ 1 each	50,201,100	50,201,100

19. LEASE LIABILITY

	<u>30.06.2022</u> <u>US\$</u>	<u>30.06.2021</u> <u>US\$</u>
Balance at the beginning of the year	628,202	772,862
Interest charged during the year (Note 26)	22,451	25,621
Payments during the year	(170,328)	(170,281)
Balance at the end of the year	480,325	628,202
Less: Non-current portion	(313,392)	(457,922)
Current portion	<u>166,933</u>	<u>170,280</u>



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20. TRADE AND OTHER PAYABLES

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Trade payables	34,758,147	21,660,077
Accrued expenses	47,223	5,446
	<u>34,805,370</u>	<u>21,665,523</u>

21. 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 Group 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:

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Salaries and allowances	<u>405,788</u>	<u>417,758</u>

Key managerial remuneration is included in employee costs (Note 27).

22. REVENUE

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
At a point in time :		
Resource linkage under turnkey projects	34,293,075	31,577,971
Over a period of time :		
Turnkey projects	<u>105,781,739</u>	<u>80,996,678</u>
	<u>140,074,814</u>	<u>112,574,649</u>

23. DIRECT COSTS

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Opening inventories	39,095,827	48,941,285
Purchases	22,511,151	56,318,766
Less: Closing inventories (Note 15)	(28,500,000)	(39,095,827)
Cost of sale	<u>33,106,978</u>	<u>66,164,224</u>
Subcontracting cost	78,460,424	24,098,166
Employee costs (Note 27)	67,463	-
	<u>111,634,865</u>	<u>90,262,390</u>



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24. OTHER INCOME

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Interest income on loan to third parties (Note 14)	332,020	392,027
Gain on disposal of capital work-in-progress	17,470	-
	<u>349,490</u>	<u>392,027</u>

25. ADMINISTRATIVE AND SELLING EXPENSES

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Employee costs (Note 27)	2,350,127	2,333,894
Legal and professional fees	170,532	470,844
Depreciation on right-of-use asset (Note 6)	150,969	150,969
Depreciation on property and equipment (Note 4)	22,008	25,892
Bank charges	7,840	22,701
Travelling expenses	4,950	49,980
Expense on short term lease	659	-
Exchange loss	140	-
Business development expenses	-	49,976
Office expenses	-	13,875
Communication	-	12,324
Other expenses	330	1,240
	<u>2,707,555</u>	<u>3,131,695</u>

26. FINANCE COST

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Interest on lease liability (Note 19)	22,451	25,621

27. EMPLOYEE COSTS

	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Salaries and allowances	2,417,590	2,333,894
Employee costs have been allocated as follows :		
Direct costs (Note 23)	67,463	-
Administrative and selling expenses (Note 25)	2,350,127	2,333,894
	<u>2,417,590</u>	<u>2,333,894</u>

Above employee costs include key managerial remuneration of US\$ 405,788 (2021 : US\$ 417,758) (Note 21).



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28. 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	
	<u>30.06.2022</u>	<u>30.06.2021</u>
	<u>US\$</u>	<u>US\$</u>
Financial assets		
Trade and other receivables (excluding advance to suppliers) (Note 16)	92,718,316	30,716,814
Loan to third parties (Note 14)	16,933,005	16,600,985
Cash and cash equivalents (Note 17)	448,520	415,295
	<u>110,099,841</u>	<u>47,733,094</u>
Financial liabilities		
Trade and other payables (Note 20)	34,805,370	21,665,523
Lease liability (Note 19)	480,325	628,202
	<u>35,285,695</u>	<u>22,293,725</u>

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 2.9 to the consolidated financial statements.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group 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 Group's overall strategy on capital risk management remains unchanged from the previous year.

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

30. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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



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(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 Group'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 Group's exposure to risk of changes in foreign exchange rates relates primarily to the Group's operating activities, when revenue or expense are denominated in a different currency from the Group's functional currency which is United States Dollar (US\$). The Group 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 Group 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 Group 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 Group 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.

(c) Liquidity risk

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

The Group manages the liquidity risk through risk management framework for the Group'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 Group'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 Group may be required to pay.



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	<u>Less than</u> <u>1 year</u> <u>US\$</u>	<u>Above</u> <u>1 year</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
As at 30 June 2022			
Trade and other payables (Note 20)	34,805,370	-	34,805,370
Lease liability (Note 19)	166,933	313,392	480,325
	<u>34,972,303</u>	<u>313,392</u>	<u>35,285,695</u>
As at 30 June 2021			
Trade and other payables (Note 20)	21,665,523	-	21,665,523
Lease liability (Note 19)	170,280	457,922	628,202
	<u>21,835,803</u>	<u>457,922</u>	<u>22,293,725</u>

31. 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 consolidated financial statements.

32. COMMITMENTS

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

	<u>30.06.2022</u> <u>US\$</u>	<u>30.06.2021</u> <u>US\$</u>
Purchase of steel plant (Note 10)	-	9,600,000

33. 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 continuing 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 consolidated 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 Group to guarantee continuity of its operations at the date of the authorization of these consolidated financial statements.

34. COMPARATIVE FIGURES

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

