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Annual Financial Report
HANGJI GLOBAL LTD
HANGJI

Annuan Financial Statements for the period 1/07/2019-30/06/2020

The Board of Directors of the Company Hangji Global Ltd would like to inform the shareholders and any investor that the Board has examined and approved the annual financial statements of the Company for the period 1/07/2019 - 30/06/2020.
(en)

Attachment:

1. **Annual Financial Statements for the period 1/07/2019-30/06/2020**

Non Regulated

Publication Date: 26/10/2020

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KRESTON MENON

Knowing you.

HANGJI GLOBAL LIMITED

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 30 JUNE 2020

Knowing you.

HANGJI GLOBAL LIMITED

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 30 JUNE 2020

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HANGJI GLOBAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Directors submit their report together with the audited financial statements of Hangji Global Limited ('the Company'), for the year ended 30 June 2020.

Principal activity

The principal activity of the Company (a project value chain solution) is providing turnkey solutions 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 2020 are set out in the statement of profit or loss and other comprehensive income.

Directors

The Directors who served during the year are as follows:

Vipul Choudhari

Rakesh Kumar Dhoot (from 1 February 2020)

Umesh Chandra (Upto 1 February 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
26 October 2020

Vipul Choudhari
Director

BS/1386/OCT/2020

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 2020, 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 2020, 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.

Other Matter

The financial statements of Hangji Global Limited for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 10 October 2019.

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.

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

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

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

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.

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.

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)

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.

- 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.

Raju Menon
Reg No: 271
Kreston Menon Chartered Accountants

Dubai
26 October 2020

HANGJI GLOBAL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	30.06.2020 US$	30.06.2019 US$
Assets			
Non-current assets			
Property and equipment	4	172,613	49,074
Right-of-use asset	5	755,257	-
Loan to third parties	6	19,600,985	38,692,198
Advance for capital expenditure	7	9,600,000	-
Advance for investments	8	13,264,909	-
Total non-current assets		43,393,764	38,741,272
Current assets			
Inventories	9	48,941,285	-
Trade receivables	10	50,712,578	75,675,557
Cash and cash equivalents	11	398,366	525,560
Total current assets		100,052,229	76,201,117
Total assets		**143,445,993**	**114,942,389**
Shareholders' funds and liabilities			
Shareholders' equity			
Share capital	12	50,201,100	50,201,100
Retained earnings		72,340,941	48,541,022
Total shareholders' funds		122,542,041	98,742,122
Non-current liabilities			
Lease liability	13	630,337	-
Current liabilities			
Trade and other payables	14	20,131,090	16,200,267
Lease liability	13	142,525	-
Total current liabilities		20,273,615	16,200,267
Total liabilities		20,903,952	16,200,267
Total shareholders' funds and liabilities		**143,445,993**	**114,942,389**

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 26 October 2020.

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 2020

	Note	30.06.2020 US$	30.06.2019 US$
Revenue	16	104,635,210	123,366,638
Direct costs	17	(77,339,011)	(86,554,269)
Gross profit		27,296,199	36,812,369
Other income	18	773,848	639,532
Administrative and selling expenses	19	(4,233,625)	(3,255,926)
Profit from operating activities		23,836,422	34,195,975
Finance costs	20	(36,503)	-
Profit for the year		**23,799,919**	**34,195,975**
Other comprehensive income		-	-
Total comprehensive income for the year		**23,799,919**	**34,195,975**

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 2020

	Share capital US$	Retained earnings US$	Total US$
Balance as at 1 July 2018	50,201,100	14,345,047	64,546,147
Total comprehensive income for the year	-	34,195,975	34,195,975
Balance as at 30 June 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 31 June 2020	**50,201,100**	**72,340,941**	**122,542,041**

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.

HANGJI GLOBAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	30.06.2020 US$	30.06.2019 US$
Cash flows from operating activities		
Profit for the year	23,799,919	34,195,975
Adjustments for:		
Depreciation on right-of-use asset	151,382	-
Depreciation on property and equipment	30,461	8,660
Finance costs	36,503	-
Interest income	(773,848)	(639,532)
Operating cash flows before changes in working capital	23,244,417	33,565,103
Increase in inventories	(48,941,285)	-
Decrease/(increase) in trade receivables	24,962,979	(29,235,944)
Increase in trade and other payables	3,930,823	8,871,140
Cash generated from operating activities	3,196,934	13,200,299
Cash flows from investing activities		
Addition to property and equipment	(154,000)	(57,734)
Advance for capital expenditure	(9,600,000)	-
Advance for investments	(13,264,909)	-
Interest on loan to third parties	773,848	639,532
Loan granted to third parties	-	(13,427,289)
Loan repaid by third parties	19,091,213	-
Net cash used in investing activities	(3,153,848)	(12,845,491)
Cash flows from financing activities		
Payment of lease liability	(170,280)	-
Payments to related party	-	(158,700)
Net cash used in financing activities	(170,280)	(158,700)
Net (decrease)/increase in cash and cash equivalents	(127,194)	196,108
Cash and cash equivalents at beginning of year	525,560	329,452
Cash and cash equivalents at end of year (Note 11)	**398,366**	**525,560**

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 2020

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). The registered office of the Company is located at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company (a project value chain solution) is providing turnkey solutions 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 (except IFRS 16 as detailed in Note 23) on the amounts reported in these financial statements but may affect the financial reporting for future transactions or arrangements.

IFRS 16: Leases

Amendments to IFRS 9: Financial Instruments - Amendments regarding Prepayment Features with Negative Compensation

Amendments to IAS 19: Employee Benefits - Amendments regarding Employee Benefit Plan, Curtailment or Settlement

Amendments to IAS 28: Investment in Associates and Joint Ventures - Amendments regarding long-term interests in Associates and Joint Ventures

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23: Amendments resulting from Annual Improvements 2015-17 cycle

KRESTON MENON CHARTERED ACCOUNTANTS

The following Standards, amendments thereto and interpretations have been issued prior to 30 June 2020 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.

IFRS 17: Insurance Contracts - 1 January 2023

Amendments to IFRS 3: Business Combinations - Amendments to clarify the definition of a Business - 1 January 2020

Amendments to IFRS 9, IAS 39 and IFRS 7: Amendments requiring additional disclosures around uncertainty arising from the interest rate benchmark reform - 1 January 2020

Amendments to IAS 1 and IAS 8: Amendments regarding the definition of Material - 1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards - 1 January 2020

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.

KRESTON MENON CHARTERED ACCOUNTANTS

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:

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 Inventory

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

KRESTON MENON CHARTERED ACCOUNTANTS

- 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 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 assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible 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.

KRESTON MENON CHARTERED ACCOUNTANTS

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.

2.9 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 receivables,
- Loan to business associates, 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.

KRESTON MENON CHARTERED ACCOUNTANTS

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.

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 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.

2.12 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;

KRESTON MENON CHARTERED ACCOUNTANTS

- 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.

2.13 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.

KRESTON MENON CHARTERED ACCOUNTANTS

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.

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.

KRESTON MENON CHARTERED ACCOUNTANTS

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) 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.

c) 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.

d) 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.

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e) 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.

f) 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.

g) 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 2020

4. PROPERTY AND EQUIPMENT

	Office equipments US$	Furniture & fixtures US$	Total US$
Cost			
Additions	57,734	-	57,734
At 30 June 2019	57,734	-	57,734
Additions	-	154,000	154,000
At 30 June 2020	57,734	154,000	211,734
Accumulated depreciation			
Charge for the year (Note 19)	8,660	-	8,660
At 30 June 2019	8,660	-	8,660
Charge for the year (Note 19)	7,361	23,100	30,461
At 30 June 2020	16,021	23,100	39,121
Carrying amount			
At 30 June 2020	**41,713**	**130,900**	**172,613**
At 30 June 2019	49,074	-	49,074

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5. RIGHT-OF-USE ASSET

	Land US$
Cost	
Effect of adoption of IFRS 16 as at 1 July 2019 (Note 23)	906,639
At 30 June 2020	906,639
Depreciation	
Charge for the year (Note 19)	151,382
At 30 June 2020	151,382
Carrying amount	
At 30 June 2020	**755,257**

6. LOAN TO THIRD PARTIES

	30.06.2020 US$	30.06.2019 US$
Balance at the beginning of the year	38,692,198	25,264,909
Loan granted during the year	-	13,427,289
Repaid during the year	(19,091,213)	-
Balance at the end of the year	19,600,985	38,692,198

The above loan to third parties carries interest at 2% p.a and the interest income earned on these advances amounting to US$ 773,848 (2019: US$ 639,532) (Note 18).

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

7. ADVANCE FOR CAPITAL EXPENDITURE

	30.06.2020 US$	30.06.2019 US$
Advance for purchase of property and equipment	9,600,000	-

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 27).

8. ADVANCE FOR INVESTMENTS

	30.06.2020 US$	30.06.2019 US$
Advance for securities	13,264,909	-

The above advance represents advance for purchase of debenture and shares.

KRESTON MENON CHARTERED ACCOUNTANTS

9. INVENTORIES

	30.06.2020 US$	30.06.2019 US$
Finished goods (Note 17)	13,301,150	-
Project work in progress	35,640,135	-
	48,941,285	-

10. TRADE RECEIVABLES

	30.06.2020 US$	30.06.2019 US$
Trade receivables	50,712,578	75,675,557

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:

2020	Current US$	181-365 days US$	Over 365 days US$	Total US$
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
2019				
Gross receivables	69,656,970	6,018,587	-	75,675,557
Provision %	0.00%	0.00%	0.00%	0.00%
Provision	-	-	-	-
Net receivables	69,656,970	6,018,587	-	75,675,557

11. CASH AND CASH EQUIVALENTS

	30.06.2020 US$	30.06.2019 US$
Cash in hand	366,336	520,336
Cash at bank : Current account	32,030	5,224
	398,366	525,560

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FOR THE YEAR ENDED 30 JUNE 2020

12. SHARE CAPITAL

	30.06.2020	30.06.2019
	US$	US$
Authorised, issued and fully paid :		
50,201,100 ordinary shares of US$ 1 each	50,201,100	50,201,100

13. LEASE LIABILITY

	30.06.2020	30.06.2019
	US$	US$
Effect of adoption of IFRS 16 as at 1 July 2019 (Note 23)	906,639	-
Interest charged during the year (Note 20)	36,503	-
Payments during the year	(170,280)	-
Balance at the end of the year	772,862	-
Less: Non-current portion	(630,337)	-
Current portion	142,525	-

14. TRADE AND OTHER PAYABLES

	30.06.2020	30.06.2019
	US$	US$
Trade payables	20,125,644	16,196,167
Accrued expenses	5,446	4,100
	20,131,090	16,200,267

15. 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. Balances and 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:

	30.06.2020	30.06.2019
	US$	US$
Salaries and allowances	306,992	545,232

Key managerial remuneration is included in employee costs (Note 21).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

16. REVENUE

	30.06.2020	30.06.2019
	US$	US$
At a point time :		
Sale of goods under turnkey projects	42,612,972	84,787,622
Over a period of time :		
Service rendered	62,022,238	38,579,016
	104,635,210	123,366,638

Set out below is the disaggregation of the Company's revenue:

By geographical areas		
Asia	38,111,197	59,184,181
Europe	25,351,445	11,791,527
North America	22,666,717	25,539,279
Africa	12,474,232	11,961,011
Oceania	6,031,619	14,890,640
	104,635,210	123,366,638

By distribution channel		
Direct sale	104,635,210	95,656,038
Sold through intermediary	-	27,710,600
	104,635,210	123,366,638

17. DIRECT COSTS

	30.06.2020	30.06.2019
	US$	US$
Purchases	54,494,720	69,764,538
Less: Closing inventories (Note 9)	(13,301,150)	-
Cost of sale	41,193,570	69,764,538
Subcontracting cost	36,145,441	16,789,731
	77,339,011	86,554,269

18. OTHER INCOME

	30.06.2020	30.06.2019
	US$	US$
Interest income (Note 6)	773,848	639,532

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

19. ADMINISTRATIVE AND SELLING EXPENSES

	30.06.2020 US$	30.06.2019 US$
Employee costs (Note 21)	2,465,700	1,261,800
Business development expenses	1,058,233	1,501,709
Travelling expenses	220,434	123,232
Legal and professional fees	216,833	125,615
Depreciation on right-of-use asset (Note 5)	151,382	-
Depreciation on property and equipment (Note 4)	30,461	8,660
Communication	12,324	12,323
Bank charges	1,357	534
Other expenses	76,901	51,773
Rent	-	170,280
	4,233,625	3,255,926

20. FINANCE COSTS

	30.06.2020 US$	30.06.2019 US$
Interest on lease liability (Note 13)	36,503	-

21. EMPLOYEE COSTS

	30.06.2020 US$	30.06.2019 US$
Salaries and allowances	2,324,700	961,800
Bonus	141,000	300,000
	2,465,700	1,261,800

The entire employee cost is allocated to administrative and selling expenses (Note 19).

Above employee costs include key managerial remuneration of US$ 306,992 (2019: US$ 545,232) (Note 15).

22. 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	
	30.06.2020	30.06.2019
Financial assets	US$	US$
Trade receivables (Note 10)	50,712,578	75,675,557
Loan to third parties (Note 6)	19,600,985	38,692,198
Cash and cash equivalents (Note 11)	398,366	525,560
	70,711,929	114,893,315

KRESTON MENON CHARTERED ACCOUNTANTS

	At amortised cost	
	30.06.2020	30.06.2019
Financial liabilities	US$	US$
Trade and other payables (Note 14)	20,131,090	16,200,267
Lease liability (Note 13)	772,862	-
	20,903,952	16,200,267

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.

23. IMPACT OF ADOPTION OF IFRS 16 ON THE FINANCIAL STATEMENTS

The date of initial application of IFRS 16 for the Company is 1 July 2019.

The Company as lessee

The Company has applied IFRS 16 using the modified retrospective approach, under which the right-of-use asset was recognised based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognised.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on lessee accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- recognises right-of-use asset and lease liability in the statement of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

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For short term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented in the statement of profit or loss.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- relied on its assessment of whether leases are onerous immediately before the date of initial application.
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use asset and lease liability respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 July 2019.

Financial impact of initial application of IFRS 16

Upon transition to IFRS 16, the Company has recognised right-of-use asset and lease liability as detailed in Notes 5 and 13 respectively.

The adoption of IFRS 16 did not have an impact on net cash flows.

	As previously reported 30.06.2019 US$	Impact of re measure-ment under IFRS 16 US$	01.07.2019 US$
Assets			
Right-of-use asset (Note 5)	-	906,639	906,639
Liabilities			
Lease liability (Note 13)	-	906,639	906,639

24. 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.

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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.

25. 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.

KRESTON MENON CHARTERED ACCOUNTANTS

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.

(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 2020			
Trade and other payables (Note 14)	20,131,090	-	20,131,090
Lease liability (Note 13)	142,525	630,337	772,862
	20,273,615	630,337	20,903,952
As at 30 June 2019			
Trade and other payables (Note 14)	16,200,267	-	16,200,267

26. 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.

27. COMMITMENT AND CONTINGENCIES

Details of the commitments and outstanding contingent liabilities of the Company which are in the normal course of the business activities are as follows:

Capital commitment:

	30.06.2020 US$	30.06.2019 US$
Purchase of steel plant (Note 7)	9,600,000	-

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28. EVENTS AFTER REPORTING PERIOD

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 subsequent, 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.

29. COMPARATIVE FIGURES

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

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