

Steel Hawk Berhad
(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)
and its subsidiaries

**Financial statements for the year
ended 31 December 2023**

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the year ended 31 December 2023

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
Owners of the Company	<u>7,220</u>	<u>(1,463)</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a first and final single tier dividend of 0.55 sen per ordinary share amounting to approximately RM0.880 million in respect of the financial year ended 31 December 2022 on 6 March 2023.

Registration No. 202001043293 (1399614-A)

Directors

Directors of the Company who served during the financial year until the date of this report are:

Dato' Sharman Kristy A/L Michael
 Salimi Bin Khairuddin
 Haslinda Binti Hussein
 Tan Sri Acryl Sani Bin Hj. Abdullah Sani (Appointed on 5 October 2023)
 YM Tengku Saifan Rafhan Bin Tengku Putra (Appointed on 5 October 2023)
 Zariner Binti Ismail (Appointed on 5 October 2023)
 Datin Annie A/P V Sinniah (Resigned on 5 October 2023)
 Khairul Nazri Bin Kamarudin (Resigned on 5 October 2023)
 Bibi Rafidah Binti Mohd Amin (Resigned on 5 October 2023)

Directors of Steel Hawk Engineering Sdn. Bhd. ("SHESB") who served during the financial year until the date of this report are:

Dato' Sharman Kristy A/L Michael
 Salimi bin Khairuddin
 Khairul Nazri bin Kamarudin

Directors of Steel Hawk Defence Sdn. Bhd. who served during the financial year until the date of this report are:

Dato' Sharman Kristy A/L Michael
 Datin Annie A/P V Sinniah

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2023
	At 1.1.2023	Bought	Sold	
Interests in the Company				
Dato' Sharman Kristy A/L Michael	70,559,980	16,000,000	(51,200,000)	35,359,980
Deemed interests in the Company				
Salimi Bin Khairuddin ⁽¹⁾	73,440,020	-	-	73,440,020
Dato' Sharman Kristy A/L Michael ⁽²⁾	-	16,000,000	-	16,000,000

(1) Deemed interests by virtue of his interests in Radiant Capital Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

(2) Deemed interested by virtue of his spouse's shareholdings pursuant to Section 8 of the Companies Act 2016.

The other Directors holding office at 31 December 2023 did not have any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2023 are as follows:

	From the Company RM'000	From subsidiary companies RM'000
Directors of the Company:		
Fees	313	-
Remuneration	20	763
Estimated money value of any other benefits	-	17
	<u>333</u>	<u>780</u>

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

Issue of shares and debentures

During the financial year, there were no changes in the issued and paid-up capital of the Company. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, no indemnity given to or insurance effected for Director, officer and auditor of the Company.

Qualification of subsidiaries' financial statements

The auditors' report on the audit of the financial statements of the Company's subsidiaries did not contain any qualification.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there are no bad debts to be written off and no provision needs to be made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent events

Subsequent events are disclosed in Note 27 to the financial statements.

Registration No. 202001043293 (1399614-A)

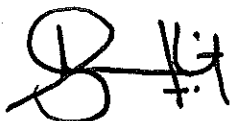
Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration for the financial year ended 31 December 2023 is as follows:

	Group RM'000	Company RM'000
KPMG PLT		
Audit fees	115	20
Non-audit fees	63	63
	<u>178</u>	<u>83</u>

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



.....
Dato' Sharman Kristy A/L Michael
Director



.....
Salimi Bin Khairuddin
Director

Petaling Jaya, Selangor

Date: 05 MAR 2024

Steel Hawk Berhad
 (Registration No. 202001043293 (1399614-A))
 (Incorporated in Malaysia)
and its subsidiaries

Statements of financial position as at 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Property, plant and equipment	3	6,387	3,320	5	6
Right-of-use assets	4	1,500	104	-	-
Investment in subsidiaries	5	-	-	4,708	4,708
Total non-current assets		7,887	3,424	4,713	4,714
Inventories	6	568	158	-	-
Contract assets	7	21,539	11,410	-	-
Trade and other receivables	8	4,301	11,025	3,296	5,043
Pledged deposits	9	6,705	4,214	-	-
Cash and cash equivalents	10	10,687	12,091	18	392
Total current assets		43,800	38,898	3,314	5,435
Total assets		51,687	42,322	8,027	10,149
Equity					
Share capital	11	7,808	7,808	7,808	7,808
Restructuring reserve	11	(3,108)	(3,108)	-	-
Retained earnings/ Accumulated losses		16,583	10,243	(167)	2,176
Total equity attributable to owners of the Company		21,283	14,943	7,641	9,984
Liabilities					
Loans and borrowings	12	4,089	3,144	-	-
Lease liabilities		465	34	-	-
Deferred tax liabilities	13	430	168	-	-
Total non-current liabilities		4,984	3,346	-	-
Loans and borrowings	12	13,632	7,915	-	-
Lease liabilities		770	77	-	-
Trade and other payables	14	10,764	13,893	386	165
Current tax liabilities		254	2,148	-	-
Total current liabilities		25,420	24,033	386	165
Total liabilities		30,404	27,379	386	165
Total equity and liabilities		51,687	42,322	8,027	10,149

The notes on pages 14 to 49 are an integral part of these financial statements.

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)

and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	15	72,537	66,326	-	2,584
Cost of sales		<u>(51,704)</u>	<u>(50,296)</u>	<u>-</u>	<u>-</u>
Gross profit		20,833	16,030	-	2,584
Other income		153	76	-	-
Administrative expenses		(9,375)	(7,397)	(1,462)	(532)
Net loss on impairment of financial instrument		<u>-</u>	<u>(69)</u>	<u>-</u>	<u>-</u>
Results from operating activities		11,611	8,640	(1,462)	2,052
Finance income		88	25	-	5
Finance costs	16	<u>(1,355)</u>	<u>(470)</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before tax	17	10,344	8,195	(1,462)	2,057
Tax expense	18	<u>(3,124)</u>	<u>(2,384)</u>	<u>(1)</u>	<u>-</u>
Net profit/(loss) and total comprehensive income/(expenses) for the year attributable to owners of the Company		<u>7,220</u>	<u>5,811</u>	<u>(1,463)</u>	<u>2,057</u>
Basic earnings per ordinary share (sen)	19	<u>4.51</u>	<u>3.63</u>		

The notes on page 14 to 49 are an integral part of these financial statements.

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)

and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2023

	← <i>Attributable to owners of the Company</i> →			
	<i>Non-distributable</i> Share capital RM'000	<i>Restructuring reserve RM'000</i>	<i>Distributable</i> Retained earnings RM'000	Total RM'000
Group				
At 1 January 2022	7,808	(3,108)	5,056	9,756
Net profit and total comprehensive income for the financial year	-	-	5,811	5,811
<i>Distribution to owners of the Company</i>				
Dividends to owners of the Company	20	-	(624)	(624)
At 31 December 2022/ 1 January 2023	7,808	(3,108)	10,243	14,943
Net profit and total comprehensive income for the financial year	-	-	7,220	7,220
<i>Distribution to owners of the Company</i>				
Dividends to owners of the Company	20	-	(880)	(880)
At 31 December 2023	7,808	(3,108)	16,583	21,283
	← Note 11 →			

Statement of changes in equity for the year ended 31 December 2023

Company	← Attributable to owners of the Company →		
	<i>Non- distributable</i>	<i>Distributable</i>	Total RM'000
	Share capital RM'000	Retained earnings/ (Accumulated losses) RM'000	
At 1 January 2022	7,808	743	8,551
Net profit and total comprehensive income for the financial year	-	2,057	2,057
<i>Distribution to owners of the Company</i>			
Dividends to owners of the Company	-	(624)	(624)
At 31 December 2022/1 January 2023	7,808	2,176	9,984
Net loss and total comprehensive expenses for the year	-	(1,463)	(1,463)
<i>Distribution to owners of the Company</i>			
Dividends to owners of the Company	-	(880)	(880)
At 31 December 2023	7,808	(167)	7,641

Note 11

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)

and its subsidiaries

Statements of cash flows for the year ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		10,344	8,195	(1,462)	2,057
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	3	707	593	1	1
Depreciation of right-of-use assets	4	82	194	-	-
Gain on disposal of property, plant and equipment	17	(59)	(10)	-	-
Gain on derecognition of right-of-use assets	17	(11)	-	-	-
Gain on remeasurement of lease liabilities	17	-	(6)	-	-
Interest expenses	16	1,355	470	-	-
Interest income	17	(88)	(25)	-	(5)
Bad debts written off	17	-	69	-	-
Operating profit before changes in working capital		12,330	9,480	(1,461)	2,053
<i>Changes in working capital:</i>					
Inventories		(410)	211	-	-
Trade and other receivables		6,484	(10,327)	1,747	(3,108)
Trade and other payables		(3,129)	10,645	221	127
Contract assets		(10,129)	(5,721)	-	-
Cash generated from/(used in) operations		5,146	4,288	507	(928)
Tax paid		(4,756)	(1,118)	(1)	-
Net cash from/(used in) operating activities		390	3,170	506	(928)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(3,000)	(671)	-	-
Proceeds from disposal of property, plant and equipment		196	10	-	-
Interest income		88	25	-	5
Changes in pledged deposits		(2,491)	(4,085)	-	-
Incorporation of a subsidiary		-	-	-	(100)
Net cash used in investing activities		(5,207)	(4,721)	-	(95)

Statements of cash flows for the year ended 31 December 2023 (continued)

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from financing activities					
Interest paid	16	(1,355)	(470)	-	-
Net drawdown of term loan		471	3,197	-	-
Net drawdown of trade financing		5,303	363	-	-
Net repayment of hire purchase		(331)	(218)	-	-
Repayment of lease liabilities		(343)	(190)	-	-
Dividend paid	20	(880)	(624)	(880)	(624)
Net cash from/(used in) financing activities		<u>2,865</u>	<u>2,058</u>	<u>(880)</u>	<u>(624)</u>
Net (decrease)/increase in cash and cash equivalents		(1,952)	507	(374)	(1,647)
Cash and cash equivalents at beginning of the year		<u>6,417</u>	<u>5,910</u>	<u>392</u>	<u>2,039</u>
Cash and cash equivalents at end of the year	(i)	<u>4,465</u>	<u>6,417</u>	<u>18</u>	<u>392</u>

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and cash equivalents	10	10,687	12,091	18	392
Bank overdraft	12	<u>(6,222)</u>	<u>(5,674)</u>	-	-
		<u>4,465</u>	<u>6,417</u>	<u>18</u>	<u>392</u>

(ii) Acquisition of property, plant and equipment

The Group acquired property, plant and equipment with an aggregate cost of RM3,911,000 (2022: RM831,000) of which RM671,000 (2022: RM160,000) were acquired by means of hire purchase. The deposits of RM240,000 which was placed in prior year for the purchase of land and building was reclassified as property, plant and equipment in line with the completion of the condition precedents in relation to the said acquisition during the financial year.

Statements of cash flows for the year ended 31 December 2023 (continued)

(iii) Cash outflows for leases as a lessee

	Note	Group 2023 RM'000	Group 2022 RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	17	2,239	937
Included in net cash from financing activities			
Payment of lease liabilities		343	190
Interest paid in relation to lease liabilities	16	35	12
Total cash outflows for leases		<u>2,617</u>	<u>1,139</u>

Registration No. 202001043293 (1399614-A)

Statements of cash flows for the year ended 31 December 2023 (continued)

(iv) Reconciliation of movement of liabilities to cash flow arising from financing activities

Group	At	Acquisition	Net changes	Remeasu-	At	Acquisition	Net changes	Derecog-	At
	1.1.2022	of new	from	rement of	31.12.2022/	of new	from financing	nition of	31.12.2023
	RM'000	hire	financing	lease	1.1.2023	hire purchase	cash flows	lease	RM'000
		purchase	cash flows	liabilities	RM'000	liabilities/	RM'000	liabilities	RM'000
		liabilities	RM'000	RM'000		new lease	RM'000	RM'000	
Term loans	1,298	-	3,197	-	4,495	-	471	-	4,966
Trade financing	-	-	363	-	363	-	5,303	-	5,666
Hire purchase liabilities	585	160	(218)	-	527	671	(331)	-	867
Lease liabilities	229	-	(190)	72	111	1,518	(343)	(51)	1,235
Total liabilities from financing activities	2,112	160	3,152	72	5,496	2,189	5,100	(51)	12,734

The notes on pages 14 to 49 are an integral part of these financial statements.

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

Steel Hawk Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed in the LEAP Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

No. 23-2, Block H, Dataran Prima,
Jalan PJU 1/37,
47301 Petaling Jaya,
Selangor Darul Ehsan.

Registered office

Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200, Wilayah Persekutuan,
Kuala Lumpur.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2023 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 5 March 2024.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned amendments:

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the abovementioned amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

1. Basis of preparation (continued)

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 15 – revenue recognition in relation to fixed-term contracts

The Group recognised revenue by measuring the performance of work done by comparing the actual costs incurred with the estimated total costs required to complete the project. The Group applies judgement and assumptions in determining the estimated total costs required to complete the project.

2. Changes in material accounting policies

Material accounting policy information

The Group also adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group’s accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

Registration No. 202001043293 (1399614-A)

3. Property, plant and equipment

Group	Freehold buildings	Leasehold building	Computer and software	Furniture and fitting	Motor vehicle	Office equipment	Plant and machinery	Renovation	Sign-board	Total
Cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	1,300	-	282	82	2,014	90	727	594	15	5,104
Additions	-	-	110	15	188	93	425	-	-	831
Disposals	-	-	-	-	(286)	-	-	-	-	(286)
At 31 December 2022/ 1 January 2023	1,300	-	392	97	1,916	183	1,152	594	15	5,649
Additions	-	2,480	128	38	936	21	244	64	-	3,911
Disposals	-	-	-	-	(644)	-	-	-	-	(644)
At 31 December 2023	1,300	2,480	520	135	2,208	204	1,396	658	15	8,916
Accumulated depreciation										
At 1 January 2022	9	-	139	40	1,183	30	307	310	4	2,022
Depreciation for the year	26	-	61	9	322	13	102	59	1	593
Disposals	-	-	-	-	(286)	-	-	-	-	(286)
At 31 December 2022/ 1 January 2023	35	-	200	49	1,219	43	409	369	5	2,329
Depreciation for the year	26	18	83	12	367	19	129	52	1	707
Disposals	-	-	-	-	(507)	-	-	-	-	(507)
At 31 December 2023	61	18	283	61	1,079	62	538	421	6	2,529
Carrying amounts										
At 1 January 2022	1,291	-	143	42	831	60	420	284	11	3,082
At 31 December 2022/ 1 January 2023	1,265	-	192	48	697	140	743	225	10	3,320
At 31 December 2023	1,239	2,462	237	74	1,129	142	858	237	9	6,387

3. Property, plant and equipment (continued)

Company	Signboard RM'000
Cost	
At 1 January 2022/31 December 2022/1 January 2023	8
Addition	-
At 31 December 2023	<u>8</u>
Accumulated depreciation	
At 1 January 2022	1
Depreciation for the year	1
At 31 December 2022/1 January 2023	2
Depreciation for the year	1
At 31 December 2023	<u>3</u>
Carrying amount	
At 1 January 2022	<u>7</u>
At 31 December 2022/1 January 2023	<u>6</u>
At 31 December 2023	<u>5</u>

3.1 Assets under hire purchase

Carrying amount of property, plant and equipment held under hire purchase arrangement are as follows:

	Group	
	2023 RM'000	2022 RM'000
Motor vehicle	<u>1,112</u>	<u>588</u>

3.2 Security

At 31 December 2023, leasehold building with a carrying amount of RM2,462,000 (2022: RM Nil) was pledged to a bank to secure term loan granted to the Group as disclosed in Note 12.1.

3.3 Material accounting policy information

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

3. Property, plant and equipment (continued)

3.3 Material accounting policy information (continued)

(b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows:

• Freehold buildings	2%
• Leasehold building	3%
• Computer and software	20%
• Furniture and fitting	10%
• Motor vehicle	20%
• Office equipment	10%
• Plant and machinery	10%
• Renovation	10%
• Signboard	10%

Depreciation methods and useful lives are reviewed at the end of the reporting period, and adjusted as appropriate.

4. Right-of-use assets

	Leasehold Land RM'000	Buildings RM'000	Total RM'000
Group			
At 1 January 2022	-	220	220
Modification of lease liability [#]	-	78	78
Depreciation	-	(194)	(194)
At 31 December 2022/1 January 2023	-	104	104
Addition	1,409	109	1,518
Depreciation	(12)	(70)	(82)
Derecognition [*]	-	(40)	(40)
At 31 December 2023	1,397	103	1,500

[#] *Modification of lease liability is as a result of lease payment reduction and extension of lease contract.*

^{*} *Derecognition of the right-of-use assets is as a result of early termination of lease contract.*

The Group leases a leasehold land and a number of buildings for its office and business operations that typically run between 2 years to 30 years. The leasehold land contains lease period of 30 years with an option to apply for an extension period for another 30 years with lease payment to be determined upon confirmation of extension which has not been recognised.

4. Right-of-use assets (continued)

4.1 Material accounting policy information

(a) Recognition and measurement

All right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

(b) Recognition exemption

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5. Investment in subsidiaries

	Company			
	2023	2022		
	RM'000	RM'000		
Cost of investment	4,708	4,708		
Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2023	2022
			%	%
Steel Hawk Engineering Sdn. Bhd. ("SHESB")	Malaysia	Provision of engineering, procurement, construction and commissioning ("EPCC") services and facilities improvement/maintenance, installation and maintenance ("I&M") of oilfield equipment and supply of oilfield equipment.	100	100
Steel Hawk Defence Sdn. Bhd. ("SHDSB")	Malaysia	Provision of manpower, materials and equipment support services.	100	100

5.1 Material accounting policy information

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.

6. Inventories

	Group	
	2023	2022
	RM'000	RM'000
At cost:		
Oilfield and petrochemical equipment, engineering equipment and spare parts	<u>568</u>	<u>158</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<u>35,150</u>	<u>39,195</u>

6.1 Material accounting policy information

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the first-in, first out method.

7. Contract assets

	Group	
	2023	2022
	RM'000	RM'000
Contract assets	<u>21,539</u>	<u>11,410</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. Typically, the amount will be billed upon achieving contract milestone.

Significant changes to contract assets balances during the period are as follows:

	2023	2022
Group	RM'000	RM'000
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	<u>213</u>	<u>309</u>

8. Trade and other receivables

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade					
Trade receivables from contracts with customers		3,488	10,404	-	-
Amount due from subsidiaries	8.1	-	-	3,276	5,024
		<u>3,488</u>	<u>10,404</u>	<u>3,276</u>	<u>5,024</u>
Non-trade					
Other receivables		84	74	-	-
Deposits	8.2	203	353	1	1
Prepayment	8.3	526	194	19	18
		<u>4,301</u>	<u>11,025</u>	<u>3,296</u>	<u>5,043</u>

8.1 Amount due from subsidiaries

The amount due from subsidiaries are unsecured, interest free and repayable on demand.

8.2 Deposits

The Group's deposits of RM240,000 for the purchase of land and building in prior year was reclassified as property, plant and equipment in line with the completion of the condition precedents in relation to the said acquisition during the financial year.

8.3 Prepayment

Included in the Group's prepayment consists of prepayment to supplier of RM375,000 (2022: RM Nil) for the purchases of materials and manpower costs.

9. Pledged deposits

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The pledged deposits are for:					
Term loan facility	12.1	1,219	1,219	-	-
Bank overdraft	12.4	1,200	1,200	-	-
Bank guarantee for contract with customers	22.5	4,286	1,795	-	-
		<u>6,705</u>	<u>4,214</u>	<u>-</u>	<u>-</u>

10. Cash and cash equivalents

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and bank balances	10,537	11,941	18	392
Deposits placed with a licensed bank	150	150	-	-
	<u>10,687</u>	<u>12,091</u>	<u>18</u>	<u>392</u>

11. Share capital and reserves

Share capital

	<-----Group and Company----->			
	Amount 2023 RM'000	Number of shares 2023 '000	Amount 2022 RM'000	Number of shares 2022 '000
Issued and fully paid shares with no par value of the Company classified as equity instruments:				
At 1 January/31 December	<u>7,808</u>	<u>160,000</u>	<u>7,808</u>	<u>160,000</u>

(a) Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

11. Share capital and reserves (continued)

(b) Restructuring reserve

In the event where a new company is formed to facilitate a restructuring exercise, in which the new company itself is not a business, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their carrying amounts as if the restructuring had occurred before the start of the earliest period presented. The other components of equity of the acquired entity is added to the same component within Group entity.

The restructuring reserve comprises the difference between cost of investment recorded by the Company and the share capital of SHESB arising from the restructuring exercise.

12. Loans and borrowings

		Group	
	Note	2023 RM'000	2022 RM'000
Non-current			
<i>Secured:</i>			
Term loans	12.1	3,437	2,875
Hire purchase liabilities	12.2	652	269
		<u>4,089</u>	<u>3,144</u>
Current			
<i>Secured:</i>			
Term loans	12.1	1,529	1,620
Hire purchase liabilities	12.2	215	258
Trade financing	12.3	5,666	363
Bank overdraft	12.4	6,222	5,674
		<u>13,632</u>	<u>7,915</u>
		<u>17,721</u>	<u>11,059</u>

12.1 Term loans

The term loans consisting of:

- (a) The Term Loan I bears interest at rate of 11.70% (2022: 11.45%) per annum with 84 monthly repayment instalments. The term loan is secured and supported by:
- Credit Guarantee Corporation (M) Bhd ("CGC") under the SMEBiz Solutions Portfolio Guarantee Scheme ("PGS") of 70% of the facility limit;
 - Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan I as at the financial year end is RM116,000 (2022: RM291,000).

12. Loans and borrowings (continued)

12.1 Term loans (continued)

(b) The Term Loan II bears interest at rate of 3.50% (2022: 3.50%) per annum with 66 monthly repayment instalments. The term loan is secured and supported by:

- Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP") will cover 80% of the total facility limit;
- Pledged deposits of RM19,000 (2022: RM19,000) as disclosed in Note 9;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan II as at the financial year end is RM455,000 (2022: RM653,000)

(c) The Term Loan III bears interest at rate of 9.00% (2022: 9.00%) per annum with 37 monthly repayment instalments. The term loan is secured and supported by:

- Pledged deposits of RM1,200,000 (2022: RM1,200,000) as disclosed in Note 9;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan III as at the financial year end is RM2,317,000 (2022: RM3,551,000).

(d) The Term Loan IV bears interest at rate of 4.50% (2022: Nil) per annum with 168 monthly repayment instalments. The term loan is secured and supported by:

- Leasehold building with carrying amount of RM2,462,000 (2022: RM Nil) as disclosed in Note 3;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan IV as at the financial year end is RM2,078,000 (2022: RM Nil).

12. Loans and borrowings (continued)

12.2 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2023	2023	2023	2023	2022	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than one year	252	37	215		274	16
Between one to five years	698	46	652		293	24
	<u>950</u>	<u>83</u>	<u>867</u>		<u>567</u>	<u>40</u>

The hire purchase liabilities bear interest rate at the range of 2.49% to 5.51% (2022: 2.49% to 5.70%) per annum.

12.3 Trade financing

- (a) The Trade Financing I bears interest at rate of 7.95% (2022: 7.70%) per annum and is payable upon maturity. The trade financing is secured and supported by joint and several guarantees by all directors of SHESB.

The outstanding balance of Trade Financing I as at the financial year end is RM4,852,000 (2022: RM363,000).

- (b) The Trade Financing II bears interest at rate of 7.40% (2022: Nil) per annum and is payable upon maturity. The trade financing is secured and supported by joint and several guarantees by all directors of SHESB.

The outstanding balance of Trade Financing II as at the financial year end is RM814,000 (2022: RM Nil).

12.4 Bank overdraft

- (a) The Bank Overdraft I bears interest at rate of 7.95% (2022: 7.70%) per annum on daily basis. The overdraft is secured and supported by:

- Pledged deposits of RM1,200,000 (2022: RM1,200,000) as disclosed in Note 9;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Bank Overdraft I as at the financial year end is RM2,959,000 (2022: RM2,981,000).

12. Loans and borrowings (continued)

12.4 Bank overdraft (continued)

- (b) The Bank Overdraft II bears interest at rate of 10.72% (2022: 10.47%) per annum on daily basis. The overdraft is secured and supported by joint and several guarantees by all directors of SHESB.

The outstanding balance of Bank Overdraft II as at the financial year end is RM400,000 (2022: RM757,000).

- (c) The Bank Overdraft III bears interest at rate of 8.22% (2022: 7.97%) per annum on daily basis. The overdraft is secured and supported by joint and several guarantees by all directors of SHESB.

The outstanding balance of Bank Overdraft III as at the financial year end is RM2,424,000 (2022: RM1,936,000).

- (d) The Bank Overdraft IV bears interest at rate of 12.00% (2022: Nil) per annum on daily basis. The overdraft is secured and supported by joint and several guarantees by all directors of SHESB.

The outstanding balance of Bank Overdraft IV as at the financial year end is RM439,000 (2022: RM Nil).

13. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Property, plant and equipment	-	-	(366)	(170)	(366)	(170)
Right-of-use assets	-	-	(360)	(25)	(360)	(25)
Lease liabilities	296	27	-	-	296	27
Tax assets/ (liabilities)	296	27	(726)	(195)	(430)	(168)
Set off of tax	(296)	(27)	296	27	-	-
Net tax liabilities	-	-	(430)	(168)	(430)	(168)

13. Deferred tax liabilities (continued)

Movement in temporary differences during the financial year

	At 1.1.2022 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2022/ 1.1.2023 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2023 RM'000
Group					
Property, plant and equipment	(134)	(36)	(170)	(196)	(366)
Right-of-use assets	(53)	28	(25)	(335)	(360)
Lease liabilities	55	(28)	27	269	296
Net tax liabilities	(132)	(36)	(168)	(262)	(430)

14. Trade and other payables

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade					
Trade payables		9,485	12,192	-	-
Non-trade					
Amount due to subsidiary	14.1	-	-	100	100
Other payable		391	1,315	142	45
Accruals		888	386	144	20
		<u>10,764</u>	<u>13,893</u>	<u>386</u>	<u>165</u>

14.1 Amount due to subsidiary

The amount due to subsidiary is unsecured, interest free and repayable on demand.

15. Revenue

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contracts with customers	72,537	66,326	-	-
Other revenue				
Dividend income	-	-	-	2,584
	<u>72,537</u>	<u>66,326</u>	<u>-</u>	<u>2,584</u>

15. Revenue (continued)

15.1 Disaggregation of revenue from contracts with customers

	Group	
	2023 RM'000	2022 RM'000
Engineering, procurement, construction and commissioning ("EPCC") services and facilities improvement/maintenance	64,927	57,788
Installation and maintenance ("I&M") of oilfield equipment	5,782	7,310
Supply of oilfield equipment	1,828	1,228
Total revenue from contracts with customers	<u>72,537</u>	<u>66,326</u>
Timing and recognition		
Over time	70,709	65,098
Point in time	1,828	1,228
Total revenue from contracts with customers	<u>72,537</u>	<u>66,326</u>

15.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of services	Timing of recognition or method used to recognise revenue	Significant payment terms	Warranty
Short-term EPCC services and facilities improvement/maintenance	Revenue is recognised over the period when the services are rendered.	Credit period of 30 days from invoice date.	Defect liability period of 12 months to 18 months is given to customers.
Fixed-term EPCC services and facilities improvement/maintenance	Revenue is recognised over time and estimated using input method which is based on the proportion of total cost incurred at the reporting date compared to the management's estimation of total cost of the contract.	Credit period of 30 days from invoice date.	Defect liability period of 12 months to 18 months is given to customers.
I&M of oilfield equipment	Revenue is recognised over the period in which the services are rendered.	Credit period of 30 days from invoice date.	Defect liability period of 18 months to 36 months is given to customers.
Supply of oilfield equipment	Revenue is recognised at a point in time when or as the control of goods is transferred to the customer.	Credit period of 30 days from invoice date.	Defect liability period of 18 months is given to customers.

15. Revenue (continued)

15.2 Nature of goods and services (continued)

There were no variable elements in considerations, obligation for return or refunds in the provision of services by the Group.

Revenue of the Group is predominantly from operations in Malaysia.

15.3 Transaction price allocated to the remaining performance obligations

As at the reporting date, the Group applies practical expedient that exempts the disclosure of information on remaining performance obligation that have original expected durations of one year or less. Thus, no disclosure is made on allocation of transaction price to the remaining performance obligations.

15.4 Significant judgments and assumptions arising from revenue recognition

For fixed-term contracts, the Group measured the performance of work done by comparing the actual costs incurred with the estimated total costs required to complete the project. Significant judgments are required to estimate the total contract costs to complete. The management relied on their past experience as well as the suppliers' quote and contracts awarded to supplier to derive the estimates. A change in the estimates will directly affect the revenue to be recognised.

16. Finance costs

	Group	
	2023	2022
	RM'000	RM'000
Interest expenses arising from:		
- Term loans	346	131
- Trade financing	288	67
- Hire purchase liabilities	36	24
- Bank overdraft	463	41
- Lease liabilities	35	12
- Bank guarantee	146	173
- Others	41	22
	1,355	470

17. Profit/(Loss) before tax

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit/(Loss) before tax is arriving at after charging/(crediting):					
Auditors' remuneration					
Audit fees		115	115	20	20
Non-audit fees		63	-	63	-
Material expenses/ (income)					
Finance income		(88)	(25)	-	(5)
Gain on disposal of property, plant and equipment		(59)	(10)	-	-
Gain on derecognition of right-of-use assets		(11)	-	-	-
Gain on remeasurement of lease liabilities		-	(6)	-	-
Depreciation of property, plant and equipment		707	593	1	1
Depreciation of right-of-use assets		82	194	-	-
Personnel expenses (including key management personnel)	a				
- Contributions to state plans		470	433	-	-
- Directors fees		313	264	313	264
- Wages, salaries, allowances and remuneration		5,473	4,270	-	-
Outsourced staffing expenses		12,725	9,025	-	-
Net foreign exchange loss		27	71	-	-
Listing expenses		754	-	754	-
Bad debts written off		-	69	-	-
Other expenses arising from leases					
Expenses relating to short-term leases	b	2,239	937	-	-

17. Profit/(Loss) before tax (continued)

Note a

Included in personnel expenses of the Group and of the Company are the following:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Key management personnel				
Directors of the Company				
Fees	313	264	313	264
Remuneration	783	680	20	9
Other employee benefits	17	45	-	-
	<u>1,113</u>	<u>989</u>	<u>333</u>	<u>273</u>
Other officers, including Directors of the subsidiaries				
Remuneration	159	149	-	-
	<u>1,272</u>	<u>1,138</u>	<u>333</u>	<u>273</u>

Key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel includes all the Directors and chief officers of the Group.

Note b

The Group leases equipment with contract terms of less than one year. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

18. Tax expense

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current tax expense				
Current year	2,911	2,297	-	-
(Over)/Under provision in prior year	<u>(49)</u>	<u>51</u>	<u>1</u>	<u>-</u>
	2,862	2,348	-	-
Deferred tax expense				
Origination of temporary differences	168	46	-	-
Under/(Over) provision in prior year	<u>94</u>	<u>(10)</u>	<u>-</u>	<u>-</u>
	262	36	-	-
	<u>3,124</u>	<u>2,384</u>	<u>1</u>	<u>-</u>

18. Tax expense (continued)

Reconciliation of tax expense

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit/(Loss) before tax	<u>10,344</u>	<u>8,195</u>	<u>(1,462)</u>	<u>2,057</u>
Income tax calculated using Malaysian statutory tax rate of 24% (2022: 24%)	2,483	1,967	(351)	494
Non-deductible expenses	596	376	351	126
Non-taxable income (Note 18.1)	-	-	-	(620)
(Over)/Under provision in prior year				
- current tax	(49)	51	1	-
- deferred tax	94	(10)	-	-
	<u>3,124</u>	<u>2,384</u>	<u>1</u>	<u>-</u>

18.1 Non-taxable income

The non-taxable income was derived from dividend income received from a subsidiary.

19. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2023 RM'000	2022 RM'000
Profit for the year attributable to owners of the Group	<u>7,220</u>	<u>5,811</u>
	2023 '000	2022 '000
Number of ordinary shares	<u>160,000</u>	<u>160,000</u>
	2023 sen	2022 sen
Basic earnings per ordinary share	<u>4.51</u>	<u>3.63</u>

Diluted earnings per ordinary share

There is no dilution in earnings per share as there is no potential diluted ordinary share.

20. Dividends

Dividends recognised by the Group:

	Sen per share	Total amount RM'000	Date of payment
2023			
First and final single tier dividend for 31 December 2022	0.55	<u>880</u>	6 March 2023
2022			
First and final single tier dividend for 31 December 2021	0.39	<u>624</u>	23 June 2022

21. Operating segments

Segment information

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive Director reviews internal management reports at least on an bi-annual basis. The following summary describes the operations in each of the Group's reportable segments:

<ul style="list-style-type: none"> • EPCC services and facilities improvement/maintenance 	Includes the provision of EPCC services for chemical injection skids installed at onshore or offshore exploration and production facilities (e.g., platforms, rigs or terminals) and overall improvement and maintenance of O&G facilities (i.e. oil rig platform, onshore and offshore) - upgrade and/or replacement of corroded or damaged structures as well as removal, installation or modification of component parts of structures.
<ul style="list-style-type: none"> • I&M of oilfield equipment 	Includes the supply of the oilfield equipment to be installed and maintained (i.e. repair, refurbishment, and replacement) at customers' sites.
<ul style="list-style-type: none"> • Supply of oilfield equipment 	Includes the supply and delivery of specific oilfield equipment and/or parts and components to embarkation points.

21. Operating segments (continued)

Due to the high integration within all these three segments, performance of individual segment is measured based on revenue and gross profit, as included in the internal management reports that are reviewed by the Group's Executive Director. Hence, no other disclosure for segment assets, segment liabilities and segment capital expenditures.

Group	EPCC			Total RM'000
	services and facilities improvement/ maintenance RM'000	I&M of oilfield equipment RM'000	Supply of oilfield equipment RM'000	
2023				
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	64,927	5,782	1,828	72,537
Cost of sales	(46,771)	(4,050)	(883)	(51,704)
Gross profit	18,156	1,732	945	20,833
2022				
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	57,788	7,310	1,228	66,326
Cost of sales	(43,266)	(6,478)	(552)	(50,296)
Gross profit	14,522	832	676	16,030

Geographical segments

The geographical location of customers predominantly operates within Malaysia.

Major customers

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

	Revenue		Segment
	2023 % of contribution	2022 % of contribution	
- Customer A	45	54	All segments
- Customer B	43	38	EPCC

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"):

Group	Carrying amount	AC	Carrying amount	AC
	2023	2023	2022	2022
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Trade and other receivables	3,775	3,775	10,591	10,591
Pledged deposits	6,705	6,705	4,214	4,214
Cash and cash equivalents	10,687	10,687	12,091	12,091
	<u>21,167</u>	<u>21,167</u>	<u>26,896</u>	<u>26,896</u>
Financial liabilities				
Trade and other payables	10,764	10,764	13,893	13,893
Loans and borrowings	17,721	17,721	11,059	11,059
	<u>28,485</u>	<u>28,485</u>	<u>24,952</u>	<u>24,952</u>
Company				
Financial assets				
Trade and other receivables	3,277	3,277	5,025	5,025
Cash and cash equivalents	18	18	392	392
	<u>3,295</u>	<u>3,295</u>	<u>5,417</u>	<u>5,417</u>
Financial liabilities				
Trade and other payables	386	386	165	165

22.2 Net gains/(losses) arising from financial instruments

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost	61	(115)	-	5
Financial liabilities at amortised cost	<u>(1,320)</u>	<u>(458)</u>	<u>-</u>	<u>-</u>
Net (losses)/gains	<u>(1,259)</u>	<u>(573)</u>	<u>-</u>	<u>5</u>

22. Financial instruments (continued)

22.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables and cash and cash equivalents.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements of financial position.

Concentration of credit risk

At the end of the reporting period, the Group has a concentration of credit risk from two customers, representing approximately 86% (2022: 90% from two customers) of the Group's contract assets and trade receivables. All contract assets and trade receivables are within Malaysia.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses

All financial assets measured at amortised cost are first assessed for credit-impaired trade receivables.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

As there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information and past trend of payments, where applicable. The trade receivables were deemed to have low risk of default.

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2023			
Not past due	23,995	-	23,995
Past due 1 - 90 days	168	-	168
Past due more than 90 days	864	-	864
	<u>25,027</u>	<u>-</u>	<u>25,027</u>
Trade receivables	3,488	-	3,488
Contract assets	21,539	-	21,539
	<u>25,027</u>	<u>-</u>	<u>25,027</u>
2022			
Not past due	21,268	-	21,268
Past due 1 - 90 days	534	-	534
Past due more than 90 days	12	-	12
	<u>21,814</u>	<u>-</u>	<u>21,814</u>
Trade receivables	10,404	-	10,404
Contract assets	11,410	-	11,410
	<u>21,814</u>	<u>-</u>	<u>21,814</u>

Trade receivables that are past due have not been impaired as these debtors have historically been creditworthy with good payment records with the Group.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Cash and cash equivalents and pledged deposits

The cash and cash equivalents and pledged deposits are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

22.5 Liquidity risk

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

The Group monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Registration No. 202001043293 (1399614-A)

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis

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

Group	Carrying amount	Contractual interest rate/ Discount rate	Contractual cash flows	Under 1 year	1 – 5 years	More than 5 years
2023	RM'000	%	RM'000	RM'000	RM'000	RM'000
Financial liabilities						
Trade and other payables	10,764	-	10,764	10,764	-	-
Term loans	4,966	3.50 - 11.70	5,923	2,068	2,294	1,561
Hire purchase liabilities	867	2.49 - 5.51	951	252	699	-
Lease liabilities	1,235	8.47 - 9.09	1,342	450	892	-
Trade financing	5,666	7.40 - 7.95	5,796	5,796	-	-
Bank overdraft	6,222	7.95 - 12.00	6,267	6,267	-	-
Financial guarantees	-	-	4,286	4,186	100	-
	<u>29,720</u>		<u>35,329</u>	<u>29,783</u>	<u>3,985</u>	<u>1,561</u>

Registration No. 202001043293 (1399614-A)

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 2022	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000
Financial liabilities					
Trade and other payables	13,893	-	13,893	13,893	-
Term loans	4,495	3.50 - 11.45	5,346	1,958	3,388
Hire purchase liabilities	527	2.49 - 5.70	567	274	293
Lease liabilities	111	6.72 - 9.09	118	83	35
Trade financing	363	7.70	372	372	-
Bank overdraft	5,674	7.70 - 10.47	5,704	5,704	-
Financial guarantees	-	-	1,795	1,595	200
	<u>25,063</u>		<u>27,795</u>	<u>23,879</u>	<u>3,916</u>

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000
Company 2023					
Financial liabilities					
Other payables and accruals	386	-	386	386	-
2022					
Financial liabilities					
Other payables and accruals	165	-	165	165	-

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

22.6.1 Currency risk

Management has assessed that the Group and the Company are not significantly exposed to any foreign currency risks.

22.6.2 Interest rate risk

The Group's primary interest rate risks relate to deposit placed with licensed banks, term loans, bank overdraft, trade financing, hire purchase liabilities and lease liabilities.

The Group's deposits placed with licensed banks, fixed rate term loans, bank overdraft, trade financing, hire purchase liabilities and lease liabilities are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate term loans and bank overdraft are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate of borrowings.

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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

	Group	
	2023	2022
	RM'000	RM'000
Fixed rate instruments		
Financial asset		
Deposits with licensed banks	6,855	4,021
Financial liabilities		
Term loans	(2,772)	(4,204)
Hire purchase liabilities	(867)	(527)
Lease liabilities	(1,235)	(111)
	<u>(4,874)</u>	<u>(4,842)</u>
	<u>1,981</u>	<u>(821)</u>

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

	Group	
	2023	2022
	RM'000	RM'000
Floating rate instruments		
Financial liabilities		
Term loans	(2,194)	(291)
Trade financing	(5,666)	(363)
Bank overdraft	(6,222)	(5,674)
	<u>(14,082)</u>	<u>(6,328)</u>

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bp increase RM'000	100 bp decrease RM'000
Group		
2023		
Floating rate instruments	<u>(107)</u>	<u>107</u>
2022		
Floating rate instruments	<u>(48)</u>	<u>48</u>

22. Financial instruments (continued)

22.7 Fair value information

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

The tables below analyses other financial instruments at fair value.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023										
Financial liabilities										
Term loans	-	-	-	-	-	-	(5,001)	(5,001)	(5,001)	(4,966)
Lease liabilities	-	-	-	-	-	-	(1,342)	(1,342)	(1,342)	(1,235)
Hire purchase liabilities	-	-	-	-	-	-	(951)	(951)	(951)	(867)
	-	-	-	-	-	-	(7,294)	(7,294)	(7,294)	(7,068)
2022										
Financial liabilities										
Term loans	-	-	-	-	-	-	(4,607)	(4,607)	(4,607)	(4,495)
Lease liabilities	-	-	-	-	-	-	(118)	(118)	(118)	(111)
Hire purchase liabilities	-	-	-	-	-	-	(567)	(567)	(567)	(527)
	-	-	-	-	-	-	(5,292)	(5,292)	(5,292)	(5,133)

22. Financial instruments (continued)

22.7 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2022: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans, lease liabilities and hire purchase liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.

23. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. For the purpose of the Group's capital management, capital includes share capital, and all equity reserves attributable to the equity holders of the parent.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

24. Capital and other commitments

	Note	Group 2023 RM'000	Group 2022 RM'000
Capital expenditure commitments			
Property, plant and equipment			
<i>Authorised and contracted for</i>	24.1	<u>-</u>	<u>2,400</u>

24.1 Included within the capital expenditure commitments authorised and contracted for were deposits paid amounting to RM240,000 in prior year as disclosed in Note 8.2.

25. Related parties

Identity of related parties

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

The Group has related party relationship with subsidiaries.

Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Transactions				
A. Subsidiaries				
Dividend received	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,584</u>

Related party transactions have been entered into in the normal course of business and have been established under negotiated terms. The gross balances outstanding for related parties are disclosed in Note 8 to the financial statements.

26. Comparative figures

Comparative figures have been represented to conform with current years' presentation. Certain notes to the financial statements were accordingly also represented.

	31.12.2022	
	As reclassified RM'000	As previously stated RM'000
Group		
Statement of financial position		
Trade and other receivables	11,025	11,368
Pledged deposits	4,214	3,871
	<u> </u>	<u> </u>
Statement of profit or loss and other comprehensive income		
Cost of sales	(50,296)	(51,242)
Administrative expenses	(7,397)	(6,451)
	<u> </u>	<u> </u>
Statement of cash flows		
Cash flow from operating activities	3,170	2,827
Cash flows from investing activities	(4,721)	(4,378)
	<u> </u>	<u> </u>

27. Subsequent events

On 22 January 2024, the shareholders of the Company have approved the following:

27.1 Proposed Transfer

- (i) Proposed voluntary withdrawal of listing of the Company from the LEAP Market of Bursa Securities pursuant to Rules 8.05 and 8.06 of the LEAP Market Listing Requirements of Bursa Securities ("LEAP Market Listing Requirements") ("Proposed Withdrawal"); and
- (ii) Proposed listing of the Company on the ACE Market of Bursa Securities pursuant to Rules 3A.02(1) and 3A.02(2) of the ACE Market Listing Requirements of Bursa Securities ("ACE Market Listing Requirements") ("Proposed Listing"),

collectively referred to as the ("Proposed Transfer").

27. Subsequent events (continued)

27.2 Proposed Bonus Issue

Issuance of bonus issue of 240,000,000 bonus shares (“Bonus Shares”) on the basis of 3 Bonus Shares for every 2 existing shares held on an entitlement date to be determined later (“Bonus Issue”). Upon completion of the Proposed Bonus Issue and prior to the Proposed Transfer, the issued share capital of the Company will increase from 160,000,000 shares to 400,000,000 Shares.

Upon completion of the Bonus Issue, the earnings per share will be represented as follows:

	2023 RM'000	2022 RM'000
Profit for the year attributable to owners of the Group	<u>7,220</u>	<u>5,811</u>
Weighted average numbers of ordinary shares at period end (basic) (including invested equity) ('000)	<u>400,000</u>	<u>400,000</u>
Basic earnings per ordinary share (sen)	<u>0.02</u>	<u>0.01</u>

27.3 Proposed adoption

Proposed adoption of a new constitution of the Company to facilitate the implementation of the proposed transfer.

Steel Hawk Berhad

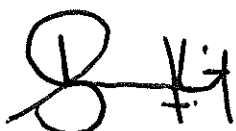
(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)

and its subsidiaries**Statement by Directors pursuant to
Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 6 to 49 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRSs"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and cash flows for the year ended.

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



.....
Dato' Sharman Kristy A/L Michael

Director



.....
Salimi Bin Khairuddin

Director

Petaling Jaya

Date: 05 MAR 2024

Steel Hawk Berhad

(Registration No. 202001043293 (1399614-A))

(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Dato' Sharman Kristy A/L Michael**, the Director primarily responsible for the financial management of Steel Hawk Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 49 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Dato' Sharman Kristy A/L Michael**,
NRIC: 790412-08-6015, at Petaling Jaya in Selangor on 05 MAR 2024.



.....
Dato' Sharman Kristy A/L Michael

Before me:



No. 71-1, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STEEL HAWK BERHAD

(Registration No. 202001043293 (1399614-A))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Steel Hawk Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 6 to 49.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matter

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

Key Audit Matter (continued)

Revenue recognition	
Refer to Note 15 - Revenue	
The key audit matter	How the matter was addressed in our report
<p>Revenue recognition is the presumed fraud risk for the audit.</p> <p>The main revenue streams of the Group are engineering, procurement, construction and commissioning (“EPCC”) services and facilities improvement/maintenance, installation and maintenance (“I&M”) of oilfield equipment and supply of oilfield equipment.</p> <p>Revenue recognition is a key audit matter due to risk that revenue may be overstated arising from pressure faced by management in achieving performance targets.</p>	<p>The following are the audit procedures, among others, in respect of revenue recognition:</p> <ul style="list-style-type: none"> • Evaluated and tested the design, implementation and operating effectiveness over the internal controls including anti-fraud controls over revenue recognition; and • Reviewed the manual journal entries or any unusual journal entries posted relating to revenue. <p>For revenue recognised over the period when services are rendered, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Tested sales transactions recorded to the acknowledged job completion ticket or summary report of service completion; and • Evaluated whether sales transactions either side of the statement of financial position date are recognised in the correct period. <p>For those revenue arising from fixed-term contracts and recognised over time using the stage of completion method, which is input method, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Inspected the approved sales contract and correspondence with customers; • Evaluated management budgeted cost by assessing the basis of their calculation, which included supplier quotes and contracts awarded to suppliers; • Inspected the actual costs incurred to the corresponding supporting documents; • Recalculated the revenue using approved contract sum, actual costs incurred to date that reflect the progress towards completion of the contract; and • With regards to projects whereby actual progress is behind planned progress, we understand the cause of the delays, inspected correspondence with customers and corroborated key judgement applied by Management as to whether provision for liquidated ascertained damages is required.

Key Audit Matter (continued)

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditor's report.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Other Matter

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor

Date: 5 March 2024

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2025 J
Chartered Accountant