Steel Hawk Berhad

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

and its subsidiaries

Accountants' Report on the Consolidated Financial Statements

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

Consolidated statements of financial position

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Assets				
Property, plant and equipment	3	6,387	3,320	3,082
Right-of-use assets	4	1,500	104	220
Total non-current assets		7,887	3,424	3,302
Inventories	6	568	158	369
Contract assets	7	21,539	11,410	5,689
Trade and other receivables	8	4,301	11,025	767
Pledged deposits	9	6,705	4,214	129
Cash and cash equivalents	10	10,687	12,091	5,910
Total current assets		43,800	38,898	12,864
Total assets		51,687	42,322	16,166
Equity				
Share capital	11	7,808	7,808	7,808
Restructuring reserve	11	(3,108)	(3,108)	(3,108)
Retained earnings		16,583	10,243	5,056
Total equity attributable to owners of the Company		21,283	14,943	9,756
Liabilities				
Loans and borrowings	12	4,089	3,144	1,164
Lease liabilities		465	34	46
Deferred tax liabilities	13	430	168	132
Total non-current liabilities		4,984	3,346	1,342
Loans and borrowings	12	13,632	7,915	719
Lease liabilities		770	77	183
Trade and other payables	14	10,764	13,893	3,248
Current tax liabilities		254	2,148	918
Total current liabilities		25,420	24,033	5,068
Total liabilities		30,404	27,379	6,410
Total equity and liabilities		51,687	42,322	16,166

The notes on pages 9 to 59 are an integral part of these financial statements.

Steel Hawk Berhad
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Consolidated statements of profit or loss and other comprehensive income

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Revenue	15	72,537	66,326	24,845
Cost of sales		(51,704)	(50,296)	(14,029)
Gross profit		20,833	16,030	10,816
Other income		153	76	172
Administrative expenses		(9,375)	(7,397)	(7,586)
Net loss on impairment of financial instrument		-	(69)	-
Results from operating activities		11,611	8,640	3,402
Finance income		88	25	12
Finance costs	16	(1,355)	(470)	(270)
Profit before tax	17	10,344	8,195	3,144
Tax expense	18	(3,124)	(2,384)	(1,064)
Net profit and total comprehensive income for the year attributable to owners of the Company		7,220	5,811	2,080
Basic earnings per ordinary share (sen)	19	4.51	3.63	2.47

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Consolidated statements of changes in equity

		← *Attributable to owners of the Company*				→
		← *Non-distributable*		→	*Distributable*	
	Note	Share capital RM'000	Invested equity[1] RM'000	Restructuring reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021[2]		*	1,500	-	2,976	4,476
Net profit and total comprehensive income for the financial year		-	-	-	2,080	2,080
Contributions by owners of the Company						
Issuance of new shares	11	3,200	-	-	-	3,200
Effect of restructuring[3]	26	4,608	(1,500)	(3,108)	-	-
At 31 December 2021/ 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
Distribution to owners of the Company						
Dividends to owners of the Company	20	-	-	-	(624)	(624)
At 31 December 2022		7,808	-	(3,108)	10,243	14,943
		← Note 11 →				

Consolidated statements of changes in equity (continued)

		← Attributable to owners of the Company →				
		← Non-distributable →			Distributable	
	Note	Share capital RM'000	Invested equity(1) RM'000	Restructuring reserve RM'000	Retained earnings RM'000	Total RM'000
At 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
Distribution to owners of the Company						
Dividends to owners of the Company	20	-	-	-	(880)	(880)
At 31 December 2023		7,808	-	(3,108)	16,583	21,283

* *Denotes RM2*

(1) *This invested equity represents the Company's investment in SHESB.*

(2) *The Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.*

(3) *The effect of restructuring arose from the restructuring exercise as explained in Note 26 Restructuring exercise.*

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Steel Hawk Berhad
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Consolidated statements of cash flows

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit before tax		10,344	8,195	3,144
Adjustments for:				
Depreciation of property, plant and equipment	3	707	593	541
Depreciation of right-of-use assets	4	82	194	187
Gain on disposal of property, plant and equipment		(59)	(10)	(9)
Gain on derecognition of right-of-use assets		(11)	-	(3)
Gain on remeasurement of lease liabilities		-	(6)	-
Interest expenses	16	1,355	470	270
Interest income		(88)	(25)	(12)
Bad debts written off		-	69	-
Operating profit before changes in working capital		12,330	9,480	4,118
Changes in working capital:				
Inventories		(410)	211	(31)
Trade and other receivables		6,484	(10,327)	214
Trade and other payables		(3,129)	10,645	1,923
Contract assets		(10,129)	(5,721)	(4,503)
Cash generated from operations		5,146	4,288	1,721
Tax paid		(4,756)	(1,118)	(1,049)
Net cash from operating activities		390	3,170	672
Cash flows from investing activities				
Acquisition of property, plant and equipment	(ii)	(3,000)	(671)	(950)
Proceeds from disposal of property, plant and equipment		196	10	12
Interest income		88	25	12
Changes in pledged deposits		(2,491)	(4,085)	1,164
Net cash (used in)/generated from investing activities		(5,207)	(4,721)	238

Consolidated statements of cash flows (continued)

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash flows from financing activities				
Interest paid	16	(1,355)	(470)	(270)
Net drawdown/(repayment) of term loan		471	3,197	(330)
Net drawdown/(repayment) of trade financing		5,303	363	(479)
Net repayment of hire purchase		(331)	(218)	(200)
Repayment of lease liabilities		(343)	(190)	(186)
Dividend paid	20	(880)	(624)	-
Proceeds from issuance of new shares	11	-	-	3,200
Net cash from financing activities		2,865	2,058	1,735
Net (decrease)/increase in cash and cash equivalents		(1,952)	507	2,645
Cash and cash equivalents at beginning of the year		6,417	5,910	3,265
Cash and cash equivalents at end of the year	(i)	4,465	6,417	5,910

(i) Cash and cash equivalents

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

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Cash and cash equivalents	10	10,687	12,091	5,910
Bank overdraft	12	(6,222)	(5,674)	-
		4,465	6,417	5,910

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Consolidated statements of cash flows (continued)

(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; 2021: RM1,808,000) of which RM671,000 (2022: RM160,000; 2021: RM258,000) were acquired by means of hire purchase. The deposits of RM240,000 in 31 December 2022 for the purchase of building was subsequently reclassified as property, plant and equipment in line with the completion of the condition precedents in relation to the said acquisition in the financial year ended 31 December 2023.

(iii) Cash outflows for leases as a lessee

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Included in net cash from operating activities				
Payment relating to short-term leases	17	2,239	937	2,107
Included in net cash from financing activities				
Payment of lease liabilities		343	190	186
Interest paid in relation to lease liabilities	16	35	12	20
Total cash outflows for leases		2,617	1,139	2,313

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

	At 1 January RM'000	Acquisition of new hire purchase liabilities/ new lease RM'000	Net changes from financing cash flows RM'000	Derecognition of lease liabilities RM'000	At 31 December RM'000
2023					
Term loans	4,495	-	471	-	4,966
Trade financing	363	-	5,303	-	5,666
Hire purchase liabilities	527	671	(331)	-	867
Lease liabilities	111	1,518	(343)	(51)	1,235
Total liabilities from financing activities	5,496	2,189	5,100	(51)	12,734

Consolidated statements of cash flows (continued)

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

	At 1 January RM'000	Acquisition of new hire purchase liabilities/ new lease RM'000	Net changes from financing cash flows RM'000	Remeasu-rement/ (Derecog-nition) of lease liabilities RM'000	At 31 December RM'000
2022					
Term loans	1,298	-	3,197	-	4,495
Trade financing	-	-	363	-	363
Hire purchase liabilities	585	160	(218)	-	527
Lease liabilities	229	-	(190)	72	111
Total liabilities from financing activities	2,112	160	3,152	72	5,496
2021					
Term loans	1,628	-	(330)	-	1,298
Trade financing	479	-	(479)	-	-
Hire purchase liabilities	527	258	(200)	-	585
Lease liabilities	208	268	(186)	(61)	229
Total liabilities from financing activities	2,842	526	(1,195)	(61)	2,112

The notes on pages 9 to 59 are an integral part of these financial statements.

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Notes to the consolidated financial statements

Steel Hawk Berhad ("Steel Hawk" or the "Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed in the Leading Entrepreneur Accelerator Platform ("LEAP") Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the consolidated financial statements.

1. Basis of preparation

The consolidated financial statements of the Company have been prepared for inclusion in the Company's draft prospectus in connection with the proposed initial public offering of 134,700,000 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed transfer of listing of Steel Hawk from the LEAP Market of Bursa Malaysia Securities Berhad ("Bursa Securities") to the ACE Market of Bursa Securities ("Proposed Transfer").

The consolidated financial statements of the Company for the financial years ended 31 December 2023, 31 December 2022 and 31 December 2021, comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The consolidated financial statements of the Company for the financial year ended 31 December 2023, 31 December 2022 and 31 December 2021 do not include other entities.

1. Basis of preparation (continued)

(a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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:

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 plans 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.

1. Basis of preparation (continued)

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is the Group’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 consolidated 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. Material accounting policies

The Group 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 did not result in any changes to the accounting policy information disclosed in the financial statements.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements and have been applied consistently by Group entities, unless otherwise stated.

2. Material accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt and equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Material accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions from entities under common control

There is no business combination when a restructuring is facilitated through incorporation of a new Company (“Newco”) (under common control of the shareholders that controls the Group) and when there is only a business placed under the Newco. Newco is not a business and therefore cannot be the acquiree. Entities under common control are entities which are ultimately controlled by the same parties (“Controlling Shareholders”) and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities, and that ultimate collective power is not transitory. Accordingly, book value accounting applies to the business transferred.

The acquisitions are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group’s equity and any resulting gain or loss is recognised directly in equity.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

2. Material accounting policies (continued)

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

Financial assets are subject to impairment assessment (see Note 2(i)(i)).

2. Material accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

Amortised cost

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

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2. Material accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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.

2. Material accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

• Freehold buildings	2%
• 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.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a singles lease component.

2. Material accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonable certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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 lesser 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.

2. Material accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iv) Rent concession

The Group has applied the amendment to MFRS 16 Leases (COVID-19 Related Rent Concessions) whereby rent concessions received as a direct consequence of the COVID-19 pandemic are not assessed as a lease modification if all of the following conditions are met:
(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(iii) there is no substantial change to other terms and conditions of the lease.

If the above conditions are met, rent concessions are treated as variable lease payments and impact will be recognised in the profit or loss for the year.

2. Material accounting policies (continued)

(f) Inventories

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, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Contract asset/Contract liability

A contract asset is recognised when the Group’s right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(i)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

2. Material accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group are exposed to credit risk.

The Group assesses each customer individually based on their financial information and past trend of payments, where applicable. The Group also considered that the credit risk has increased significantly if it is past due.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

2. Material accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. Material accounting policies (continued)

(k) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(l) Provisions

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

(m) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

2. Material accounting policies (continued)

(m) Revenue and other income (continued)

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

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

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. Material accounting policies (continued)

(o) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. Material accounting policies (continued)

(r) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Freehold buildings RM'000	Leasehold building RM'000	Computer and software RM'000	Furniture and fitting RM'000	Motor vehicle RM'000	Office equipment RM'000	Plant and machinery RM'000	Renova-tion RM'000	Sign-board RM'000	Total RM'000
Cost										
At 1 January 2021	-	-	196	81	1,708	72	696	577	3	3,333
Additions	1,300	-	86	3	340	18	32	17	12	1,808
Disposals	-	-	-	(2)	(34)	-	(1)	-	-	(37)
At 31 December 2021/ 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

3. Property, plant and equipment (continued)

	Freehold buildings RM'000	Leasehold building RM'000	Computer and software RM'000	Furniture and fitting RM'000	Motor vehicle RM'000	Office equipment RM'000	Plant and machinery RM'000	Renova-tion RM'000	Sign-board RM'000	Total RM'000
Accumulated depreciation										
At 1 January 2021	-	-	92	34	877	22	237	251	2	1,515
Depreciation for the year	9	-	47	8	338	8	70	59	2	541
Disposals	-	-	-	(2)	(32)	-	-	-	-	(34)
At 31 December 2021/ 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 2021	-	-	104	47	831	50	459	326	1	1,818
At 31 December 2021/ 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)

3.1 Assets under hire purchase

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

	2023 RM'000	2022 RM'000	2021 RM'000
Motor vehicle	1,112	588	631

3.2 Security

At 31 December 2023, leasehold building with a carrying amount of RM2,462,000 (2022: RM Nil; 2021: RM Nil) was pledged to a bank to secure term loan granted to the Group as disclosed in Note 12.1.

4. Right-of-use assets

	Leasehold Land RM'000	Buildings RM'000	Total RM'000
At 1 January 2021	-	197	197
Addition	-	268	268
Depreciation	-	(187)	(187)
Derecognition*	-	(58)	(58)
At 31 December 2021/1 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

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

\# *Modification of lease liability is as a result of lease payment reduction and extension 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.

5. Investment in subsidiaries

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2023 %	2022 %	2021 %
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	100
Steel Hawk Defence Sdn. Bhd. ("SHDSB")	Malaysia	Provision of manpower, materials and equipment support services.	100	100	-

On 18 April 2022, the Company incorporated a wholly-owned subsidiary, known as Steel Hawk Defence Sdn. Bhd. with an issued share capital of RM100,000 comprising of 100,000 ordinary shares of RM1.00 each. The principal activities of the subsidiary are to supply, maintenance, design, sales, technical training for defence engineering equipment, supply and maintenance of safety gear products/devices and other support services and service provider of fire and explosion protection systems.

6. Inventories

	2023 RM'000	2022 RM'000	2021 RM'000
At cost:			
Oilfield and petrochemical equipment, engineering equipment and spare parts	568	158	369
Recognised in profit or loss:			
Inventories recognised as cost of sales	35,150	39,195	7,330

7. Contract assets

	2023 RM'000	2022 RM'000	2021 RM'000
Contract assets	21,539	11,410	5,689

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.

7. Contract assets (continued)

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

	2023 RM'000	2022 RM'000	2021 RM'000
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	213	309	-

8. Trade and other receivables

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Trade				
Trade receivables from contracts with customers		3,488	10,404	283
Non-trade				
Other receivables		84	74	77
Deposits	8.1	203	353	114
Prepayment	8.2	526	194	293
		813	621	484
		4,301	11,025	767

8.1 Deposits

Included in deposits was an amount of RM240,000 in 31 December 2022 for the purchase of building with third party. The deposit for the purchase of building was subsequently reclassified as property, plant and equipment in line with the completion of the condition precedents in relation to the said acquisition in the financial year ended 31 December 2023.

8.2 Prepayment

Included in the Group's prepayment consists of prepayment to supplier of RM375,000 (2022: RM Nil; 2021: RM Nil) for the purchases of materials and manpower costs.

9. Pledged deposits

	Note	2023 RM'000	2022 RM'000	2021 RM'000
The pledged deposits are for:				
Term loan facility	12.1	1,219	1,219	19
Bank overdraft	12.4	1,200	1,200	-
Bank guarantee for contract with customers	22.5	4,286	1,795	110
		6,705	4,214	129

10. Cash and cash equivalents

	2023 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	10,537	11,941	5,910
Deposits placed with a licensed bank	150	150	-
	10,687	12,091	5,910

11. Share capital and restructuring reserves

(a) Share capital

	Amount 2023 RM'000	Number of shares 2023 '000	Amount 2022 RM'000	Number of shares 2022 '000	Amount 2021 RM'000	Number of shares 2021 '000
Issued and fully paid shares with no par value of the Company classified as equity instruments:						
At 1 January	7,808	160,000	7,808	160,000	*	*
Effect of restructuring	-	-	-	-	4,608	144,000
New share issued for private placement	-	-	-	-	3,200	16,000
At 31 December	7,808	160,000	7,808	160,000	7,808	160,000

** Denotes RM2, consisting of 40 ordinary shares.*

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.

During the financial year ended 31 December 2021, the Company issued the following shares:

a) 143,999,960 new ordinary shares for a total consideration of RM4,607,999 for the restructuring exercise as disclosed in Note 26 to the financial statements; and

b) 16,000,000 new ordinary shares at the issue price of RM0.20 per share, amounting to RM3,200,000 by way of private placement to selected Sophisticated Investors.

11. Share capital and restructuring 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 as explained in Note 26 Restructuring exercise.

12. Loans and borrowings

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Non-current				
Secured:				
Term loans	12.1	3,437	2,875	935
Hire purchase liabilities	12.2	652	269	229
		4,089	3,144	1,164
Current				
Secured:				
Term loans	12.1	1,529	1,620	363
Hire purchase liabilities	12.2	215	258	356
Trade financing	12.3	5,666	363	-
Bank overdraft	12.4	6,222	5,674	-
		13,632	7,915	719
		17,721	11,059	1,883

12.1 Term loans

The term loans consisting of:

(a) The Term Loan I bears interest at rate of 11.70% (2022: 11.45%; 2021: 10.45%) 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 31 December 2023 is RM116,000 (2022: RM291,000; 2021: RM453,000).

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%; 2021: 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; 2021: 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 31 December 2023 is RM455,000 (2022: RM653,000; 2021: RM845,000).

(c) The Term Loan III bears interest at rate of 9.00% (2022: 9.00%; 2021: Nil) 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; 2021: RM Nil) as disclosed in Note 9;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Term Loan III as at 31 December 2023 is RM2,317,000 (2022: RM3,551,000; 2021: RM Nil).

(d) The Term Loan IV bears interest at rate of 4.50% (2022: Nil; 2021: 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; 2021: 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; 2021: RM Nil).

12. Loans and borrowings (continued)

12.2 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
31.12.2023			
Less than one year	252	37	215
Between one to five years	698	46	652
	950	83	867
31.12.2022			
Less than one year	274	16	258
Between one to five years	293	24	269
	567	40	527
31.12.2021			
Less than one year	377	21	356
Between one to five years	252	23	229
	629	44	585

The hire purchase liabilities bear interest rate at the range of 2.49% to 5.51% (2022: 2.49% to 5.70%; 2021: 2.57% to 5.70%) per annum.

12.3 Trade financing

(a) The Trade Financing I bears interest at rate of 7.95% (2022: 7.70%; 2021: 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 I as at 31 December 2023 is RM4,852,000 (2022: RM363,000; 2021: RM Nil).

(b) The Trade Financing II bears interest at rate of 7.40% (2022: Nil; 2021: 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; 2021: RM Nil).

12. Loans and borrowings (continued)

12.4 Bank overdraft

(a) The Bank Overdraft I bears interest at rate of 7.95% (2022: 7.70%; 2021: Nil) per annum on daily basis. The overdraft is secured and supported by:

- Pledged deposits of RM1,200,000 (2022: RM1,200,000; 2021: RM Nil) as disclosed in Note 9;
- Joint and several guarantees by all directors of SHESB.

The outstanding balance of Bank Overdraft I as at 31 December 2023 is RM2,959,000 (2022: RM2,981,000; 2021: RM Nil).

(b) The Bank Overdraft II bears interest at rate of 10.72% (2022: 10.47%; 2021: 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 II as at 31 December 2023 is RM400,000 (2022: RM757,000; 2021: RM Nil).

(c) The Bank Overdraft III bears interest at rate of 8.22% (2022: 7.97%; 2021: 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 III as at 31 December 2023 is RM2,424,000 (2022: RM1,936,000; 2021: RM Nil).

(d) The Bank Overdraft IV bears interest at rate of 12.00% (2022: Nil; 2021: 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; 2021: RM Nil).

13. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Assets			Liabilities			Net		
	2023 RM'000	2022 RM'000	2021 RM'000	2023 RM'000	2022 RM'000	2021 RM'000	2023 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment	-	-	-	(366)	(170)	(134)	(366)	(170)	(134)
Right-of-use assets	-	-	-	(360)	(25)	(53)	(360)	(25)	(53)
Lease liabilities	296	27	55	-	-	-	296	27	55
Tax assets/ (liabilities)	296	27	55	(726)	(195)	(187)	(430)	(168)	(132)
Set off of tax	(296)	(27)	(55)	296	27	55	-	-	-
Net tax liabilities	-	-	-	(430)	(168)	(132)	(430)	(168)	(132)

Movement in temporary differences during the financial year

	At 1.1.2021 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2021/ 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
Property, plant and equipment	(141)	7	(134)	(36)	(170)	(196)	(366)
Right-of-use assets	(47)	(6)	(53)	28	(25)	(335)	(360)
Lease liabilities	50	5	55	(28)	27	269	296
Others	(67)	67	-	-	-	-	-
Net tax liabilities	(205)	73	(132)	(36)	(168)	(262)	(430)

14. Trade and other payables

	2023 RM'000	2022 RM'000	2021 RM'000
Trade			
Trade payables	9,485	12,192	2,753
Non-trade			
Other payable	391	1,315	28
Accruals	888	386	467
	1,279	1,701	495
	10,764	13,893	3,248

15. Revenue

	2023 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers	72,537	66,326	24,845

15.1 Disaggregation of revenue from contracts with customers

	2023 RM'000	2022 RM'000	2021 RM'000
Engineering, procurement, construction and commissioning ("EPCC") services and facilities improvement/ maintenance	64,927	57,788	18,240
Installation and maintenance ("I&M") of oilfield equipment	5,782	7,310	5,235
Supply of oilfield equipment	1,828	1,228	1,370
Total revenue from contracts with customers	72,537	66,326	24,845
Timing and recognition			
Over time	70,709	65,098	23,475
Point in time	1,828	1,228	1,370
Total revenue from contracts with customers	72,537	66,326	24,845

15. Revenue (continued)

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.

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

	2023 RM'000	2022 RM'000	2021 RM'000
Interest expenses arising from:			
- Term loans	346	131	142
- Trade financing	288	67	10
- Hire purchase liabilities	36	24	26
- Bank overdraft	463	41	10
- Lease liabilities	35	12	20
- Bank guarantee	146	173	62
- Others	41	22	-
	1,355	470	270

17. Profit before tax

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Profit before tax is arriving at after charging/(crediting):				
Auditors' remuneration		115	115	75
Non-audit fees		63	-	-
Material expenses/(income)				
Finance income		(88)	(25)	(12)
Gain on disposal of property, plant and equipment		(59)	(10)	(9)
Gain on derecognition of right-of-use assets		(11)	-	(3)
Gain on remeasurement of lease liabilities		-	(6)	-
Depreciation of property, plant and equipment		707	593	541
Depreciation of right-of-use assets		82	194	187
Personnel expenses (including key management personnel)	a			
- Contributions to state plans		470	433	363
- Directors fees		313	264	172
- Wages, salaries, allowances and remuneration		5,473	4,270	3,538
Outsourced staffing expenses		12,725	9,025	3,980
Wages subsidy		-	-	(109)
Net foreign exchange loss		27	71	17
Listing expenses		754	-	990
Bad debts written off		-	69	-
Expenses arising from leases				
Expenses relating to short-term leases	b	2,239	937	2,107

17. Profit before tax (continued)

Note a

Included in personnel expenses of the Group are the following:

	2023 RM'000	2022 RM'000	2021 RM'000
Key management personnel			
Directors of the Company			
Fees	313	264	172
Remuneration	783	680	479
Other employee benefits	17	45	65
	1,113	989	716
Other officers including Directors of the subsidiaries			
Remuneration	159	149	148
	1,272	1,138	864

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

	2023 RM'000	2022 RM'000	2021 RM'000
Current tax expense			
Current year	2,911	2,297	1,101
(Over)/Under provision in prior year	(49)	51	36
	2,862	2,348	1,137
Deferred tax expense			
Origination of temporary differences	168	46	51
Under/(Over) provision in prior year	94	(10)	(124)
	262	36	(73)
	3,124	2,384	1,064

18. Tax expense (continued)

Reconciliation of tax expense

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Profit before tax		10,344	8,195	3,144
Income tax calculated using Malaysian statutory tax rate of 24%		2,483	1,967	755
Effect of preferential tax rate of 17%	18.1	-	-	(42)
Non-deductible expenses		596	376	439
(Over)/Under provision in prior year				
- current tax		(49)	51	36
- deferred tax		94	(10)	(124)
		3,124	2,384	1,064

18.1 A company with paid-up capital of below RM2.5 million at the beginning of the basis period for a year of assessment is subject to corporate tax at 17% on chargeable income up to RM600,000 and 24% on the remaining chargeable income.

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:

	2023 RM'000	2022 RM'000	2021 RM'000
Profit for the year attributable to owners of the Group	7,220	5,811	2,080
Weighted average numbers of ordinary shares at period end (basic) (including invested equity) ('000)	160,000	160,000	84,283
Basic earnings per ordinary share (sen)	4.51	3.63	2.47

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	880	6 March 2023
2022			
First and final single tier dividend for 31 December 2021	0.39	624	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:

● 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.
● 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.
● 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)

Segment information (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.

	EPCC services and facilities improvement/ maintenance RM'000	I&M of oilfield equipment RM'000	Supply of oilfield equipment RM'000	Total RM'000
2023				
Included in the measure of segment profit are:				
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				
Included in the measure of segment profit are:				
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
2021				
Included in the measure of segment profit are:				
Revenue from external customers	18,240	5,235	1,370	24,845
Cost of sales	(11,580)	(1,856)	(593)	(14,029)
Gross profit	6,660	3,379	777	10,816

21. Operating segments (continued)

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 Audited % of contribution	2022 Audited % of contribution	2021 Audited % of contribution	
Customer A	45	54	86	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"):

	Carrying amount RM'000	AC RM'000
2023		
Financial assets		
Trade and other receivables	3,775	3,775
Pledged deposits	6,705	6,705
Cash and cash equivalents	10,687	10,687
	21,167	21,167
Financial liabilities		
Trade and other payables	10,764	10,764
Loans and borrowings	17,721	17,721
	28,485	28,485
2022		
Financial assets		
Trade and other receivables	10,591	10,591
Pledged deposits	4,214	4,214
Cash and cash equivalents	12,091	12,091
	26,896	26,896
Financial liabilities		
Trade and other payables	13,893	13,893
Loans and borrowings	11,059	11,059
	24,952	24,952

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000
2021		
Financial assets		
Trade and other receivables	474	474
Pledged deposits	129	129
Cash and cash equivalents	5,910	5,910
	6,513	6,513
Financial liabilities		
Trade and other payables	3,248	3,248
Loans and borrowings	1,883	1,883
	5,131	5,131

22.2 Net gains/(losses) arising from financial instruments

	2023 RM'000	2022 RM'000	2021 RM'000
Financial assets at amortised cost	61	(115)	12
Financial liabilities at amortised cost	(1,320)	(458)	(267)
Net losses	(1,259)	(573)	(255)

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.

22. Financial instruments (continued)

22.4 Credit risk (continued)

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%; 2021: 95%) of the Group’s contract assets and trade receivables. All contract assets and trade receivables are within Malaysia.

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.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

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.

	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
	25,027	-	25,027
Trade receivables	3,488	-	3,488
Contract assets	21,539	-	21,539
	25,027	-	25,027
2022			
Not past due	21,268	-	21,268
Past due 1 - 90 days	534	-	534
Past due more than 90 days	12	-	12
	21,814	-	21,814
Trade receivables	10,404	-	10,404
Contract assets	11,410	-	11,410
	21,814	-	21,814
2021			
Not past due	5,360	-	5,360
Past due 1 - 90 days	601	-	601
Past due more than 90 days	11	-	11
	5,972	-	5,972
Trade receivables	283	-	283
Contract assets	5,689	-	5,689
	5,972	-	5,972

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 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.

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:

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
2023						
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	-
	29,720		35,329	29,783	3,985	1,561

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
2022					
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
	25,063		27,795	23,879	3,916
2021					
Financial liabilities					
Trade and other payables	3,248	-	3,248	3,248	-
Term loans	1,298	3.50 - 10.45	1,439	431	1,008
Hire purchase liabilities	585	2.57 - 5.70	629	377	252
Lease liabilities	229	6.72 - 6.84	243	196	47
Financial guarantees	-	-	110	110	-
	5,360		5,669	4,362	1,307

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 is not significantly exposed to any foreign currency risks.

22. Financial instruments (continued)

22.6 Market risk (continued)

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.

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:

	2023 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments			
Financial asset			
Deposits with licensed banks	6,855	4,021	129
Financial liabilities			
Term loans	(2,772)	(4,204)	(845)
Hire purchase liabilities	(867)	(527)	(585)
Lease liabilities	(1,235)	(111)	(229)
	(4,874)	(4,842)	(1,659)
	1,981	(821)	(1,530)

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.2 Interest rate risk (continued)

Exposure to interest rate risk (continued)

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:

	2023 RM'000	2022 RM'000	2021 RM'000
Floating rate instruments			
Financial liabilities			
Term loans	(2,194)	(291)	(453)
Trade financing	(5,666)	(363)	-
Bank overdraft	(6,222)	(5,674)	-
	(14,082)	(6,328)	(453)

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
2023		
Floating rate instruments	(107)	107
2022		
Floating rate instruments	(48)	48
2021		
Floating rate instruments	(3)	3

22. Financial instruments (continued)

22.7 Fair value information

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

The tables below analyses other financial instruments at fair value:

	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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)

The tables below analyses other financial instruments at fair value (continued):

	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
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	(1,361)	(1,361)	(1,361)	(1,298)
Lease liabilities	-	-	-	-	-	-	(225)	(225)	(225)	(229)
Hire purchase liabilities	-	-	-	-	-	-	(596)	(596)	(596)	(585)
	-	-	-	-	-	-	(2,182)	(2,182)	(2,182)	(2,112)

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 and 2021: 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.

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 financial years ended 31 December 2023, 31 December 2022 and 31 December 2021.

24. Capital and other commitments

	Note	2023 RM'000	2022 RM'000	2021 RM'000
Capital expenditure commitments				
Property, plant and equipment				
Authorised and contracted for	24.1	-	2,400	-

24.1 Included within the capital expenditure commitments authorised and contracted for were deposits paid amounting to RM240,000 in 31 December 2022 as disclosed in Note 8.1.

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 a company in which a Director has financial interest.

Significant related party transactions

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

	2023 RM'000	2022 RM'000	2021 RM'000
Transactions			
A. Company in which a Director has financial interest			
Payment in relation to acquisition of a building	-	-	700

26. Restructuring exercise

In conjunction with the listing of the Company's shares on the LEAP Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following restructuring exercise:

Acquisition of shares in respect of Steel Hawk Engineering Sdn. Bhd. ("SHESB")

On 12 April 2021, the Company entered into a conditional share sale agreement ("SSA") to acquire issued share capital of SHESB of RM1,500,000 comprising 1,500,000 ordinary shares from the shareholders of SHESB for the purchase consideration of RM4,607,999. The said purchase consideration was fully satisfied by the issuance of 143,999,960 new ordinary shares at an issue price of RM0.032 per share to the shareholders of SHESB, namely Dato' Sharman Kristy A/L Michael, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin.

The SSA was completed on 9 June 2021.

For the purpose of accounting for the restructuring exercise, the Group has applied book value accounting on the basis that the restructuring exercise does not constitute a business combination to which acquisition accounting can be applied. Under book value accounting, the difference between cost of investment recorded by the Company and the share capital of SHESB is accounted for as restructuring reserve as follows:

	RM'000
New shares issued by the Company as consideration for the acquisition of SHESB	4,608
Issued and paid-up capital of SHESB	(1,500)
Restructuring reserve	3,108

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	2021 RM’000
Profit for the year attributable to owners of the Group	7,220	5,811	2,080
Weighted average numbers of ordinary shares at period end (basic) (including invested equity) (’000)	400,000	400,000	210,708
Basic earnings per ordinary share (sen)	0.02	0.01	0.01

27.3 Proposed adoption

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

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The Board of Directors
Steel Hawk Berhad
No. 23-2, Block H, Dataran Prima,
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Selangor Darul Ehsan.

Date: 5 March 2024

Dear Sirs,

Reporting Accountants' opinion on the consolidated financial statements contained in the Accountants' Report of Steel Hawk Berhad

Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of Steel Hawk Berhad (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 1 to 59. The consolidated financial statements have been prepared for inclusion in the Company's draft prospectus in connection with the proposed initial public offering of 134,700,000 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed transfer of listing of Steel Hawk from the LEAP Market of Bursa Malaysia Securities Berhad ("Bursa Securities") to the ACE Market of Bursa Securities ("Proposed Transfer") and for no other purposes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2023, 31 December 2022 and 31 December 2021, and of its consolidated financial performance and consolidated cash flows for the years then ended in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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 *Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group 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.

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements of the Company, the Directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant'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 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the financial statements of the Group 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 reporting accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Company, including the disclosures, and whether the consolidated financial statements 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 consolidated financial statements of the Company. 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 the internal controls 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.

Restriction on Distribution and Use

This report has been prepared in connection with the Proposed Transfer and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

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

Petaling Jaya, Selangor

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