

Company No. 34608-K

NOVA PHARMA SOLUTIONS BERHAD
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia)

Reports and Financial Statements
31 December 2017

NOVA PHARMA SOLUTIONS BERHAD
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia)

**Reports and Financial Statements
31 December 2017**

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NOVA PHARMA SOLUTIONS BERHAD

(Formerly known as Nova Pharma Solutions Sdn. Bhd.)

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the company are to engage in the business of provision of technical documentation, validation and project execution in the pharmaceutical and biotechnology industries. There were no significant changes in the nature of these activities during the financial year.

CHANGE OF COMPANY NAME

On 22 January 2018, the company was converted to a public limited company. Accordingly its name changed from *Nova Pharma Solutions Sdn. Bhd.* to *Nova Pharma Solutions Berhad.*

FINANCIAL RESULTS

RM

Profit attributable to:

Owners of the company

2,649,056

In the opinion of the directors, the results of the operations of the company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends paid by the company since the end of the previous financial year were as follows:

RM

Single-tier interim dividend of RM0.60 on 1,000,000 ordinary shares
paid on 9 January 2017

600,000

Single-tier interim dividend of RM0.25 on 1,000,000 ordinary shares,
paid on 18 May 2017

250,000

Single-tier interim dividend of RM1.55 on 1,000,000 ordinary shares,
paid on 12 October 2017

1,550,000

2,400,000

The directors do not recommend the payment of any final dividend in respect of the current financial year.

MOVEMENTS ON RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the company issued:

- (a) 2,000,000 new ordinary shares by way of bonus issue at an issue price of RM1 each;
- (b) 120,000,000 new ordinary shares by way of subdivision of every ordinary share after the bonus issue into 40 subdivided ordinary shares (hereinafter known as “Share Split”); and
- (c) 14,084,507 new ordinary shares at an issue price of RM0.142 each.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the company.

There was no issue of debentures by the company during the financial year.

OPTIONS

No option has been granted during the financial year to take up the unissued shares of the company.

DIRECTORS

The directors in office since the date of the last report are:

Khoo Boo Wie
Tan Hong Eng
Ter Leong Tah

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares in the company during the financial year are as follows:

	<i>No. of Ordinary Shares</i>				
	<i>Balance</i>		<i>Bonus</i>	<i>Balance</i>	<i>Balance</i>
	<i>01.01.2017</i>	<i>Sold</i>	<i>Issue</i>	<i>31.12.2017</i>	<i>31.12.2017</i>
				<i>Before Share Split</i>	<i>After Share Split</i>
Khoo Boo Wie	950,000	(88,000)	1,724,000	2,586,000	103,440,000
Ter Leong Tah	50,000	-	100,000	150,000	6,000,000

The other director in office at the end of the financial year had no interest in shares in the company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (*other than benefits included in the aggregate amount of remuneration received or due and receivable by the directors as shown in the Directors' Remuneration section below and Note 18 to the financial statements or a fixed salary of a full time employee of the company*) by reason of a contract made by the company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the company or any other body corporate.

DIRECTORS' REMUNERATION

	2017 RM	2016 RM
Executive Directors' remuneration		
- Salaries and other emoluments	669,576	646,128
- Defined contribution plan	<u>78,947</u>	<u>76,121</u>
Total directors' remuneration	<u><u>748,523</u></u>	<u><u>722,249</u></u>

Included in the analysis above is remuneration for the directors of the company in accordance with the requirements of the Companies Act 2016.

OTHER STATUTORY INFORMATION

Before the financial statements of the company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts was necessary; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the company necessary to write off any bad debts or to make any allowance for doubtful debts or the values attributed to current assets misleading; and
- (b) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the company for the current financial year; and
- (b) no charge has arisen on the assets of the company which secures the liabilities of any other person nor has any contingent liability arisen in the company.

No contingent or other liability of the company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the company to meet its obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

The significant events after the financial year are disclosed in *Note 23* to the financial statements.

AUDITORS

The details of the auditors' remuneration for the financial year are disclosed in *Note 15* to the financial statements.

The auditors, Messrs Siew Boon Yeong & Associates, Chartered Accountants, have expressed their willingness to continue in office.

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

KHOO BOO WIE
Director

TAN HONG ENG
Director

Kuala Lumpur,
Date: 19 April 2018

NOVA PHARMA SOLUTIONS BERHAD

(Formerly known as Nova Pharma Solutions Sdn. Bhd.)

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the directors, the financial statements set out on pages 13 to 46 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to exhibit a true and fair view of the financial position of the company as at 31 December 2017 and of the financial performance and cash flows of the company for the year ended on that date.

Signed in Kuala Lumpur on 19 April 2018

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

KHOO BOO WIE

TAN HONG ENG

NOVA PHARMA SOLUTIONS BERHAD

(Formerly known as Nova Pharma Solutions Sdn. Bhd.)

(Incorporated in Malaysia)

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Khoo Boo Wie, being the director primarily responsible for the financial management of Nova Pharma Solutions Berhad (*formerly known as Nova Pharma Solutions Sdn Bhd*), do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 13 to 46 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared in Kuala Lumpur on 19 April 2018

KHOO BOO WIE

Before me:

KAPT. (B) JASNI BIN YUSOF
W465
Commissioner for Oaths



SIEW BOON YEONG & ASSOCIATES

Chartered Accountants [AF: 0660]

9-C, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Malaysia.

Tel: 03-2693 8837 Fax: 03-2693 8836 Website: www.sby.com.my E-mail: audit@sby.com.my



Member Firm Of
Malaysian Institute Of Accountants
Institit Akuntan Malaysia
Incorporated in Malaysia (1957)

Company No. 34608-K

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVA PHARMA SOLUTIONS BERHAD

(Formerly known as Nova Pharma Solutions Sdn. Bhd.)

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nova Pharma Solutions Berhad (*formerly known as Nova Pharma Solutions Sdn. Bhd.*), which comprise the statement of financial position as at 31 December 2017, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 46.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Company No. 34608-K

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the company. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Risk area and rationale	Our response
Revenue from Contract Works (Note 14 to the financial statements)	
<p>The company recognised revenue for contract works based on the stage of completion. The stage of completion of the contract works is determined by the proportion that the actual contract costs incurred for work performed to-date to the estimated total contract costs, which includes estimates and judgements by the directors on costs to be incurred on the contracts.</p> <p>There is a risk that the actual contract costs are different to those estimated resulting in material variance in the amount of profit or loss recognised to date and in the current financial year.</p>	<p>Our audit procedures included, amongst others:-</p> <ul style="list-style-type: none">- tested the company's controls by checking for evidence of reviews and approvals over contract cost, setting budgets and authorising and recording of actual costs incurred;- examined contract documentations and discussed the status of the contracts with management and compared the progress claims against the stage of completion of the contracts to ascertain the reasonableness of the percentage of completion recognised in the profit or loss; and- agreed a sample of costs incurred to-date to invoices and/or progress claims.

Company No. 34608-K

Information Other Than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the 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 the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the company, including the disclosures, and whether the financial statements of the company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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Other Matters

1. As stated in *Note 2* to the financial statements, the company adopted Malaysian Financial Reporting Standard on 1 January 2017 with a transition date of 1 January 2016. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position of the company as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the company for the year ended 31 December 2016 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the company for the year ended 31 December 2017, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2016 do not contain misstatements that materially affect the financial position as at 31 December 2016 and the financial performance and cash flows for the year then ended.
2. This report is made solely to the members of the company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content for this report.

SIEW BOON YEONG & ASSOCIATES

AF: 0660
Chartered Accountants

DATO' SIEW BOON YEONG

01321/07/2018 J
Chartered Accountant

Kuala Lumpur,
Date: 19 April 2018

NOVA PHARMA SOLUTIONS BERHAD*(Formerly known as Nova Pharma Solutions Sdn. Bhd.)*

(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
as at 31 December 2017**

	Note	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	133,993	223,038	447,553
CURRENT ASSETS				
Trade receivables	6	1,117,837	1,459,031	680,926
Other receivables, deposits and prepayments	7	527,618	20,415	104,703
Amount owing by contract customers	8	1,656,628	1,494,408	435,388
Current tax assets		52,916	219,574	163,047
Fixed deposits with a licensed bank	9	1,059,729	1,025,549	505,706
Cash and bank balances	10	4,040,339	2,657,138	664,825
		8,455,067	6,876,115	2,554,595
TOTAL ASSETS		8,589,060	7,099,153	3,002,148
EQUITY AND LIABILITIES				
EQUITY				
Share capital	11	5,000,000	1,000,000	1,000,000
Retained earnings		1,320,246	2,471,190	752,306
TOTAL EQUITY		6,320,246	3,471,190	1,752,306

NOVA PHARMA SOLUTIONS BERHAD

(Formerly known as Nova Pharma Solutions Sdn. Bhd.)

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

		31.12.2017	31.12.2016	1.1.2016
	<i>Note</i>	RM	RM	RM
CURRENT LIABILITIES				
Trade payables	12	130,930	1,500	21,292
Other payables and accruals	13	1,926,432	2,173,716	689,394
Amount owing to contract customers	8	211,452	1,452,747	539,156
		<u>2,268,814</u>	<u>3,627,963</u>	<u>1,249,842</u>
TOTAL LIABILITIES				
TOTAL LIABILITIES AND EQUITY		<u>8,589,060</u>	<u>7,099,153</u>	<u>3,002,148</u>

The accompanying notes form an integral part of the financial statements.

NOVA PHARMA SOLUTIONS BERHAD

(Formerly known as Nova Pharma Solutions Sdm. Bhd.)

(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017**

	<i>Note</i>	2017 RM	2016 RM
REVENUE	<i>14</i>	7,133,106	7,371,802
COST OF SALES		<u>(2,676,199)</u>	<u>(3,467,208)</u>
GROSS PROFIT		4,456,907	3,904,594
OTHER OPERATING INCOME		45,143	206,698
DISTRIBUTION COSTS		(34,148)	(133,532)
ADMINISTRATIVE EXPENSES		(1,555,463)	(1,092,486)
OTHER OPERATING EXPENSES		<u>(253,876)</u>	<u>(59,167)</u>
PROFIT BEFORE TAXATION	<i>15</i>	2,658,563	2,826,107
INCOME TAX EXPENSE	<i>16</i>	<u>(9,507)</u>	<u>(7,223)</u>
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,649,056</u>	<u>2,818,884</u>
EARNINGS PER SHARE (Sen)			
- Basic	<i>17</i>	<u>2.21</u>	<u>2.35</u>
- Diluted	<i>17</i>	<u>2.21</u>	<u>2.35</u>

The accompanying notes form an integral part of the financial statements.

NOVA PHARMA SOLUTIONS BERHAD

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STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	<i>Note</i>	<i>Non-distributable</i> <u>Share Capital</u>	<i>Distributable</i> <u>Retained Earnings</u>	<u>Total</u>
		RM	RM	RM
Balance at 1 January 2016		1,000,000	752,306	1,752,306
Transactions with owners:				
Dividends declared	<i>19</i>	-	(1,100,000)	(1,100,000)
Profit after taxation/Total comprehensive income for the year		-	2,818,884	2,818,884
Balance at 31 December 2016/ 1 January 2017		1,000,000	2,471,190	3,471,190
Transactions with owners:				
Dividends declared	<i>19</i>	-	(1,800,000)	(1,800,000)
Issuance of shares pursuant to bonus issue	<i>11</i>	2,000,000	(2,000,000)	-
Issuance of shares	<i>11</i>	2,000,000	-	2,000,000
Total transactions with owners		4,000,000	(3,800,000)	200,000
Profit after taxation/Total comprehensive income for the year		-	2,649,056	2,649,056
Balance at 31 December 2017		5,000,000	1,320,246	6,320,246

The accompanying notes form an integral part of the financial statements.

NOVA PHARMA SOLUTIONS BERHAD*(Formerly known as Nova Pharma Solutions Sdn. Bhd.)*

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	2017	2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,658,563	2,826,107
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	112,302	316,792
Interest income	(45,143)	(26,546)
Unrealised loss/(gain) on foreign exchange	198,614	(180,152)
<i>Operating profit before working capital changes</i>	<u>2,924,336</u>	<u>2,936,201</u>
Increase in receivables	(374,301)	(1,719,441)
(Decrease)/increase in payables	(759,149)	1,778,121
<i>Cash generated from operations</i>	1,790,886	2,994,881
Interest received	45,143	26,546
Tax refunded	220,901	-
Tax paid	(63,750)	(63,750)
<i>Net cash generated from operating activities</i>	<u>1,993,180</u>	<u>2,957,677</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(23,257)</u>	<u>(92,277)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(2,400,000)	(500,000)
Proceeds from issuance of shares	2,000,000	-
<i>Net cash used in financing activities</i>	<u>(400,000)</u>	<u>(500,000)</u>
<i>Net increase in cash and cash equivalents</i>	1,569,923	2,365,400
<i>Effect of foreign exchange rate changes</i>	(152,542)	146,756
<i>Cash and cash equivalents at beginning of year</i>	<u>3,682,687</u>	<u>1,170,531</u>
<i>Cash and cash equivalents at end of year</i>	<u><u>5,100,068</u></u>	<u><u>3,682,687</u></u>
Cash and cash equivalents comprise:		
Fixed deposits with a licensed bank	1,059,729	1,025,549
Cash and bank balances	<u>4,040,339</u>	<u>2,657,138</u>
	<u><u>5,100,068</u></u>	<u><u>3,682,687</u></u>

NOVA PHARMA SOLUTIONS BERHAD

(Formerly known as Nova Pharma Solutions Sdn. Bhd.)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the company are to engage in the business of provision of technical documentation, validation and project execution in the pharmaceutical and biotechnology industries. There were no significant changes in the natures of these activities during the financial year.

The company is incorporated and domiciled in Malaysia. On 22 January 2018, the company was converted to a public limited company. Accordingly its name changed from *Nova Pharma Solutions Sdn. Bhd.* to *Nova Pharma Solutions Berhad*. On 9 March 2018, the company was admitted to the LEAP Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The address of the registered office of the company is No. 9A, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur.

The address of the principal place of business of the company is Suite C-5-1 & 2, Level 5, Block C, Sky Park, One City, Jalan USJ 25/1, 47650 Subang Jaya, Selangor Darul Ehsan.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

In the previous financial years, the financial statements of the company were prepared in accordance with Private Entity Reporting Standards. The transition from the previous financial reporting framework to MFRS does not affect the company reported financial position, financial performance and cash flows.

The company has adopted all the relevant MFRSs effective since annual periods beginning on or after 1 January 2012.

On 1 January 2017, the company has adopted the following MFRS and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, effective for the annual periods beginning on or after 1 January 2017:

Amendments to MFRS 107 Statement of Cash Flows- Disclosure Initiative

Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above MFRSs and Amendments to MFRSs did not have any material impacts to the financial statements of the company.

MFRSs, Amendments to MFRSs and Issue Committees (“IC”) Interpretations that have been issued but are not yet effective

The company has not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations that have been issued but not yet effective:

MFRSs/Amendments to MFRSs/IC Interpretations	Effective for annual periods beginning on or after
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 - Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 – Leases	1 January 2019
Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS standards 2015 - 2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of these standards and amendments that have been issued but not yet effective are not expected to have a material impact to the financial statements of the company except as discussed below:

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on expected credit loss model and replace the MFRS 139 Financial Instruments: Recognition and Measurement incurred loss model.

MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The company does not expect a significant change to the measurement basis arising from the adoption of the new classification and measurement model under MFRS 9. Loans and receivables that are currently accounted for using amortised cost will continue to be accounted for using amortised cost model under MFRS 9.

MFRS 9 requires the company to record expected credit losses on loans and receivables, either on 12-months or lifetime basis. The company expects to apply the simplified approach and record lifetime expected losses on trade receivables. Upon application of the expected credit losses loss model, the company expects a significant impact on to equity due to unsecured nature of the loans and receivables, but the company will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The company plans to adopt the new standard on the required effective date without restating comparative information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The company expects the following impact upon adoption of MFRS 15:

Variable consideration

Some contracts with customers provide a right to return, trade discounts or volume rebates. Currently, the company recognises revenue from sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the company defers revenue recognition until uncertainty resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception. MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The company continues to assess individual contract to determine the estimated variable consideration and related constraint.

The company expects that application of the constraint may result in more revenue being deferred than is under the current MFRS.

Right of return

The company currently recognises provision for the net margin arising from expected returns. Under MFRS 15, an entity estimates the transaction price and recognises revenue based on the amounts to which the entity expects to be entitled through the end of the return period, and recognises such amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. The company expects to recognise a liability for the refund obligation and an asset for the right to recover the returned goods under MFRS 15.

The company plans to adopt the new standard on the required effective date using the full retrospective approach. The company is currently performing a detailed analysis under MFRS 15 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

MFRS 16 Leases

MFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The new standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if MFRS 16 also applied.

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial years unless otherwise stated.

(a) Functional And Foreign Currency

Functional currency

Items included in the financial statements are measured using the currency best reflects the economic substance of the underlying events and circumstances relevant to the company (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the company.

Foreign currency

Transactions in foreign currencies are measured in the functional currency of the company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within other income.

All exchange differences are taken to profit or loss.

(b) Property, Plant And Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

Property, plant and equipment are depreciated based on a straight line basis to write off the cost of each asset to their residual values over their estimated useful at the following annual rates:

	%
Computer equipment	25 - 33
Furniture and fittings	10
Motor vehicles	20
Renovation	33
Office equipment	20

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to profit or loss in determining profit from operations.

(c) Financial Instruments

Financial instruments are recognised in the statement of financial position when the company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the company has a legally enforceable right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(i) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the company's rights to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current or non-current based on management's strategic intent.

- *Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables*

Financial assets that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's rights to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) *Financial Liabilities*

Financial liabilities are recognised in the statement of financial position when, and only when the company has become a party to the contractual provision of the financial instrument.

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

- *Financial Liabilities at Fair Value Through Profit or Loss*

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges or a derivative that is a financial guarantee contract.

- *Other Financial Liabilities*

Other financial liabilities are non-derivatives financial liabilities. Other liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) *Equity Instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

All transactions with the owners of the company are recorded separately within equity

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. 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.

(d) Impairment

(i) *Impairment Of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss) are assessed at the end of the reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

(ii) *Impairment Of Non-financial Assets*

The carrying amounts of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of the reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount.

A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

(e) Provisions For Liabilities

Provisions for liabilities are recognised when the company has a present legal or constructive obligation as a result of past events; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Any reimbursement that the company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

(f) Related Parties

A party is related to an entity if:-

- i. directly, or indirectly through one or more intermediaries, the party:-
 - a. controls, is controlled by, or is under common control with, the entity (this includes holding company, subsidiary companies and fellow subsidiary companies);
 - b. has an interest in the entity that gives it significant influence over the entity; or
 - c. has joint control over the entity;

- ii. the party is an associate of the entity;
- iii. the party is a joint venture in which the entity is a venture;
- iv. the party is a member of the key management personnel of the entity or its holding company;
- v. the party is a close member of the family of any individual referred to in (i) or (iv);
- vi. the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- vii. the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company either directly or indirectly.

(g) Revenue Recognition

- (i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the company's activities. Revenue from sale of goods and services is recognised when significant risk and rewards have been transferred to the customer, if any, or upon performance of services, net of returns and trade discounts.
- (ii) Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable.

(h) Interest income

Interest income is recognised on an accrual basis using the effective interest rate.

(i) Income Tax Expense

Income taxes for the period comprise current and deferred taxes.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(j) Employee Benefits

(i) *Short Term Employee Benefits*

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Past-service costs are recognised immediately in profit or loss.

(ii) *Defined Contribution Plan*

The company's contributions to defined contribution plans regulated and managed by the government, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the company has no further financial obligations.

(k) Cash And Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts which are repayable on demand and which form an integral part of the company's cash management. Restricted deposits are excluded from cash and cash equivalents.

(l) Earnings Per Ordinary Share

The company presents basic and diluted earnings per share (“EPS”) data for its ordinary shares.

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

Diluted EPS is determined by adjusting the profit and loss attributable to owners and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(m) Operating Segments

An operating segment is a component of the company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the company’s other components. An operating segment’s operating results are reviewed regularly by the chief operating decision makers to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. An operating segment may engage in business activities for which it has yet to earn revenue.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the company’s accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(a) Depreciation of Property, Plant and Equipment

The estimates for residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors’ action in response to the market conditions.

The company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment Loss on Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(c) Construction Contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) *Contract Revenue*

Construction contracts accounting requires variation claims only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some times, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the probability of the contract on an individual basis at any particular time.

(d) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

	Computer equipment	Furniture and fittings	Motor vehicles	Renovation	Office equipment	Total
	RM	RM	RM	RM	RM	RM
<i>Cost</i>						
At 1 January 2016	361,046	25,815	280,769	116,682	-	784,312
Additions	23,854	-	65,983	-	2,440	92,277
At 31 December 2016/1 January 2017	384,900	25,815	346,752	116,682	2,440	876,589
Additions	13,248	1,741	-	-	8,268	23,257
At 31 December 2017	398,148	27,556	346,752	116,682	10,708	899,846
<i>Accumulated depreciation</i>						
At 1 January 2016	112,727	5,324	137,686	81,022	-	336,759
Charge for the year	220,932	2,582	57,254	35,658	366	316,792
At 31 December 2016/1 January 2017	333,659	7,906	194,940	116,680	366	653,551
Charge for the year	38,666	2,727	69,350	-	1,559	112,302
At 31 December 2017	372,325	10,633	264,290	116,680	1,925	765,853
<i>Net carrying amount</i>						
At 1 January 2016	248,319	20,491	143,083	35,660	-	447,553
At 31 December 2016	51,241	17,909	151,812	2	2,074	223,038
At 31 December 2017	25,823	16,923	82,462	2	8,783	133,993

6. TRADE RECEIVABLES

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Trade receivables	1,194,128	1,535,322	757,217
Less: Accumulated impairment losses	<u>(76,291)</u>	<u>(76,291)</u>	<u>(76,291)</u>
	<u>1,117,837</u>	<u>1,459,031</u>	<u>680,926</u>

The normal trade credit term granted by the company ranged from 14 days to 60 days (31.12.2016: 14 days to 60 days; 1.1.2016: 14 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

The currency exposure profile of receivables is as follows:

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
United States Dollar	<u>381,512</u>	<u>874,719</u>	<u>184,222</u>

Movements of the accumulated impairment losses (individually impaired) are as follows:

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
At 1 January/31 December	<u>76,291</u>	<u>76,291</u>	<u>76,291</u>

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Other receivables	10,400	2,880	-
Deposits	14,086	1,366	27,882
Prepayments	<u>503,132</u>	<u>16,169</u>	<u>76,821</u>
	<u>527,618</u>	<u>20,415</u>	<u>104,703</u>

8. AMOUNT OWING FROM /(TO) CONTRACT CUSTOMERS

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Contract costs incurred to date	4,705,589	5,440,550	3,304,963
<i>Add:</i> Attributable profits	<u>3,407,497</u>	<u>3,939,709</u>	<u>2,410,000</u>
	8,113,086	9,380,259	5,714,963
<i>Less:</i> Progress billings	<u>(6,667,910)</u>	<u>(9,338,598)</u>	<u>(5,818,731)</u>
	<u>1,445,176</u>	<u>41,661</u>	<u>(103,768)</u>
Represented by:			
Amount owing by contract customers	<u>1,656,628</u>	<u>1,494,408</u>	<u>435,388</u>
Amount owing to contract customers	<u>(211,452)</u>	<u>(1,452,747)</u>	<u>(539,156)</u>

9. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank earn effective interest rate of 3.30% (31.12.2016: 3.20%; 1.1.2016: 3.40%) per annum.

10. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances is as follows:

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Euro	5,815	5,776	5,984
USD	<u>1,527,891</u>	<u>723,182</u>	<u>389,608</u>

11. SHARE CAPITAL

	31.12.2017	31.12.2016	1.1.2016	31.12.2017	31.12.2016	1.1.2016
	Number of ordinary shares			RM	RM	RM
Issued share capital						
At 1 January	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Issuance of shares pursuant to bonus issue	2,000,000	-	-	2,000,000	-	-
Sub-division of shares	120,000,000	-	-	3,000,000	-	-
Effect on sub-division of shares	(3,000,000)	-	-	(3,000,000)	-	-
Issuance of shares	14,084,507	-	-	2,000,000	-	-
At 31 December	<u>134,084,507</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>5,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

The holders of the ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the company's residual assets.

Effective from 31 January 2017, the ordinary shares have no par value.

During the financial year, the company issued:

- 2,000,000 new ordinary shares by way of bonus issue at an issue price of RM1 each;
- 120,000,000 new ordinary shares by way of subdivision of every ordinary share after the bonus issue into 40 subdivided ordinary shares; and
- 14,084,507 new ordinary shares at an issue price of RM0.142 each.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the company.

12. TRADE PAYABLES

The normal trade credit term granted to the company is 30 days (31.12.2016: 30 days; 1.1.2016: 30 days).

13. OTHER PAYABLES AND ACCRUALS

	31.12.2017 RM	31.12.2016 RM	1.1.2016 RM
Other payables	-	611,331	19,774
Accruals	1,926,432	1,562,385	669,620
	<u>1,926,432</u>	<u>2,173,716</u>	<u>689,394</u>

14. REVENUE

	2017 RM	2016 RM
Contract revenue	6,938,200	7,046,930
Service revenue	194,906	324,872
	<u>7,133,106</u>	<u>7,371,802</u>

15. PROFIT BEFORE TAXATION

	2017 RM	2016 RM
Profit before taxation is stated <i>after charging</i> :		
Auditors' remuneration		
- current year's provision	18,080	17,920
- over provision in respect of prior year	-	(2,000)
Depreciation	112,302	316,792
Loss on foreign exchange - realised	55,262	59,167
Loss on foreign exchange - unrealised	198,614	-
Rental of equipment	-	700
Rental of premises	73,181	70,419
Employee benefits expense (Note 18)	1,931,957	1,694,325
	<u>1,931,957</u>	<u>1,694,325</u>
<i>and crediting</i> :		
Gain on foreign exchange - unrealised	-	180,152
Interest income	45,143	26,546
	<u>45,143</u>	<u>26,546</u>

16. INCOME TAX EXPENSE

	2017 RM	2016 RM
Malaysian income tax:		
- current year's provision	10,834	6,371
- (over)/under provision in respect of prior year	<u>(1,327)</u>	<u>852</u>
	<u>9,507</u>	<u>7,223</u>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	2017 RM	2016 RM
Profit before taxation	<u>2,658,563</u>	<u>2,826,107</u>
Income tax expense at Malaysian statutory tax rate of 24% (2016: 24%)	638,055	678,266
• Adjustments for the following tax effects:		
- expenses not deductible for tax purposes	74,620	56,641
- income not subject to tax	-	(43,236)
- pioneer status income exemption	(701,841)	(685,300)
	(627,221)	(671,895)
• (Over)/under provision of taxation in respect of prior year	<u>(1,327)</u>	<u>852</u>
	<u>9,507</u>	<u>7,223</u>

The company has been granted MSC Status on 10 November 2014 under the Promotion of Investment (Amendment) Act, 1986 with a tax exemption equivalent to 100% of statutory income for providing of engineering and process design services and consultancy. The tax exemption of five years has been fixed to begin on 10 November 2014 and expiring on 9 November 2019.

There is no provision for taxation made for the current year as the company is a MSC Status Company.

The cumulative pioneer profits as at 31 December 2017 is approximately RM8,597,840 (2016: RM5,673,504) subject to confirmation by the Inland Revenue Board.

17. EARNINGS PER SHARE

Basic Earnings Per Share

The basic earnings per ordinary share as at 31 December 2017 is arrived at by dividing the company's profit attributable to owners of the company by the weighted average number of ordinary shares issued and calculated as follows:

	2017	2016
Profit attributable to owners of the company (RM)	<u>2,649,056</u>	<u>2,818,884</u>
Weighted average ordinary shares issued as at 31 December	<u>120,115,763</u>	<u>120,000,000</u>
Basic earnings per share (Sen)	<u>2.21</u>	<u>2.35</u>
	2017	2016
	RM	RM
<u>Weighted average number of ordinary shares</u>		
Issued ordinary shares as at 1 January	120,000,000	120,000,000
Effect of ordinary shares issued during the financial year	<u>115,763</u>	<u>-</u>
Weighted average number of ordinary shares as at 31 December	<u>120,115,763</u>	<u>120,000,000</u>

Diluted Earnings Per Share

There is no dilution in the earnings per share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the previous financial year.

18. EMPLOYEE BENEFITS EXPENSE

The employee benefits expense recognised in the profit or loss are as follows:

	2017	2016
	RM	RM
Salaries and wages	1,301,812	1,487,569
Defined contribution plan	206,444	185,907
Other employee benefit expenses	<u>423,701</u>	<u>20,849</u>
	<u>1,931,957</u>	<u>1,694,325</u>

Included in employee benefits expense is directors' remuneration who are also the key management personnel of the company as follows:

	2017 RM	2016 RM
Directors' remuneration		
- Salaries and other emoluments	669,576	646,128
- Defined contribution plan	78,947	76,121
	<u>748,523</u>	<u>722,249</u>

19. DIVIDENDS DECLARED

	2017 RM	2016 RM
<i>In respect of the financial year ended 31 December 2017:</i>		
Single-tier interim dividend of RM0.25 on 1,000,000 ordinary shares, paid on 18 May 2017	250,000	-
Single-tier interim dividend of RM1.55 on 1,000,000 ordinary shares, paid on 12 October 2017	1,550,000	-
<i>In respect of the financial year ended 31 December 2016:</i>		
Single-tier interim dividend of RM0.25 on 1,000,000 ordinary shares, paid on 3 May 2016	-	250,000
Single-tier interim dividend of RM0.25 on 1,000,000 ordinary shares, paid on 9 September 2016	-	250,000
Single-tier interim dividend of RM0.60 on 1,000,000 ordinary shares, paid on 9 January 2017	-	600,000
	<u>1,800,000</u>	<u>1,100,000</u>

20. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The company has related party relationships with the directors of the company who are the key management personnel.

(b) In addition to the transactions detailed elsewhere in the financial statements, the company carried out the following transactions with the related parties during the financial year:

(i) Transaction between the company and its directors

	2017 RM	2016 RM
Rental of premises paid to a director	<u>73,181</u>	<u>24,394</u>

(ii) Key management compensation

	2017 RM	2016 RM
Short term employee benefits	<u>748,523</u>	<u>722,249</u>

21. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as chief operating decision makers in order to allocate resources to segments and to assess their performance. For management purposes, the company is organised into business units based on their products and services provided.

The company is organised into main business segments as follows:

(a) Design fee

Comprise conceptual designs which include user requirement specification, capacity analysis and process scheduling with detailed costing, list of deliverables, details specification of various equipment and processes as well as authorities' compliance requirements.

(b) Post design fee

Comprise tendering and procurement support as well as construction of plant.

(c) Other support fee

Comprise of services to assist customer in the good manufacturing practice document review and gap analysis and assessment.

For the purpose of making decisions about resource allocation, the Executive Directors assess the performance of the operating segments based on operating profits or losses which is measured differently from those disclosed in the financial statements.

	Design fee RM	Post design fee RM	Other support fee RM	Total RM
2017				
Revenue				
External revenue	5,450,576	1,387,511	295,019	7,133,106
2016				
Revenue				
External revenue	6,246,488	1,103,618	21,696	7,371,802

Geographical information

Revenue information based on the geographical location of customers is as follow:

	<i>Revenue</i>	
	2017 RM	2016 RM
Malaysia	2,932,157	4,472,816
Taiwan	3,837,234	2,753,783
Thailand	363,715	-
Indonesia	-	145,203
	<u>7,133,106</u>	<u>7,371,802</u>

22. FINANCIAL INSTRUMENTS

The company's activities are exposed to a variety of market risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

(a) Financial Risk Management Policies

The company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the company's businesses whilst managing its foreign currency risk, interest rate risk, credit risk and liquidity risk. The company's policies in respect of the major areas of treasury activity are as follows:-

(i) Foreign Currency Risk

The company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than RM. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The net unhedged financial assets of the company not denominated in RM were as follows:-

	United States Dollar	
	2017	2016
	RM	RM
<u>Financial assets</u>		
Trade receivables	381,512	874,719
Cash and bank balances	1,527,891	723,182
Currency exposure	<u>1,909,403</u>	<u>1,597,901</u>
	Euro	
	2017	2016
	RM	RM
<u>Financial assets</u>		
Cash and bank balances	<u>5,815</u>	<u>5,776</u>

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	2017	2016
	RM	RM
	Increase/ (Decrease)	Increase/ (Decrease)
Effects on profit after tax/equity		
Strengthened by 10%		
- United States Dollar	190,940	159,790
- Euro	581	578
Weakened by 10%		
- United States Dollar	(190,940)	(159,790)
- Euro	<u>(581)</u>	<u>(578)</u>

(ii) Interest Rate Risk

The company's exposure to interest rate risk arises mainly from its fixed deposits placed with a licensed bank. The company manages its interest bearing deposits placements by placing such balances on varying maturities and interest rate returns.

Fair Value Sensitivity Analysis For Fixed Rate Instrument

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

Interest Rate Risk Sensitivity Analysis

The company does not have any floating rate interest-bearing financial liabilities hence not exposed to interest rate risk.

(iii) Credit Risk

The company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and derivatives), the company minimises credit risk by dealing exclusively with high credit rating counterparties.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The company has no major concentration of credit risk arising from the exposure to a single customer as at the end of the reporting period.

Exposure to credit risk

As the company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the reporting date.

Ageing analysis

The ageing analysis of the company's trade receivables at the reporting date is as follows:-

	Gross amount RM	Individually impairment RM	Collective impairment RM	Carrying amount RM
2017				
Not past due	325,016	-	-	325,016
Past due but not impaired:				
- 61 to 90 days	-	-	-	-
- more than 90 days	869,112	(76,291)	-	792,821
	<u>1,194,128</u>	<u>(76,291)</u>	<u>-</u>	<u>1,117,837</u>
2016				
Not past due	650,592	-	-	650,592
Past due but not impaired:				
- 61 to 90 days	7,526	-	-	7,526
- more than 90 days	877,204	(76,291)	-	800,913
	<u>1,535,322</u>	<u>(76,291)</u>	<u>-</u>	<u>1,459,031</u>

Trade receivables that are neither past due nor impaired are regular customers of the company.

Trade receivables of the company that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

At the end of the reporting period, trade receivables that are individually impaired were those that have defaulted in payments. These receivables are not secured by any collateral or credit enhancement.

(iv) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The company practises prudent risk management by maintaining sufficient cash balances and the availability of funding.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flow RM	On Demand Or Within 1 Year RM
2017				
Trade payables	-	130,930	130,930	130,930
Other payables and accruals	-	1,926,432	1,926,432	1,926,432
		<u>2,057,362</u>	<u>2,057,362</u>	<u>2,057,362</u>
2016				
Trade payables	-	1,500	1,500	1,500
Other payables and accruals	-	2,173,716	2,173,716	2,173,716
		<u>2,175,216</u>	<u>2,175,216</u>	<u>2,175,216</u>

(b) Capital Risk Management

The company manages its capital to ensure that the company will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the company may make adjustments to the capital structure in view of changes in economic conditions, such as adjust the amount of dividend payment to the shareholders, return the capital or issuing new shares.

The company manages its capital based on debt-to-equity ratio. The company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (excluding amount owing to contract customers) less cash and cash equivalents.

The debt-to-equity ratio of the company as at the end of the financial year was as follows:

	2017 RM	2016 RM
Total liabilities (excluding amount owing to contract customers)	2,057,362	2,175,216
Less: Cash and cash equivalents	<u>(5,100,068)</u>	<u>(3,682,687)</u>
Net debt	<u>(3,042,706)</u>	<u>(1,507,471)</u>
Total equity attributable to owners of the company	<u>6,320,246</u>	<u>3,471,190</u>
Debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>

Note:

N/A: The cash and cash equivalents of the company were sufficient to settle all the outstanding debts of the company as at the financial year end.

There were no changes in the company's approaches to capital management during the financial years.

(c) Classification Of Financial Instruments

	2017 RM	2016 RM
Financial Assets		
<u>Loans and Receivables</u>		
Trade receivables	1,117,837	1,459,031
Other receivables and deposits	24,486	4,246
Fixed deposits with a licensed bank	1,059,729	1,025,549
Cash and bank balances	<u>4,040,339</u>	<u>2,657,138</u>
	<u>6,242,391</u>	<u>5,145,964</u>
Financial Liabilities		
<u>Other Financial Liabilities</u>		
Trade payables	130,930	1,500
Other payables and accruals	<u>1,926,432</u>	<u>2,173,716</u>
	<u>2,057,362</u>	<u>2,175,216</u>

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values due to the relatively short term nature.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

As at 31 December 2017, there was no financial instruments measured at fair value in the statement of financial position.

23. SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

- (a) On 11 January 2018, the share capital of the company increased from 134,084,507 to 136,709,507 ordinary shares with the issuance of 2,625,000 ordinary shares at an issue price of RM0.20 per share to Hermansen Holding 2016 Aps.
- (b) On 12 February 2018, the company obtained approval from Bursa Securities for the admission to the Official List on the LEAP Market which involves the placement of 12.3 million ordinary shares in the company to selected sophisticated investors within the meaning of Sections 229 and 230 of the Capital Markets and Services Act 2007, at an issue price of RM0.20 per ordinary share.
- (c) On 9 March 2018, the company was successfully admitted to the Official List of Bursa Securities with the listing of and quotation for its entire enlarged issued share capital of RM7,985,000 comprising of 149,009,507 ordinary shares on the LEAP Market of Bursa Securities.

24. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 19 April 2018 by the Board of Directors.