NOVA PHARMA SOLUTIONS BERHAD
(Company No.: 34608 - K)
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated and domiciled in Malaysia)
(A Public Limited Liability Company listed on the
LEAP Market of Bursa Malaysia Securities Berhad)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Registered Office	:	No. 9A, Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur
Principal Place of Business	:	Suite C-5-1 & 2, Level 5 Block C, Sky Park, One City Jalan USJ 25/1 47650 Subang Jaya Selangor Darul Ehsan

Nova Pharma Solutions Berhad
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia, Company No. 34608 – K)

Financial Statements

31 December

2018

Directors' Report

for the financial year ended 31 December 2018

The directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2018.

Change of name

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

Principal activities

The Company is principally engaged in the business of provision of technical documentation, validation and project execution in the pharmaceutical and biological industries. There have been no significant changes in the nature of these activities during the financial year.

Results

Profit for the financial year after taxation	RM2,164,490

Dividends

The dividend declared and paid by the Company since the end of previous financial year was as follows : -

	RM
In respect of the financial year ended 31 December 2018 : -	
- 1st interim single-tier dividend of RM0.004 per share, paid on 18 January 2019	596,038

The directors recommended the payment of a final single-tier dividend of RM0.002 per ordinary share in respect of the financial year ended 31 December 2018 totalling RM298,019, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in the financial statements.

Bad and doubtful debts

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that 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 all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other liabilities

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

i) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability 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 substantially affect the ability of the Company to meet its obligations as and when they fall due.

Change of circumstances

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 of the Company, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the current financial year.

Directors' Report
for the financial year ended 31 December 2018

Shares and debentures

During the financial year, the following new shares were issued by the Company : -

Class	Number	Terms of Issue	Purpose of Issue
Ordinary share	14,925,000	Cash of RM0.20 per share	Excluded issue of 12,300,000 new ordinary shares pursuant to initial public offering ("IPO") and 2,625,000 new ordinary shares issued to a Pre-IPO investor

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

The Company did not issue any new debentures during the financial year.

Directors of the Company

The directors of the Company in office at any time during the financial year and since the end of the financial year are : -

Khoo Boo Wie

Tan Hong Eng

Ter Leong Tah

Directors' interests

According to the register of directors' shareholding under Section 59 of the Companies Act, 2016, the interests of directors in office at the end of the financial year in the ordinary shares of the Company during the financial year are as follows : -

	No. of ordinary shares			
	As at 1/1/2018	Bought	Sold	As at 31/12/2018
Shareholdings in which directors have direct interest in the Company : -				
Khoo Boo Wie	103,440,000	-	-	103,440,000
Ter Leong Tah	6,000,000	-	-	6,000,000

None of the other director holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Directors' Report

for the financial year ended 31 December 2018

Directors' remuneration

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company during the financial year are disclosed in Note 19 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company during the financial year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company by the directors or past directors of the Company during the financial year.

Indemnifying Directors, Officers or Auditors

No indemnities have been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

Directors' benefits

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements, or the 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 except as disclosed in Note 19 to the financial statements.

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

Significant events

Details of significant event are disclosed in Note 30 to the financial statements.

Directors' Report
for the financial year ended 31 December 2018

Auditors

a) Detail of the auditors' remuneration for the Company is disclosed in Note 17 to the financial statements.

b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

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

Khoo Boo Wie

Tan Hong Eng

Kuala Lumpur,
Date : 19 April 2019

Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia, Company No. 34608 - K)

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 2018 of the Company, and the statement of profit or 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 10 to 60.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 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 the 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.

Revenue recognition

Refer to Note 3(j) – Significant Accounting Policies and Note 15 – Revenue.

The Key Audit Matter

The Company recognises revenue from contract customers using the stage of completion method. The stage of completion is measured using the input method, which is based on the proportion that the actual contract costs incurred for the work performed to-date to the estimated total contract costs, which includes estimates and judgements by directors on costs to be incurred on the contracts.

The Company recognised revenue from contract customers of RM7,826,585 for the financial year ended 31 December 2018.

Kreston John & Gan
Chartered Accountants • AF 0113

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Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia, Company No. 34608 - K)

The Key Audit Matter (Cont'd.)

We focused on this area because there is key judgement involved in determining the following : -

- Stage of completion;
- Extent of contract costs incurred to date; and
- Estimated total contract costs.

How our audit addresses this matter

Our procedures included, amongst others : -

- Identified and assessed key judgements inherent in the recognition of revenue and costs arising from contracts;
- Tested the operating effectiveness of the key controls in respect of the review and approval of project cost budgets to assess the reliability of these budgets and the determination of the extent of costs incurred to-date
- Corroborated the stage of completion with the level of completion based on actual costs incurred to-date over the estimated total costs;
- Agreed, on a sample basis, costs incurred to supporting documentation; i.e. invoices from vendors; and
- Agreed total budgeted revenue, on a sample basis, of material projects to supporting documentation i.e. sales contracts.

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 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 other information 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 other information and, in doing so, consider whether the other information 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 other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the 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 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the 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.

Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia, Company No. 34608 - K)

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 these financial statements.

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 of 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 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.

Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia, Company No. 34608 - K)

Other Matters

1. The comparative figures were audited by another firm of auditors who expressed unmodified opinion on those statements on 19 April 2018.

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 contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2020(J)
Chartered Accountant

Kuala Lumpur,
Date : 19 April 2019

Statement of Financial Position

31 December 2018

	Note	2018 RM	2017 RM
ASSETS			
Non-current Asset			
Property, plant and equipment	4	**167,308**	133,993
Current Assets			
Trade receivables	5	**1,267,490**	1,117,837
Contract assets	6	**2,487,359**	1,656,628
Other receivables, deposits and prepayments	7	**32,625**	527,618
Current tax assets		**111,322**	52,916
Short term funds	8	**4,099,405**	-
Deposits with a licensed bank	9	**-**	1,059,729
Cash and bank balances		**4,991,869**	4,040,339
Total Current Assets		**12,990,070**	8,455,067
Total Assets		**13,157,378**	8,589,060
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	10	**7,985,000**	5,000,000
Retained profits	11	**2,029,918**	1,320,246
Total Equity		**10,014,918**	6,320,246
Current Liabilities			
Trade payables	12	**170,851**	130,930
Contract liabilities	6	**149,296**	211,452
Other payables and accruals	13	**2,651,558**	1,828,858
Amount due to a director	14	**170,755**	97,574
Total Liabilities		**3,142,460**	2,268,814
Total Equity and Liabilities		**13,157,378**	8,589,060

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Nova Pharma Solutions Berhad
(Formerly known as Nova Pharma Solutions Sdn. Bhd.)
(Incorporated in Malaysia, Company No. 34608 – K)

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Revenue	15	**7,898,023**	7,133,106
Cost of sales		**(3,786,625)**	(2,676,199)
Gross profit		**4,111,398**	4,456,907
Other income	16	**308,521**	45,143
Selling and distribution costs		**(38,185)**	(34,148)
Administrative expenses		**(2,149,374)**	(1,555,463)
Other expenses		**(62,526)**	(253,876)
Profit before taxation	17	**2,169,834**	2,658,563
Income tax expense	20	**(5,344)**	(9,507)
Profit for the financial year, representing total comprehensive income for the financial year		**2,164,490**	2,649,056
Basic earnings per share (sen)	21	**1.47**	2.21
Diluted earnings per share (sen)	21	**-**	-

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Changes in Equity

for the financial year ended 31 December 2018

	Non Distributable	Distributable	
	Share capital RM	Retained profits RM	Total RM
Balance at 1 January 2017	1,000,000	2,471,190	3,471,190
Transactions with owners : -			
Dividends paid (Note 22)	-	(1,800,000)	(1,800,000)
Issuance of shares pursuant to bonus issue (Note 10)	2,000,000	(2,000,000)	-
Issuance of shares (Note 10)	2,000,000	-	2,000,000
Total transactions with owners	4,000,000	(3,800,000)	200,000
Total comprehensive income for the financial year	-	2,649,056	2,649,056
Balance at 31 December 2017	5,000,000	1,320,246	6,320,246
Transactions with owners : -			
Dividends paid (Note 22)	-	(596,038)	(596,038)
Issuance of shares (Note 10)	2,985,000	-	2,985,000
Share issuance expenses (Note 10)	-	(858,780)	(858,780)
Total transactions with owners	2,985,000	(1,454,818)	1,530,182
Total comprehensive income for the financial year	-	2,164,490	2,164,490
Balance at 31 December 2018	7,985,000	2,029,918	10,014,918

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Statement of Cash Flows

for the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before taxation		**2,169,834**	2,658,563
Adjustments for : -			
Depreciation of property, plant and equipment		**83,465**	112,302
Impairment loss on contract assets		**138,000**	-
Impairment loss on trade receivables		**437,600**	-
Investment measured at fair value through profit or loss			
- dividends received		**(99,337)**	-
- fair value adjustments		**(68)**	-
Interest income		**(33,550)**	(45,143)
Unrealised (gain) /loss on foreign exchange		**(175,566)**	198,614
Operating profit before working capital changes		**2,520,378**	2,924,336
(Increase) /Decrease in trade receivables		**(580,333)**	295,122
Decrease /(Increase) in other receivables, deposits and prepayments		**495,191**	(507,203)
Increase in contract assets /(liabilities)		**(1,030,887)**	(1,403,515)
Decrease /(Increase) in trade payables		**(553,611)**	1,329,430
Increase /(Decrease) in other payables and accruals		**822,700**	(944,858)
Increase in amount due to a director		**73,181**	97,574
Cash generated from operations		**1,746,619**	1,790,886
Interest received		**33,550**	45,143
Tax (paid) /refunded (net)		**(63,750)**	157,151
Net cash from operating activities		**1,716,419**	1,993,180
Cash flows from investing activities			
Investment measured at fair value through profit or loss			
- dividends received		**99,337**	-
- fair value adjustments		**68**	-
Purchase of property, plant and equipment	23	**(116,780)**	(23,257)
Net cash used in investing activities		**(17,375)**	(23,257)
Balance carried forward		**1,699,044**	1,969,923

Statement of Cash Flows
for the financial year ended 31 December 2018

	Note	RM	RM
Balance brought forward		**1,699,044**	1,969,923
Cash flows from financing activities			
Dividends paid		-	(2,400,000)
Proceeds from issuance of shares		**2,985,000**	2,000,000
Share issuance expenses		**(858,780)**	-
Net cash from /(used in) financing activities		**2,126,220**	(400,000)
Net increase in cash and cash equivalents		**3,825,264**	1,569,923
Cash and cash equivalents at the beginning of the financial year		**5,100,068**	3,682,687
Effect of foreign exchange rate changes		**165,942**	(152,542)
Cash and cash equivalents at the end of the financial year	24	**9,091,274**	5,100,068

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements
31 December 2018

1. **General information**

Nova Pharma Solutions Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the LEAP Market of Bursa Malaysia Securities Berhad.

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

The addresses of the principal place of business and registered office of the Company are as follows : -

Principal place of business	:	Suite C-5-1 & 2, Level 5 Block C, Sky Park, One City Jalan USJ 25/1 47650 Subang Jaya, Selangor Darul Ehsan
Registered office	:	No. 9A, Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur

The Company is principally engaged in the business of provision of technical documentation, validation and project execution in the pharmaceutical and biological industries.

These financial statements were authorised for issue by the Board of Directors on 19 April 2019.

2. **Basis of preparation**

a) Statement of compliance

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

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 16, Leases
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019 (Cont'd.)

- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, Share-Based Payment
- Amendment to MFRS 3, Business Combinations
- Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources
- Amendment to MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134, Interim Financial Reporting
- Amendment to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138, Intangible Assets
- Amendment to IC Interpretation 12, Service Concession Arrangements
- Amendment to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132, Intangible Assets – Web Site Costs

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for 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.

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

The Company plans to apply the abovementioned accounting standards, amendments and interpretations : -

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1 January 2019;
- from the annual period beginning on 1 January 2020 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1 January 2020; and
- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are applicable to the Company and effective for annual periods beginning on or after 1 January 2021.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below : -

MFRS 16, Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term if more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and lease liability representing its obligation to make lease payments. MFRS 16 will be effective for annual reporting periods beginning on or after 1 January 2019.

Amendments to MFRS 123, Borrowing Costs

Amendments to MFRS 123 (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

IC Interpretation 23, Uncertainty over Income Tax Treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. The effect of uncertainty shall be measured using the method which best predicts the resolution of the uncertainty. IC interpretation 23 will be effective for annual reporting periods beginning on or after 1 January 2019.

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

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 amendments clarify that : -

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Company.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 16, amendments to MFRS 123, IC Interpretation 23 and amendments to MFRS 10 and MFRS 128.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

d) Use of estimates and judgements

The preparation of the 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.

2. **Basis of preparation (Cont'd.)**

d) Use of estimates and judgements (Cont'd)

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 the following items : -

i) Depreciation of plant and equipment

Plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated that useful life of these assets to be within 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

ii) Loss allowances of financial assets

The Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Company's financial positions and results.

iii) Classification of financial assets

The Company uses its business model objectives as a basis to classify financial assets for subsequent measurements. The objectives of the Company in managing investments in equity and debt instruments include those held for trading, managing for fair value changes and managing to collect contractual cash flows that are solely payments of principal and interest on principal. Management uses its judgement to determine the classification of each investment at the date of purchase on the basis of the Company's business model objectives. Investment in the same debt or equity instruments need not necessarily be classified in the same category for subsequent measurement.

iv) Income tax expense

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 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.

2. **Basis of preparation (Cont'd.)**

d) Use of estimates and judgements (Cont'd.)

v) Provision for liabilities and charges

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Company arise from obligations in relation to refunds, guarantees, onerous contracts and outstanding litigation.

The recognition and measurement of provisions require the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Company's accounting policy require recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

vi) Contingencies

Contingent liabilities of the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Company requires significant judgement.

3. **Significant accounting policies**

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

a) Financial instruments

During the financial year, the Company adopted MFRS 9, Financial Instruments which replaces MFRS 139, Financial Instruments : Recognition and Measurement.

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Company have elected not to restate the comparatives. The financial effect of the changes in accounting policies are disclosed in Note 31 to the financial statements.

i) Initial recognition and measurement

Current financial year

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

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

Previous financial year

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

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.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as 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.

3. **Significant accounting policies (Cont'd.)**

a) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

The Company categorises financial instruments as follows : -

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company 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.

a) 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.

b) Fair value through other comprehensive income

i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, 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 debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. **Significant accounting policies (Cont'd.)**

a) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Current financial year (Cont'd.)

b) Fair value through other comprehensive income (Cont'd.)

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 3(e)(i)).

Previous financial year

The Company categorises financial instruments as follows : -

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

3. **Significant accounting policies (Cont'd.)**

a) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Previous financial year (Cont'd.)

a) Financial assets at fair value through profit or loss (Cont'd.)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

3. **Significant accounting policies (Cont'd.)**

a) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Previous financial year (Cont'd.)

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(e)(i)).

Financial liabilities

Current financial year

At initial recognition, all financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost.

a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, and remaining amount of the change in fair value in the profit or loss.

b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss 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 are also recognised in the profit or loss.

Previous financial year

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

3. **Significant accounting policies (Cont'd.)**

a) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

Previous financial year (Cont'd.)

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv) Regular way purchase or sales of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to : -

a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

3. **Significant accounting policies (Cont'd.)**

a) Financial instruments (Cont'd.)

v) 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 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 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 the 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 expired. 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.

b) Plant and equipment

i) Recognition and measurement

Items of 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

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

3. **Significant accounting policies (Cont'd.)**

b) Property, plant and equipment (Cont'd.)

ii) Subsequent costs

The cost of replacing a component of an item of 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 Company, 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 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 plant and equipment from the date that they are available for use. Plant and equipment under construction are not depreciated until the assets are ready for their intended use. The principal annual rate of depreciation for the plant and equipment are as follows : -

	Rate %
Office and computer equipment	20 – 33
Furniture and fittings	10
Motor vehicles	20
Renovation	33

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

c) Leased assets

i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets with unexpired economic life of 50 years and above will be classified as long term lease assets, whereas short term lease assets will be those assets with unexpired economic life of less than 50 years.

3. **Significant accounting policies (Cont'd.)**

c) Leased assets (Cont'd.)

i) Finance lease (Cont'd.)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

ii) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

d) 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 Company 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 and pledged deposits.

e) Impairment of assets

i) Financial assets

During the financial year, the Company adopted MFRS 9, Financial Instruments which replaces MFRS 139, Financial Instruments : Recognition and Measurement.

3. **Significant accounting policies (Cont'd.)**

e) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Company have elected not to restate the comparatives. The financial effect of the changes in accounting policies are disclosed in Note 31 to the financial statements.

Current financial year

The Company recognises loss allowances for expected credit losses on financial assets and financial guarantees measured at amortised cost or fair value through comprehensive income, except for investments in equity instruments, and interest in subsidiaries and associates.

The Company 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 as 12 months expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months 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 Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company 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 Company's historical experience and informed credit assessment and including forward-looking information, where available.

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.

3. **Significant accounting policies (Cont'd.)**

e) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Current financial year (Cont'd.)

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income 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 Company 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 Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

3. **Significant accounting policies (Cont'd.)**

e) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Previous financial year (Cont'd.)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Other assets

The carrying amounts of other assets (except for contract assets, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal group) classified as held for sale) 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

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.

3. **Significant accounting policies (Cont'd.)**

e) Impairment of assets (Cont'd.)

ii) Other assets (Cont'd.)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

f) Foreign currencies transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated into the functional currency using the exchange rates at the reporting date (i.e. the closing rate).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction (i.e. historical rate). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except for loans and advances that form part of the net investment in a foreign operation and transactions entered into in order to hedge foreign currency risks of net investments in foreign operations).

3. **Significant accounting policies (Cont'd.)**

g) 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.

h) 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 Company has a present legal or constructive obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

i) Provisions

A provision is recognised if, as a result of a past event, the Company 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.

3. **Significant accounting policies (Cont'd.)**

j) Revenue and other income

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

i) Goods sold

Revenue from the sale of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of goods and services taxes and discounts.

Deferred costs are recognised when the goods delivered to customers but pending installation and /or testing rendered to customers.

ii) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

iii) Dividend income

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

iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3. **Significant accounting policies (Cont'd.)**

k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial 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 following temporary differences: the initial recognition of goodwill, 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 reserve, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that 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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

l) Operating segments

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. **Significant accounting policies (Cont'd.)**

m) Contingencies

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

n) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and 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 Company uses observable market data as far as possible. Fair value are 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 Company 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 Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements

31 December 2018

4. Plant and equipment

2018	Office and computer equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
At cost					
Balance at 1 January 2018	**408,856**	**27,556**	**346,752**	**116,682**	**899,846**
Additions	**52,100**	**-**	**64,680**	**-**	**116,780**
Balance at 31 December 2018	**460,956**	**27,556**	**411,432**	**116,682**	**1,016,626**
Accumulated Depreciation					
Balance at 1 January 2018	**374,250**	**10,633**	**264,290**	**116,680**	**765,853**
Charge for the financial year	**24,882**	**2,755**	**55,828**	**-**	**83,465**
Balance at 31 December 2018	**399,132**	**13,388**	**320,118**	**116,680**	**849,318**
Net Book Value	**61,824**	**14,168**	**91,314**	**2**	**167,308**

2017					
At cost					
Balance at 1 January 2017	387,340	25,815	346,752	116,682	876,589
Additions	21,516	1,741	-	-	23,257
Balance at 31 December 2017	408,856	27,556	346,752	116,682	899,846
Accumulated Depreciation					
Balance at 1 January 2017	334,025	7,906	194,940	116,680	653,551
Charge for the financial year	40,225	2,727	69,350	-	112,302
Balance at 31 December 2017	374,250	10,633	264,290	116,680	765,853
Net Book Value	34,606	16,923	82,462	2	133,993

Notes to the Financial Statements
31 December 2018

4. **Plant and equipment (Cont'd.)**

The gross carrying amounts of fully depreciated plant and equipment of the Company are as follows : -

	2018 RM	2017 RM
Office and computer equipment	**361,046**	338,400
Motor vehicles	**280,769**	-
Renovation	**116,682**	116,682
	758,497	455,082

5. **Trade receivables**

	2018 RM	2017 RM
Third parties	**1,781,381**	1,194,128
Less : Allowance for impairment losses	**(513,891)**	(76,291)
	1,267,490	1,117,837

The reconciliation of the loss allowance account is as follows : -

	2018 RM	2017 RM
At beginning of the financial year	**76,291**	76,291
Impairment losses recognised	**437,600**	-
At end of the financial year	**513,891**	76,291

The normal credit term of trade receivables is range from 14 to 60 days (2017 – 14 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

The currency exposure profile of trade receivables are as follows : -

	2018 RM	2017 RM
Euro	**17,142**	-
Ringgit Malaysia	**587,903**	812,616
United States Dollar	**662,445**	305,221
	1,267,490	1,117,837

Notes to the Financial Statements

31 December 2018

6. Contract assets /(liabilities)

	2018 RM	2017 RM
Contract assets	**2,487,359**	1,656,628
Contract liabilities	**(149,296)**	(211,452)
Represented by : -		
Contract assets		
Aggregate cost recognised to date	**6,842,063**	3,774,254
Add : Attributable profits	**4,854,666**	2,733,081
	11,696,729	6,507,335
Less : Progress billings	**(9,071,370)**	(4,850,707)
	2,625,359	1,656,628
Less : Allowance for impairment losses	**(138,000)**	-
	2,487,359	1,656,628
Contract liabilities		
Aggregate cost recognised to date	**302,182**	931,337
Add : Attributable profits	**218,822**	674,415
	521,004	1,605,752
Less : Progress billings	**(670,300)**	(1,817,204)
	(149,296)	(211,452)

The reconciliation of the loss allowance account is as follows : -

At beginning of the financial year	-	-
Impairment losses recognised	**(138,000)**	-
At end of the financial year	**(138,000)**	-

7. Other receivables, deposits and prepayments

	2018 RM	2017 RM
Other receivables	**902**	10,400
Deposits	**14,086**	14,086
Prepayments	**17,637**	503,132
	32,625	527,618

Notes to the Financial Statements

31 December 2018

8. Short-term funds

	2018 RM	2017 RM
Investments in unquoted unit trusts in Malaysia at fair value through profit or loss	**4,099,405**	-

Investments in unquoted unit trusts represent investments in highly liquid money market instrument and deposits with financial institution in Malaysia and are redeemable with 1 day notice. These short-term funds are subject to insignificant risk of changes in value. The distribution income from these funds is tax exempted.

9. Deposits with a licensed bank

The interest rate of fixed deposits with a licensed bank that was effective during the financial year was Nil (2017 – 3.30%) per annum.

10. Share capital

	2018 Number of shares	2017 Number of shares	2018 RM	2017 RM
Issued and fully paid				
Ordinary shares with no par value : -				
Balance at 1 January	**134,084,507**	1,000,000	**5,000,000**	1,000,000
Issuance of shares pursuant to bonues 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	**14,925,000**	14,084,507	**2,985,000**	2,000,000
Balance at 31 December	**149,009,507**	134,084,507	**7,985,000**	5,000,000

During the financial year, the issued and paid up share capital of the Company was increased from RM5,000,000 to RM7,985,000 by way of issuance of 14,925,000 ordinary shares, at cash consideration of RM0.20 per share, for the purpose of excluded issue of 12,300,000 new ordinary shares pursuant to initial public offering ("IPO") and 2,625,000 new ordinary shares issued to a Pre-IPO investor.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

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. All ordinary shares rank pari passu with regard to the Company's residual assets.

11. Retained profits

Under the single tier income tax system, the Company is not required to have tax credit under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholder.

Notes to the Financial Statements

31 December 2018

12. Trade payables

The normal credit terms of trade payables range from 30 to 90 days (2017 – 30 to 90 days). However, the credit terms may vary dependent on negotiation with the suppliers.

The currency exposure profile of trade payables are as follows : -

	2018 RM	2017 RM
Euro	**169,351**	-
Ringgit Malaysia	**1,500**	130,930
	170,851	130,930

13. Other payables and accruals

	2018 RM	2017 RM
Dividends payable	**596,038**	-
Other payables	**50,843**	-
Accruals	**2,004,677**	1,828,858
	2,651,558	1,828,858

14. Amount due to a director

The amount outstanding is unsecured, interest free and repayable on demand in cash and cash equivalents.

15. Revenue

	2018 RM	2017 RM
Revenue from contract customers	**7,826,585**	6,938,200
Revenue from services	**71,438**	194,906
	7,898,023	7,133,106
Timing of revenue : -		
- at a point in time	**71,438**	194,906
- over time	**7,826,585**	6,938,200
	7,898,023	7,133,106

Notes to the Financial Statements
31 December 2018

16. Other income

	2018 RM	2017 RM
Investment measured at fair value through profit or loss : -		
- dividends received	99,337	-
- fair value adjustments	68	-
Interest income	33,550	45,143
Unrealised gain on foreign exchange	175,566	-
	308,521	45,143

17. Profit before taxation

This is arrived at after charging : -	2018 RM	2017 RM
Auditors' remuneration		
- current financial year		
- Kreston John & Gan	25,000	-
- other auditors	-	18,080
- underprovision in prior financial year	15,000	-
Depeciation of plant and equipment	83,465	112,302
Employee benefits expense (Note 18)	1,978,549	2,000,154
Impairment loss on contract assets	138,000	-
Impairment loss on trade receivables	437,600	-
Loss on foreign exchange		
- realised	62,525	55,262
- unrealised	-	198,614
Rental of office	73,181	73,181
and crediting : -		
Investment measured at fair value through profit or loss		
- dividends received	99,337	-
- fair value adjustments	68	-
Interest income	33,550	45,143
Unrealised gain on foreign exchange	175,566	-

18. Employee benefits expense

	2018 RM	2017 RM
Salaries, bonus, wages and allowances	1,722,672	1,725,513
Employees Provident Fund	202,888	206,444
Employment Insurance System	1,400	-
Social security cost	12,532	13,287
Other staff related expenses	39,057	54,910
	1,978,549	2,000,154

Included in employee benefits expense of the Company are executive directors' emoluments excluding benefits-in-kind, amounting to RM738,046 (2017 – RM748,523) as disclosed in Note 19 to the financial statements.

19. Directors' emoluments

	2018 **RM**	2017 RM
Executive directors		
- emoluments	**659,055**	669,576
- Employees Provident Fund	**78,991**	78,947
	738,046	748,523

20. Income tax expense

	2018 **RM**	2017 RM
Tax provision for the financial year	**8,052**	10,834
Overprovision of taxation in previous financial year	**(2,708)**	(1,327)
	5,344	9,507

Income tax is calculated at the Malaysian statutory tax rates of 24% of the estimated assessable profit for the financial year.

The Company has been granted MSC Malaysia Status, which qualifies it for the Pioneer Status Incentive under the Promotion of Investment (Amendment) Act, 1986. The Company enjoys full exemption from income tax on its statutory income from its pioneer activities for 5 years, from 10 November 2014 to 9 November 2019.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows : -

	2018 **%**	2017 %
Applicable tax rate	**24**	24
Income tax exempted under pioneer status	**(30)**	(26)
Non-allowable expenses	**7**	2
Non-taxable income	**(1)**	-
Effective tax rate	*	*

* Less than 1%

21. **Earnings per share**

Basic : -

Basic earnings per share is calculated by dividing the profit for the financial year attributable to owners of the Company by weighted average number of ordinary shares in issue during the financial year.

	2018	2017
	RM	RM
Profit for the financial year attributable to ordinary owners of the Company	**2,164,490**	2,649,056

	2018	2017
	Unit	Unit
Deemed number of shares in issue	**134,084,507**	120,000,000
Effect of ordinary shares issued during the financial year	**12,898,562**	115,763
Weighted average number of ordinary shares in issue	**146,983,069**	120,115,763

	2018	2017
	Sen	Sen
Basic earnings per share	**1.47**	2.21

Diluted : -

Diluted earnings per share is not computed as the Company did not have any convertible financial instruments as at 31 December 2018.

22. **Dividends paid**

The interim dividends paid in respect of financial year ended 31 December are as follows : -

	2018	2017
	RM	RM
Interim single-tier dividend : -		
- RM0.25 per share, paid on 18 May 2017	**-**	250,000
- RM1.55 per share, paid on 12 October 2017	**-**	1,550,000
- RM0.004 per share, paid on 18 January 2019	**596,038**	-
	596,038	1,800,000

The directors recommended the payment of a final single-tier dividend of RM0.002 per ordinary share in respect of the financial year ended 31 December 2018 totalling RM298,019, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

23. **Purchase of plant and equipment**

During the financial year, the Company made the following cash payments to purchase plant and equipment : -

	2018 **RM**	2017 RM
Purchase of plant and equipment (Note 4)	**116,780**	23,257

24. **Cash and cash equivalents**

	2018 **RM**	2017 RM
Short-term funds (Note 8)	**4,099,405**	-
Deposits with a licensed bank (Note 9)	**-**	1,059,729
Cash and bank balances	**4,991,869**	4,040,339
	9,091,274	5,100,068

The currency exposure profile of cash and bank balances are as follows : -

	2018 **RM**	2017 RM
Euro	**5,501**	5,815
Ringgit Malaysia	**1,263,551**	2,506,632
United States Dollar	**3,722,817**	1,527,892
	4,991,869	4,040,339

25. **Segment information**

Three reportable segments, as described below, are the Company's strategic business units. For each of the strategic business units, the Company's Chief Executive Officer who is the Company's Chief Operating Decision Maker ("CODM") reviews internal management reports on at least a quarterly basis. The following summary describes the operation in each of the Company's reportable segments : -

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.

Post design fee : -

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

25. **Segment information (Cont'd.)**

Other support fee : -

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

Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Company's Chief Executive Officer in his capacity as the CODM. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

Business segment

	Design fee	Post design fee	Other support fee	Total
2018	**RM**	**RM**	**RM**	**RM**
Revenue				
External revenue	**5,436,674**	**1,892,858**	**568,491**	**7,898,023**
2017				
Revenue				
External revenue	5,450,576	1,387,511	295,019	7,133,106

The Company's revenue by industry is presented as follows : -

	2018	2017
	RM	RM
Pharmaceutical	**4,295,878**	2,582,178
Biotechnology	**3,602,145**	4,550,928
	7,898,023	7,133,106

25. **Segment information (Cont'd.)**

The Company's revenue by geographical location is presented as follows : -

	2018 RM	2017 RM
Malaysia	**4,428,698**	2,932,157
Taiwan	**3,057,571**	3,837,234
Thailand	**314,677**	363,715
United Arab Emirates	**51,677**	-
France	**45,400**	-
	7,898,023	7,133,106

26. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -

(i) Financial assets measured at amortised cost ("FAAC").
(ii) Financial assets measured at fair value through profit or loss ("FVPL").
(iii) Financial liabilities measured at amortised cost ("FLAC").

2018	**Carrying amount RM**	**FAAC RM**	**FVPL RM**	**FLAC RM**
Financial assets				
Trade receivables	**1,267,490**	**1,267,490**	**-**	**-**
Contract assets	**2,487,359**	**2,487,359**	**-**	**-**
Other receivables and deposits	**14,988**	**14,988**	**-**	**-**
Short-term funds	**4,099,405**	**-**	**4,099,405**	**-**
Cash and bank balances	**4,991,869**	**4,991,869**	**-**	**-**
	12,861,111	**8,761,706**	**4,099,405**	**-**
Financial liabilities				
Trade payables	**(170,851)**	**-**	**-**	**(170,851)**
Contract liabilities	**(149,296)**	**-**	**-**	**(149,296)**
Other payables and accruals	**(2,651,558)**	**-**	**-**	**(2,651,558)**
Amount due to a director	**(170,755)**	**-**	**-**	**(170,755)**
	(3,142,460)	**-**	**-**	**(3,142,460)**

26. **Financial instruments (Cont'd.)**

a) Categories of financial instruments (Cont'd.)

The table below provides an analysis of financial instruments categorised as follows : - (Cont'd)

2017	Carrying amount RM	FAAC RM	FVPL RM	FLAC RM
Financial assets				
Trade receivables	1,117,837	1,117,837	-	-
Contract assets	1,656,628	1,656,628	-	-
Other receivables and deposits	24,486	24,486	-	-
Deposits with a licensed bank	1,059,729	1,059,729	-	-
Cash and bank balances	4,040,339	4,040,339	-	-
	7,899,019	7,899,019	-	-
Financial liabilities				
Trade payables	(130,930)	-	-	(130,930)
Contract liabilities	(211,452)	-	-	(211,452)
Other payables and accruals	(1,828,858)	-	-	(1,828,858)
Amount due to a director	(97,574)	-	-	(97,574)
	(2,268,814)	-	-	(2,268,814)

b) Gains and losses arising from financial instruments

	2018 RM	2017 RM
Net gains / (losses) on:		
Financial assets measured at amortised cost	**(406,967)**	(202,833)
Financial assets measured at fair value through profit or loss	**99,405**	-
Financial liabilities measured at amortised cost	**(22,042)**	(5,900)
	(329,604)	(208,733)

c) Financial risk management

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

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

26. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

i) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high credit worthiness. The Company also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Company management reporting procedures.

Exposure to credit risk, credit quality and collateral

As at 31 December 2018, the Company has significant concentration of credit risk in the form of outstanding balance of approximately RM1,200,000 due from three trade receivables which represents 97% of the total trade receivables of the Company. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Company.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

26. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'.d)

Expected credit losses ("ECL") assessment for trade receivables as at 1 January 2018 and 31 December 2018

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 : -

	Gross RM	Loss allowance RM	Net RM
Not past due	**1,248,801**	**-**	**1,248,801**
Past due Over 90 days	**532,580**	**(513,891)**	**18,689**
	1,781,381	**(513,891)**	**1,267,490**

Comparative under MFRS 139 Financial Instruments

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 1 January 2018 is as follows : -

	Gross RM	Individual impairment RM	Net RM
Not past due	325,016	-	325,016
Past due Over 90 days	869,112	(76,291)	792,821
	1,194,128	(76,291)	1,117,837

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

26. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'.d)

Movements in the allowance for impairment losses in respect of trade receivables

On the date of initial application of MFRS 9, there was no adjustment on the ending balance of the allowance for impairment losses reported under the previous MFRS 139 to derive the opening balance allowance for impairment losses determined in accordance with MFRS 9.

The movement in the allowance for impairment losses in respect of trade receivables during the financial year is as follows : -

	2018	2017 Individual impairment
	RM	RM
Balance at 1 January per MFRS 9	**76,291**	76,291
Net measurement of loss allowance	**437,600**	-
Balance at 31 December	**513,891**	76,291

The allowance in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

Comparative amounts for 2017 represent the allowance for impairment losses under MFRS 139, Financial Instruments.

Expected credit loss of other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

ii) Liquidity and cash flow risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

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

26. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

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

Maturity analysis

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

	Carrying amount	Effective interest rate	Contratual cash flows	Under 1 year
2018	RM	%	RM	RM
Non-derivative financial liabilities				
Trade payables	**170,851**	**-**	**170,851**	**170,851**
Contract liabilities	**149,296**	**-**	**149,296**	**149,296**
Other payables and accruals	**2,651,558**	**-**	**2,651,558**	**2,651,558**
Amount due to a director	**170,755**	**-**	**170,755**	**170,755**
	3,142,460		**3,142,460**	**3,142,460**
2017				
Non-derivative financial liabilities				
Trade payables	130,930	-	130,930	130,930
Contract liabilities	211,452	-	211,452	211,452
Other payables and accruals	1,828,858	-	1,828,858	1,828,858
Amount due to a director	97,574	-	97,574	97,574
	2,268,814		2,268,814	2,268,814

iii) Market risk

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

26. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily Euro ("EUR") and U.S. Dollar ("USD").

The management monitors the foreign currency exposure on an ongoing basis.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was : -

	2018		2017	
	Denominated in		Denominated in	
	EUR	**USD**	EUR	USD
	RM	**RM**	RM	RM
Balance recognised in the statement of financial position :				
Trade receivables	**17,142**	**662,445**	-	305,221
Cash and bank balances	**5,501**	**3,722,817**	5,815	1,527,892
Trade payables	**(169,351)**	**-**	-	-
	(146,708)	**4,385,262**	5,815	1,833,113

A 5% (2017 – 5%) strengthening of the RM against the following currencies at the end of the reporting period would have increased /(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	2018		2017	
	Equity	**Profit for the financial year**	Equity	Profit for the financial year
	RM	**RM**	RM	RM
EUR				
Increase /(Decrease)	**(7,335)**	**(7,335)**	291	291
USD				
Increase /(Decrease)	**223,078**	**223,078**	95,470	95,470

26. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

ii) Market risk (Cont'd.)

Currency risk (Cont'd.)

Exposure to foreign currency risk (Cont'd.)

A 5% (2017 – 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

Short-term investments such as short-term funds and deposits with licensed bank are not significantly exposed to interest rate risk.

Exposure to interest rate risk

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

	2018 RM	**Effective interest rate %**	2017 RM	Effective interest rate %
Fixed rate instruments				
Deposits with a licensed bank	**-**	**-**	1,059,729	3.30

Interest rate risk sensitivity analysis : -

Fair value sensitivity analysis for fixed rate instruments

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 rates at the end of the reporting period would not affect profit or loss.

Price risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because changes in market price (other than interest or exchange rates).

The Company's investments in unquoted unit trust are subject to market price risk. The Company does not hedge this exposure because of its investments are in highly liquid money market instrument and deposits with financial institution in Malaysia, where the risks accepted are commensurate with the expected returns.

26. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

iv) Operational risk

The operational risk arises from the daily activities of the Company which includes legal, credit reputation and financial risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

d) Fair value information

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

	Fair value of financial instruments carried at fair value				Carrying
	Level 1	Level 2	Level 3	Total	amount
2018	RM	RM	RM	RM	RM
Financial assets					
Short-term funds	**4,099,405**	**-**	**-**	**4,099,405**	**4,099,405**
2017					
Financial assets					
Short-term funds	-	-	-	-	-

26. **Financial instruments (Cont'd.)**

d) Fair value information (Cont'd.)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial 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.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

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

27. **Capital 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 take adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

The Company has no borrowings from financial institutions. The debt-to-equity ratio is not presented as it does not provide a meaningful indicator of the risk of borrowings.

28. **Material litigation**

On 10 October 2018, the Company has served a Payment Claim pursuant to Section 5 of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") against Oriental Maze Sdn. Bhd. ("OMSB") claiming for a sum of RM437,600 with interest and costs.

The Claim is made by the Company against OMSB for failing to pay the remaining outstanding debts of RM437,600 pertaining to the first phase of design works totalling RM975,200 (inclusive of Goods and Services Tax) which has been completed, delivered and invoiced by the Company to OMSB. The first phase of design works were part of the scope of work for the project pertaining to the contract agreement dated 26 August 2016 awarded by OMSB to the Company.

The Company had on 25 February 2019 received the final award from the Adjudicator of Asian International Arbitration Centre ("AIAC") in Kuala Lumpur, under Section 12(12)(b) of the CIPAA.

28. **Material litigation (Cont'd.)**

The Adjudicator of AIAC awarded to and in favor of the Company, and orders OMSB to pay the Company, a total of RM482,899 together with interest at 5% p.a. from 14 days after receipt of invoice.

29. **Related parties**

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of the senior management of the Company.

The Company has related party relationship with its directors and key management personnel.

Significant related party transactions

Related party transactions entered into the normal course of business under normal trade terms. The significant related party transactions of the Company are show below. The related party balances are shown in Note 14 to the financial statements.

a) Related party transactions : -

	2018 RM	2017 RM
Transaction with a director : -		
Rental of office	**73,181**	73,181

b) Compensation of key management personnel

The remuneration paid by the Company to key management personnel during the financial year are as follows : -

	2018 RM	2017 RM
Directors		
Short-term employee benefits	**659,055**	669,576
Post-employment benefits : -		
- Defined contribution plan - EPF	**78,991**	78,947
	738,046	748,523

30. **Significant events**

a) On 12 February 2018, the Company obtained approval from Bursa Malaysia Securities Berhad 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 Section 229 and 230 of the Capital Markets and Services Act 2007, at an issue price of RM0.20 per ordinary share.

b) On 9 March 2018, the Company was successfully admitted to the Official list of Bursa Malaysia Securities Berhad with the listing of and quotation for its enlarged issued share capital of RM7,985,000 comprising 149,009,507 ordinary shares on the LEAP Market of Bursa Malaysia Securities Berhad.

31. **Changes in accounting policy**

Classification of financial assets and financial liabilities upon adoption of MFRS 9

The following table shows the initial measurement under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and liabilities as at 1 January 2018 based on the business model assessment done.

	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial assets				
Trade receivables	Loans and receivables	Amortised cost	1,117,837	1,117,837
Contract assets	Loans and receivables	Amortised cost	1,656,628	1,656,628
Other receivables and deposits	Loans and receivables	Amortised cost	24,486	24,486
Deposits with a licensed bank	Loans and receivables	Amortised cost	1,059,729	1,059,729
Cash and bank balances	Loans and receivables	Amortised cost	4,040,339	4,040,339

31. **Changes in accounting policy (Cont'd.)**

Classification of financial assets and financial liabilities upon adoption of MFRS 9 (Cont'd.)

	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial liabilities				
Trade payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	130,930	130,930
Contract liabilities	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	211,452	211,452
Other payables and accruals	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	1,828,858	1,828,858
Amount due to a director	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	97,574	97,574

Trade receivables, contract assets, other receivables and deposits, deposits with a licensed bank and cash and bank balances are reclassified from loan and receivables to amortised cost under MFRS 9. There are no changes in the allowance for impairment of trade receivables that was recognised in opening retained profits at 1 January 2018.

32. **Comparative figures**

The financial statements for the financial year ended 31 December 2017 were audited by a firm of auditors other than Kreston John & Gan.

Statement by Directors

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

We, Khoo Boo Wie and Tan Hong Eng, being two of the directors of Nova Pharma Solutions Berhad (Formerly known as Nova Pharma Solutions Sdn. Bhd.), do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 10 to 60 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 give a true and fair view of the state of affairs of the Company at 31 December 2018 and of the results and the cash flows of the Company for the financial year ended on that date.

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

Khoo Boo Wie **Tan Hong Eng**

Kuala Lumpur,
Date : 19 April 2019

Statutory Declaration

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

I, Khoo Boo Wie, NRIC: 691104-03-5271, 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 the financial statements set out on pages 10 to 60, to the best of my knowledge and belief, 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
at Kuala Lumpur
this 19 April 2019

Before me

Khoo Boo Wie

Commissioner for Oaths