

Financial Statements

31 December

2020

Index	Pages no.
Corporate Information	1
Directors' Report	2-6
Independent Auditors' Report	7-11
Consolidated Statement of Financial Position	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15-16
Statement of Financial Position	17
Statement of Profit or Loss and Other Comprehensive Income	18
Statement of Changes in Equity	19
Statement of Cash Flows	20-21
Notes to the Financial Statements	22-79
Statement by Directors	80
Statutory Declaration	81

Corporate Information

for the financial year ended 31 December 2020

Board of Directors	: Khoo Boo Wie (Executive Director, Chief Executive Officer) : Ter Leong Tah (Executive Director) : Ng Tik Hwa (Independent and Non Executive Director)
Company Secretary	: Leong Sue Ching (MAICSA 7040814)
Auditors	: Kreston John & Gan Chartered Accountants (Firm No. AF 0113)
Registered Office	: No. 9A, Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan Tel: 603-2691 8996 Fax: 603-2698 6996 Email: cosec@caresec.com.my
Share Registrar	: Tricor Investor & Issuing House Services Sdn. Bhd. Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel: 603-2783 9299 Fax: 603-2783 9222 Website: www.tiih.com.my Email: is.enquiry@mytricorglobal.com
Business Address	: Suite C-5-1 & 2, Level 5 Block C, Sky Park One City Jalan USJ 25/1 47650 Subang Jaya Selangor Darul Ehsan Tel: 603-5022 2758 Email: admin@novapharms.com
Principal Bankers	: OCBC Al-Amin Bank Berhad : OCBC Bank (Malaysia) Berhad
Stock Exchange Listing	: LEAP Market of the Bursa Malaysia Securities Berhad (“BMSB”)
Stock Short Name	: NPS
Stock Code	: 03006

Directors' Report

for the financial year ended 31 December 2020

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

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. The principal activities of the subsidiary company are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	<u>Group</u> RM	<u>Company</u> RM
Loss for the financial year after taxation attributable to : -		
Owners of the Company	(649,044)	(560,924)
Non-controlling interests	<u>(80,969)</u>	<u>-</u>
	<u>(730,013)</u>	<u>(560,924)</u>

Dividends

No dividend has been paid, declared or proposed since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

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 Group and 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 Group or in the Company inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and 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 Group and 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 Group and of the Company misleading.

Directors' Report

for the financial year ended 31 December 2020

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 Group and 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 Group or 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 Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or 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 Group or 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 Group and 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 Group and 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 Group or of the Company for the current financial year.

Shares and debentures

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

Options Granted Over Unissued Shares

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

Directors' Report

for the financial year ended 31 December 2020

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

Ter Leong Tah

Ng Tik Hwa – appointed on 01/07/2020

The directors who hold office in the subsidiary company (excluding directors who are also directors of the Company) during the financial year until the date of this report are : -

Low Eng Soon – resigned on 31/10/2020

Directors' interests

The interests and deemed interest in the ordinary shares of the Company of those who are directors at year end (including the interests of the spouses or children of the directors) as recorded in the Register of Directors' Shareholdings are as follows : -

	Number of ordinary shares			As at <u>31/12/2020</u>
	As at <u>1/1/2020</u>	<u>Bought</u>	<u>Sold</u>	
<u>Direct interests</u>				
Khoo Boo Wie	103,440,000	-	-	103,440,000
Ter Leong Tah	6,000,000	-	-	6,000,000

None of the other directors 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' remuneration

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company or its subsidiary company during the financial year are disclosed in Note 33 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 or its subsidiary 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 or its subsidiary company by the directors or past directors of the Company during the financial year.

Directors' Report

for the financial year ended 31 December 2020

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 have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) 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 for any benefits which may deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 33 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 34 to the financial statements.

Directors' Report

for the financial year ended 31 December 2020

Auditors

- a) Details of auditors' remuneration for the Group and the Company are disclosed in Note 22 to the financial statements.
- b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors

Khoo Boo Wie

Ter Leong Tah

Kuala Lumpur,
Date : 20 April 2021

Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Incorporated in Malaysia, Registration No. 197701003731 (34608 - K))

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nova Pharma Solutions Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 79.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Incorporated in Malaysia, Registration No. 197701003731 (34608 - K))

Key Audit Matters (Cont'd.)

Revenue Recognition

Refer to Notes 3(l) and 19 to the financial statements.

The key audit matter

The Group and 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 Group and the Company recognised revenue from contract customers of RM4,234,822 and RM2,860,385 for the financial year ended 31 December 2020.

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.

Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Incorporated in Malaysia, Registration No. 197701003731 (34608 - K))

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and 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 Group and 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 Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of 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 Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report

to members of Nova Pharma Solutions Berhad
(Incorporated in Malaysia, Registration No. 197701003731 (34608 - K))

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 Group and 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
(Incorporated in Malaysia, Registration No. 197701003731 (34608 - K))

Other Matter

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

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2022 J
Chartered Accountant

Kuala Lumpur,
Date : 20 April 2021

Consolidated Statement of Financial Position

31 December 2020

	Note	2020 RM	2019 RM
ASSETS			
Non-Current Assets			
Plant and equipment	4	183,531	227,423
Right-of-use assets	5	104,774	167,639
Goodwill on consolidation	7	-	-
Total Non-Current Assets		288,305	395,062
Current Assets			
Trade receivables	8	2,501,525	1,521,973
Contract assets	9	2,027,683	3,139,932
Other receivables, deposits and prepayments	10	102,222	46,546
Current tax assets		834,762	228,951
Short-term funds	12	5,799,526	6,157,038
Cash and bank balances		250,230	1,067,305
Total Current Assets		11,515,948	12,161,745
Total Assets		11,804,253	12,556,807
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	7,985,000	7,985,000
Retained profits	14	1,878,434	2,527,478
		9,863,434	10,512,478
Non-controlling interests	15	-	72,766
Total Equity		9,863,434	10,585,244
Non-Current Liability			
Lease liabilities	16	45,173	109,587
Current Liabilities			
Trade payables	17	58,638	76,915
Contract liabilities	9	121,842	18,775
Other payables and accruals	18	1,650,752	1,706,644
Lease liabilities	16	64,414	59,642
Total Current Liabilities		1,895,646	1,861,976
Total Liabilities		1,940,819	1,971,563
Total Equity and Liabilities		11,804,253	12,556,807

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Revenue	19	4,234,822	6,295,132
Cost of sales		(2,483,700)	(3,346,495)
Gross profit		1,751,122	2,948,637
Other income	20	196,783	241,055
Selling and distribution costs		(44,386)	(53,876)
Administration expenses		(2,512,997)	(1,880,337)
Other expenses		(99,266)	(94,535)
(Loss)/Profit from operations		(708,744)	1,160,944
Finance costs	21	(13,538)	(8,643)
(Loss)/Profit before taxation	22	(722,282)	1,152,301
Income tax expense	24	(7,731)	(31,673)
Total comprehensive (loss)/income for the financial year		(730,013)	1,120,628
Total comprehensive (loss)/income for the financial year attributable to :-			
Equity holders of the Company		(649,044)	1,096,862
Non-controlling interests		(80,969)	23,766
		(730,013)	1,120,628
Basic earnings per share (sen)	25	(0.44)	0.74

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

Nova Pharma Solutions Berhad

(Incorporated in Malaysia, Registration No. 197701003731 (34608 – K))

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2020

	Share capital RM	Retained profits RM	Total RM	Non- controlling interests RM	Total equity RM
Balance at 1 January 2019	7,985,000	2,026,654	10,011,654	-	10,011,654
Issuance of shares to non-controlling interests	-	-	-	49,000	49,000
Total comprehensive income for the financial year	-	1,096,862	1,096,862	23,766	1,120,628
Transaction with owners :- Dividends (Note 26)	-	(596,038)	(596,038)	-	(596,038)
Balance at 31 December 2019	<u>7,985,000</u>	<u>2,527,478</u>	<u>10,512,478</u>	<u>72,766</u>	<u>10,585,244</u>
Total comprehensive loss for the financial year	-	(649,044)	(649,044)	(80,969)	(730,013)
Acquisition on non-controlling interest	-	-	-	8,203	8,203
Balance at 31 December 2020	<u>7,985,000</u>	<u>1,878,434</u>	<u>9,863,434</u>	<u>-</u>	<u>9,863,434</u>

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

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Cash flow from operating activities			
(Loss)/Profit before taxation		(722,282)	1,152,301
Adjustments for : -			
Depreciation of plant and equipment		103,829	63,945
Depreciation of right-of-use asset		62,865	62,865
Impairment loss on trade receivables		150,114	-
Impairment loss on goodwill on consolidation		57,203	-
Investment measured at fair value through profit or loss			
- dividends received		(142,608)	(222,590)
- fair value adjustments		120	(43)
Interest income		(550)	(4,459)
Interest expenses		13,538	8,643
Unrealised (gain)/loss on foreign exchange		(29,206)	33,677
Operating (loss)/profit before working capital changes		<u>(506,977)</u>	<u>1,094,339</u>
Changes in working capital : -			
Trade receivables		(1,133,363)	(265,990)
Contract assets		1,112,249	(652,573)
Contract liabilities		103,067	(130,521)
Other receivables, deposits and prepayments		(55,676)	(13,921)
Trade payables		(39,179)	(96,442)
Other payables and accruals		242,127	(1,242,933)
Cash used in operations		<u>(277,752)</u>	<u>(1,308,041)</u>
Interest expenses		(13,538)	(8,643)
Tax paid		(613,542)	(260,624)
Tax refund		-	111,322
Net cash used in operating activities		<u>(904,832)</u>	<u>(1,465,986)</u>
Cash flow from investing activities			
Investment measured at fair value through profit or loss			
- dividends received		142,608	222,590
- fair value adjustments		(120)	43
Interest received		550	4,459
Acquisition on non-controlling interest		(49,000)	-
Purchase of plant and equipment	27	(59,937)	(124,060)
Net cash generated from investing activities		<u>34,101</u>	<u>103,032</u>
Balance carried forward		<u>(870,731)</u>	<u>(1,362,954)</u>

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Balance brought forward		(870,731)	(1,362,954)
Cash flows from financing activities			
Dividends paid		(298,019)	(298,019)
Proceeds from issuance of shares		-	49,000
Repayment of lease liabilities		(59,642)	(64,539)
Repayment to a director		-	(170,755)
Net cash used in financing activities		<u>(357,661)</u>	<u>(484,313)</u>
Net decrease in cash and cash equivalents		<u>(1,228,392)</u>	<u>(1,847,267)</u>
Effect of foreign exchange rate changes		53,805	(19,664)
Cash and cash equivalents at the beginning of the financial year		7,224,343	9,091,274
Cash and cash equivalents at the end of the financial year	28	<u>6,049,756</u>	<u>7,224,343</u>

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

Statement of Financial Position

31 December 2020

	Note	2020 RM	2019 RM
ASSETS			
Non-Current Assets			
Plant and equipment	4	183,531	227,423
Right-of-use asset	5	104,774	167,639
Investment in subsidiary company	6	100,000	51,000
Total Non-Current Assets		388,305	446,062
Current Assets			
Trade receivables	8	2,083,590	887,161
Contract assets	9	1,780,597	2,810,427
Other deposits and prepayments	10	102,222	46,546
Amount due from subsidiary company	11	749,853	661,722
Current tax assets		437,084	154,031
Short-term funds	12	5,799,526	6,157,038
Cash and bank balances		247,839	1,053,405
Total Current Assets		11,200,711	11,770,330
Total Assets		11,589,016	12,216,392
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	7,985,000	7,985,000
Retained profits	14	1,941,818	2,502,742
Total Equity		9,926,818	10,487,742
Non-Current Liability			
Lease liabilities	16	45,173	109,587
Current Liabilities			
Trade payables	17	58,638	-
Contract liabilities	9	82,842	18,775
Other payables and accruals	18	1,411,131	1,540,646
Lease liabilities	16	64,414	59,642
Total Current Liabilities		1,617,025	1,619,063
Total Liabilities		1,662,198	1,728,650
Total Equity and Liabilities		11,589,016	12,216,392

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

Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Revenue	19	2,860,385	5,382,535
Cost of sales		(1,529,852)	(2,672,735)
Gross profit		1,330,533	2,709,800
Other income	20	224,267	246,055
Selling and distribution costs		(18,461)	(39,933)
Administration expenses		(2,048,255)	(1,734,025)
Other expenses		(42,063)	(94,535)
(Loss)/Profit from operations		(553,979)	1,087,362
Finance costs	21	(13,538)	(8,643)
(Loss)/Profit before taxation	22	(567,517)	1,078,719
Income tax expense	24	6,593	(6,593)
Total comprehensive (loss)/income for the financial year		(560,924)	1,072,126

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 2020

	<u>Share capital</u> RM	<u>Retained profit</u> RM	<u>Total</u> RM
Balance at 1 January 2019	7,985,000	2,026,654	10,011,654
Total comprehensive income for the financial year	-	1,072,126	1,072,126
Transactions with owners :-			
Dividends (Note 26)	-	(596,038)	(596,038)
Balance at 31 December 2019	<u>7,985,000</u>	<u>2,502,742</u>	<u>10,487,742</u>
Total comprehensive loss for the financial year	-	(560,924)	(560,924)
Balance at 31 December 2020	<u>7,985,000</u>	<u>1,941,818</u>	<u>9,926,818</u>

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

Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Cash flow from operating activities			
(Loss)/Profit before taxation		(567,517)	1,078,719
Adjustments for : -			
Depreciation of plant and equipment		103,829	63,945
Depreciation of right-of-use asset		62,865	62,865
Impairment loss on trade receivables		150,114	-
Investment measured at fair value through profit or loss			
- dividends received		(142,608)	(222,590)
- fair value adjustments		120	(43)
Interest income		(550)	(4,459)
Interest expenses		13,538	8,643
Unrealised (gain)/loss on foreign exchange		(29,206)	33,677
Operating (loss)/profit before working capital changes		(409,415)	1,020,757
Changes in working capital : -			
Trade receivables		(1,350,241)	368,822
Contract assets		1,029,830	(323,068)
Deposits and prepayments		(55,676)	(13,921)
Trade payables		37,736	(173,357)
Contract liabilities		64,067	(130,521)
Other payables and accruals		168,504	(1,408,931)
Cash used in operations		(515,195)	(660,219)
Interest expenses		(13,538)	(8,643)
Tax refund		-	111,322
Tax paid		(276,459)	(160,624)
Net cash used in operating activities		(805,192)	(718,164)
Cash flows from investing activities			
Investment in subsidiary company		(49,000)	(51,000)
Investment measured at fair value through profit or loss			
- dividends received		142,608	222,590
- fair value adjustments		(120)	43
Interest received		550	4,459
Purchase of plant and equipment	27	(59,937)	(124,060)
Advance to subsidiary company		(88,131)	(661,722)
Net cash generated from/(used in) investing activities		(54,030)	(609,690)
Balance carried forward		(859,222)	(1,327,854)

Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM	2019 RM
Balance brought forward		(859,222)	(1,327,854)
Cash flows from financing activities			
Dividends paid		(298,019)	(298,019)
Repayment of lease liabilities		(59,642)	(64,539)
Repayment to a director		-	(170,755)
Net cash used in financing activities		(357,661)	(533,313)
Net decrease in cash and cash equivalents		(1,216,883)	(1,861,167)
Effect of foreign exchange rate changes		53,805	(19,664)
Cash and cash equivalents at the beginning of the financial year		7,210,443	9,091,274
Cash and cash equivalents at the end of the financial year	28	6,047,365	7,210,443

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

Notes to the Financial Statements

31 December 2020

1. General information

Nova Pharma Solutions Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Leap Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company are as follows : -

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiary (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the year ended 31 December 2020 do not include other entities.

The Company is principally engaged in the business of provision of technical documentation, validation and project execution in the pharmaceutical and biological industries. The principal activities of its subsidiary company are set out in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 20 April 2021.

2. Basis of preparation of financial statements

a) Statement of compliance

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

The Group and the Company have applied the following accounting standards, interpretations and amendments of the MFRSs for the first time for the financial year beginning on 1 January 2020 : -

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to MFRS 4, Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date

Notes to the Financial Statements

31 December 2020

2. Basis of preparation of financial statements (Cont'd.)

a) Statement of compliance (Cont'd.)

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 June 2020

- Amendments to MFRS 16, Leases – Covid-19 Related Rent Concessions

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

- Amendments to MFRS 4, Insurance Contracts, MFRS 7, Financial Instruments, MFRS 9, Financial Instruments, MFRS 16, Leases, MFRS 139, Financial Instruments : Recognition and Measurement - Interest Rate Benchmark Reform – Phase 2

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 3, Business Combination – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018-2020 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contract – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018-2020 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendment to MFRS 17, Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

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

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

Notes to the Financial Statements

31 December 2020

2. Basis of preparation of financial statements (Cont'd.)

a) Statement of compliance (Cont'd.)

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

- from the annual period beginning on 1 June 2020 for those accounting standards, interpretations and amendments that are applicable to the Company and effective for annual periods beginning on or after 1 January 2021;
- from the annual year beginning on 1 January 2021 for those accounting standards, interpretations and amendments that are applicable to the Company and effective for annual periods beginning on or after 1 January 2021;
- from the annual year beginning on 1 January 2022 for those accounting standards, interpretations and amendments that are applicable the Company and effective for annual periods beginning on or after 1 January 2022; and
- from the annual year beginning on 1 January 2023 for those accounting standards, interpretations and amendments that are applicable to the Company and effective for annual periods beginning on or after 1 January 2023.

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

Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of “material” has been revised as “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendment also : -

- clarify that an entity assess materiality in the context of the financial statements as a whole;
- explain the concept of obscuring information in the new definition. Information is obscured if it have the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information; and

Notes to the Financial Statements

31 December 2020

2. Basis of preparation of financial statements (Cont'd.)

a) Statement of compliance (Cont'd.)

- clarify the meaning of “primary users of general purpose financial statements” to whom those financial statements are directed, by defining them as “existing and potential investors, lenders and other creditors” that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of amendments to MFRS 101 and MFRS 108.

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 Group’s and 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.

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 on a straight-line basis over their estimated useful life. Management estimated the 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.

Notes to the Financial Statements

31 December 2020

2. Basis of preparation of financial statements (Cont'd.)

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

ii) Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over their useful life or the end of the lease term. 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.

iii) Impairment of investment in subsidiary company

The Company reviews the investments in subsidiary company for impairment when there is an indication of impairment and assess the impairment of receivables on the amounts due from subsidiary company when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiary company and amounts due from subsidiary company are assessed by reference to the value in use of the respective subsidiary company.

The value in use is the net present value of the projected future cash flows derived from the business operations of the respective subsidiary company discounted at an appropriate discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set assumptions to reflect their income and cash flows. Judgement had also been used to determine the discount rate for the cash flows and the future growth of the businesses of the subsidiary company.

iv) Measurement of Expected Credit Loss (“ECL”) allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s and the Company’s past history, existing market conditions as well as forward looking estimates at the end of reporting period.

v) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise 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.

Notes to the Financial Statements

31 December 2020

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 Group entities, unless otherwise stated.

a) Basis of consolidation

i) Subsidiary

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

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

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

ii) Business combinations

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

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

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

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

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

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

a) Basis of consolidation (Cont'd.)

ii) Business combinations (Cont'd.)

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

iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

a) Basis of consolidation (Cont'd.)

vi) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

c) Financial instruments

i) Recognition and initial measurement

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

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

i) Recognition and initial measurement (Cont'd.)

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

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

ii) Financial instrument categories and subsequent measurement

Financial assets

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

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 debt investment, 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 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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group 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 are recognised in other comprehensive income. On derecognition, 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 Group or 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.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

c) Fair value through profit or loss (Cont'd.)

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 other comprehensive income, are subject to impairment assessment (see Note 3(h)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows :-

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.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss :-

- i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

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

Financial liabilities (Cont'd.)

a) Fair value through profit or loss (Cont'd.)

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

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 on derecognition are also recognised in the profit or loss.

iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting in the current year.

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.

iv) 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.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

c) Financial instruments (Cont'd.)

iv) Financial guarantee contracts (Cont'd.)

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of : -

- a) the amount of the loss allowance; and
- b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

d) 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.

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.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

d) Plant and equipment (Cont'd.)

i) Recognition and measurement (Cont'd.)

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.

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 Group or 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.

The principal annual rates 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.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

e) Leases

i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

ii) Recognition and initial measurement

a) As a lessee

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

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

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

e) Leases (Cont'd.)

ii) Recognition and initial measurement (Cont'd.)

a) As a lessee (Cont'd.)

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

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

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

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

b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease: if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

e) Leases (Cont'd.)

ii) Recognition and initial measurement (Cont'd.)

b) As a lessor (Cont'd.)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

iii) Subsequent measurement

a) As a lessee

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

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

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

b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

f) Contract asset /liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see Note 3(h)(i)).

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

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and 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.

h) Impairment

i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

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

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

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

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

h) Impairment (Cont'd.)

i) Financial assets (Cont'd.)

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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.

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 Group and the Company assess 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 Group or 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 Group's or the Company's procedures for recovery amounts due.

ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax assets, 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 a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

h) Impairment (Cont'd.)

ii) Other assets (Cont'd.)

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated 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.

i) 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.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

j) Employee benefits

i) Short-term employee benefits

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

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

ii) State plans

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.

k) Provisions

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

l) Revenue and other income

i) Revenue from contracts with customers

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

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

- the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

l) Revenue and other income (Cont'd.)

i) Revenue from contract with customers (Cont'd.)

- the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

If control of the assets is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards the satisfaction of each of those performance obligations. Otherwise, revenue is recognised at a point in time when the customer obtain control over the goods or service.

a) Revenue from construction contracts

For construction contracts whereby the Group has an enforceable right to payment for performance completed to date, revenue is recognised progressively over time using input method on the basis of the actual construction costs incurred relative to the estimated total construction costs.

Revenue is recognised only in respect of finalised construction contracts to the extent that such revenue relates to the progress of the construction work.

If the Group may not be able to reasonably measure the outcome of a performance obligation, but the Group expects to recover the costs incurred in satisfying the performance obligation. The Group will recognise the revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

If the Group has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. When the entitlement to payment becomes unconditional, billings will be recognised as receivables. Conversely, if the Group has issued a bill but revenue has yet to be recognised, then the obligation is recognised as a contract liability (refer to Note 3(h)).

b) 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 returns and allowances and discounts.

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

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

l) Revenue and other income (Cont'd.)

i) Revenue from contract with customers (Cont'd.)

c) 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.

ii) Management fee

Management fee is recognised upon the service rendered.

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.

m) 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 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 reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

m) Income tax (Cont'd.)

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

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

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.

n) Earnings per ordinary shares

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

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

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

o) Operating segments

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

Notes to the Financial Statements

31 December 2020

3. Significant accounting policies (Cont'd.)

p) 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 statements 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 statements 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.

q) 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 Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows : -

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

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

Notes to the Financial Statements

31 December 2020

4. Plant and equipment

<u>Group and Company</u>	Office and computer equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Total RM
2020					
<u>At cost</u>					
Balance at 1 January 2020	485,426	28,016	411,432	101,230	1,026,104
Additions	59,937	-	-	-	59,937
Balance at 31 December 2020	545,363	28,016	411,432	101,230	1,086,041
<u>Accumulated depreciation</u>					
Balance at 1 January 2020	428,673	16,151	346,251	7,606	798,681
Charge for the financial year	41,851	2,802	26,133	33,043	103,829
Balance at 31 December 2020	470,524	18,953	372,384	40,649	902,510
Net Book Value	74,839	9,063	39,048	60,581	183,531
2019					
<u>At cost</u>					
Balance at 1 January 2019	460,956	27,556	411,432	116,682	1,016,626
Additions	24,470	460	-	99,130	124,060
Written off	-	-	-	(114,582)	(114,582)
Balance at 31 December 2019	485,426	28,016	411,432	101,230	1,026,104
<u>Accumulated depreciation</u>					
Balance at 1 January 2019	399,132	13,388	320,118	116,680	849,318
Charge for the financial year	29,541	2,763	26,133	5,508	63,945
Disposals	-	-	-	(114,582)	(114,582)
Balance at 31 December 2019	428,673	16,151	346,251	7,606	798,681
Net Book Value	56,753	11,865	65,181	93,624	227,423

Notes to the Financial Statements

31 December 2020

4. Plant and equipment (Cont'd.)

The costs of fully depreciated plant and equipment of the Group and of the Company are as follows :-

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Office and computer equipment	402,148	385,700
Motor vehicles	280,769	280,769
Renovation	2,100	-
	685,017	666,469

5. Right-of-use asset

<u>Group and Company</u>	Office building
2020	RM
<u>Cost</u>	
Balance at 1 January /31 December	377,188
<u>Accumulated depreciation</u>	
Balance at 1 January	209,549
Charge for the financial year	62,865
Balance at 31 December	272,414
Carrying amount	104,774
2019	
<u>Cost</u>	
Balance at 1 January /31 December	377,188
<u>Accumulated depreciation</u>	
Balance at 1 January	146,684
Charge for the financial year	62,865
Balance at 31 December	209,549
Carrying amount	167,639

The Group leases an office building from one of the directors for a period of 36 months commencing from 1 September 2019, with an option to renew the lease after the expiry of the lease period.

Notes to the Financial Statements

31 December 2020

6. Investment in subsidiary company

	<u>Company</u>	
	2020	2019
	RM	RM
Unquoted shares, at cost	100,000	51,000

The principal activities of the subsidiary company in the Group and the interest of Nova Pharma Solutions Berhad are as follows : -

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest</u>	
			2020	2019
			%	%
Nova HiTech Solutions Sdn. Bhd.	Malaysia	Providing a total engineering solutions business focusing in engineering, procurement, construction and commissioning (“EPCC”) services for advanced technology facility setup.	100	51

Non-controlling interest in subsidiary company

The Group’s subsidiary company that has material non-controlling interest (“NCI”) is as follows : -

	Nova HiTech Solutions Sdn Bhd
2019	
NCI percentage of ownership interest and voting interest	49%
Carrying amount of NCI (RM)	72,766
Profit allocated to NCI (RM)	23,766
Summarised financial information before intra-group elimination :-	
	RM
<u>As at 31 December</u>	
Current assets	1,053,137
Current liabilities	(904,635)
Net assets	148,502
<u>Year ended 31 December</u>	
Revenue	982,597
Profit for the financial year	48,502
Cash flows used in operating activities	(747,822)
Cash flows from financing activities	761,722
Net increase in cash and cash equivalents	13,900
Dividends paid to NCI	-

Notes to the Financial Statements

31 December 2020

7. Goodwill on consolidation

	<u>Group</u>	
	2020 RM	2019 RM
Balance as at 1 January	-	-
Additions	57,203	-
Impairment loss recognised	(57,203)	-
Balance as at 31 December	<u>-</u>	<u>-</u>

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGUs") identified according to the particular business segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

8. Trade receivables

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables	3,089,239	2,035,864	2,671,304	1,401,052
Less: Allowance for impairment losses (Note 30(b)(i))	(587,714)	(513,891)	(587,714)	(513,891)
	<u>2,501,525</u>	<u>1,521,973</u>	<u>2,083,590</u>	<u>887,161</u>

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

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
At beginning of the financial year	513,891	513,891	513,891	513,891
Bad debt written off	(76,291)	-	(76,291)	-
Impairment losses recognised	150,114	-	150,114	-
At end of the financial year	<u>587,714</u>	<u>513,891</u>	<u>587,714</u>	<u>513,891</u>

Group

The normal credit term of trade receivables range from 14 to 75 days (2019 – 14 to 75 days). Other terms are assessed and approved on a case-by-case basis.

Notes to the Financial Statements

31 December 2020

8. Trade receivables (Cont'd.)

Company

The normal credit term of trade receivables range from 14 to 60 days (2019 – 14 to 30 days). Other terms are assessed and approved on a case-by-case basis.

The foreign currencies exposures of trade receivables are as follows : -

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
Euro	-	58,311	-	58,311
US Dollar	616,195	469,028	616,195	469,028

9. Contract assets /(liabilities)

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
<u>Contract assets</u>				
Aggregate cost recognised to date	6,425,535	7,027,167	5,194,856	6,396,287
Add: Attributable profits	4,068,229	4,235,076	3,700,704	4,213,239
	10,493,764	11,262,243	8,895,560	10,609,526
Less: Progress billings	(8,466,081)	(7,984,311)	(7,114,963)	(7,661,099)
	2,027,683	3,277,932	1,780,597	2,948,427
Less: Foreseeable loss	-	(138,000)	-	(138,000)
	2,027,683	3,139,932	1,780,597	2,810,427
<u>Contract liabilities</u>				
Aggregate cost recognised to date	2,064,717	58,911	1,964,186	58,911
Add: Attributable profits	962,065	194,264	957,596	194,264
	3,026,782	253,175	2,921,782	253,175
Less: Progress billings	(3,148,624)	(271,950)	(3,004,624)	(271,950)
	(121,842)	(18,775)	(82,842)	(18,775)

The foreign currency exposures of contract assets /(liabilities) of the Group and the Company are as follows : -

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
Euro	66,225	562,350	66,225	562,350
US Dollar	100,514	85,719	100,514	85,719

Notes to the Financial Statements

31 December 2020

10. Other receivables, deposits and prepayments

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	-	902	-	902
Deposits	18,650	15,206	18,650	15,206
Prepayments	83,572	30,438	83,572	30,438
	102,222	46,546	102,222	46,546

11. Amounts due from subsidiary company

	<u>Company</u>	
	2020 RM	2019 RM
Amount due from subsidiary company : -		
Nova HiTech Solutions Sdn Bhd		
- Trade	70,000	70,000
- Non-trade	679,853	591,722
	749,853	661,722

The normal credit term is 30 days (2019 – 30 days). However, the terms may vary according to directors' discretion.

Non-trade balances due from subsidiary company is in respect of advances and payments made on behalf, which is unsecured, interest free and repayable on demand in cash and cash equivalent.

12. Short-term funds

	<u>Group and Company</u>	
	2020 RM	2019 RM
Investments in unquoted unit trusts in Malaysia at fair value through profit or loss	5,799,526	6,157,038

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.

Notes to the Financial Statements

31 December 2020

13. Share capital

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Issued and fully paid :		
149,009,507 ordinary share	7,985,000	7,985,000

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 equally with regard to the Company's residual assets.

14. Retained profits

The Company may distribute dividends out of its retained profits under the single tier system which are tax exempt in the hands of shareholder.

15. Non-controlling interests

	<u>Group</u>	
	2020	2019
	RM	RM
Balance at the beginning of the financial year	72,766	-
Acquisition on non-controlling interest	(49,000)	-
Impairment loss on goodwill on consolidation	57,203	-
Issuance of shares	-	49,000
Transferred from profit or loss	(80,969)	23,766
Balance at the end of the financial year	-	72,766

Notes to the Financial Statements

31 December 2020

16. Lease liabilities

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Minimum lease payments : -		
- not later than one year	73,181	73,181
- later than one year and not later than two years	48,787	73,181
- later than two year and not later than five years	-	48,787
	121,968	195,149
Less: Future interest charges	(12,381)	(25,920)
Present value of lease liabilities	109,587	169,229
Repayable as follows : -		
- later than one year and not later than two years	45,173	64,414
- later than two year and not later than five years	-	45,173
	45,173	109,587
Current liabilities		
- not later than one year	64,414	59,642
	109,587	169,229

The lease liabilities related to an office building that leased from one of the directors for a period of 36 months, with an option to renew the lease after the expiry of the lease period.

a) Reconciliation of movements in lease liabilities to cash flows arising from financing activities

	<u>Group and Company</u>	
	2020	2019
	RM	RM
At 1 January	169,229	233,768
Net changes from financing cash flows	(59,642)	(64,539)
At 31 December	109,587	169,229

b) Amounts recognised in statement of cash flows

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Included in net cash from from operating activities : -		
Interest paid in relation to lease liabilities (Note 21)	13,538	8,643
Included in net cash from from financing activities : -		
Repayment of lease liabilities	59,642	64,539
	73,180	73,182

Notes to the Financial Statements

31 December 2020

17. Trade payables

Group

The normal credit term of trade payables is in the range from immediate payment to 45 days (2019 – 90days). However, the term may vary upon negotiation with the trade payables.

Company

The normal credit terms of trade payables are in the range from immediate payment to 45 days (2019 – Nil). However, the credit terms may vary dependent on negotiation with the suppliers.

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

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
US Dollar	39,704	-	39,704	-

18. Other payables and accruals

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
Dividends payable	-	298,019	-	298,019
Other payable	149,785	55,025	149,785	55,025
Accruals	1,500,967	1,353,600	1,261,346	1,187,602
	<u>1,650,752</u>	<u>1,706,644</u>	<u>1,411,131</u>	<u>1,540,646</u>

Group

Included in other payables and accruals is as follows : -

- i) an amount due to a corporate shareholder of RM Nil (2019 – RM 9,000).
- ii) an accrued project cost of RM1,276,956 (2019 – RM986,887).

Company

Included in other payables and accruals are as follows : -

- i) an amount due to a corporate shareholder of RM Nil (2019 – RM 9,000).
- ii) an accrued project cost of RM1,053,076 (2019 – RM840,162).

The amounts outstanding are unsecured, interest free and repayable on demand in cash and cash equivalents.

Notes to the Financial Statements

31 December 2020

19. Revenue

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contract with customers : -				
- Services rendered	4,234,822	6,295,132	2,860,385	5,382,535
Timing of revenue : -				
- at a point of time	1,714,682	459,996	1,317,417	130,116
- over time	2,520,140	5,835,136	1,542,968	5,252,419
	4,234,822	6,295,132	2,860,385	5,382,535

20. Other income

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
Investment measured at fair value through profit or loss : -				
- dividends received	142,607	222,590	142,607	222,590
- fair value adjustments	-	43	-	43
Interest income	550	4,459	550	4,459
Government subsidy	21,600	-	21,600	-
Management fees	-	-	12,000	5,000
Other income	32,026	-	47,510	-
Realised gain on foreign exchange	-	13,963	-	13,963
	196,783	241,055	224,267	246,055

21. Finance cost

	<u>Group and Company</u>	
	2020 RM	2019 RM
Interest expense of financial liabilities that are not fair value through profit or loss : -		
- lease liabilities	13,538	8,643

Notes to the Financial Statements

31 December 2020

22. Profit before taxation

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
This is arrived at after charging : -				
Auditors' remuneration				
- current financial year				
- Kreston John & Gan	44,000	44,000	35,000	35,000
- underprovision in prior year	-	8,000	-	8,000
Depreciation of plant and equipment	103,829	63,945	103,829	63,945
Depreciation of right-of-use asset	62,865	62,865	62,865	62,865
Doubtful debt allowance	150,114	-	150,114	-
Employee benefits expense (Note 23)	1,760,098	2,142,944	1,254,530	1,961,780
Interest expense in lease liabilities	13,538	8,643	13,538	8,643
Impairment loss on goodwill on consolidation	57,203	-	-	-
Loss on fair value adjustments	120	-	120	-
Loss in foreign exchange				
- realised	71,149	60,858	71,149	60,858
- unrealised	-	33,677	-	33,677

This is arrived at after crediting : -

Investment measured at fair value through profit or loss				
- dividends received	142,608	222,590	142,608	222,590
- fair value adjustments	-	43	-	43
Interest income	550	4,459	550	4,459
Gain in foreign exchange				
- realised	-	13,963	-	13,963
- unrealised	29,206	-	29,206	-
Management fees	-	-	12,000	5,000

23. Employee benefits expense

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
Salaries, allowances and bonus	1,475,283	1,854,128	1,033,676	1,699,060
Employees Provident Fund	218,061	220,833	170,181	204,435
Employment Insurance System	1,701	1,469	1,394	1,370
Social security costs	15,728	13,506	12,088	12,495
Other staff related expenses	49,325	53,008	37,191	44,420
	1,760,098	2,142,944	1,254,530	1,961,780

Notes to the Financial Statements

31 December 2020

23. Employee benefits expense (Cont'd.)

Group

Included in employee benefits expense of the Group is directors' emoluments amounting to RM654,090 (2019 – RM658,080) as disclosed in Note 33 to the financial statements.

The estimated monetary value of benefits not included in director's emoluments of the Group amounted to RM71,241 (2019 – RM78,875) as disclosed in Note 33 to the financial statements.

Company

Included in employee benefits expense of the Company is directors' emoluments amounting to RM496,590 (2019 – RM583,080) as disclosed in Note 33 to the financial statements.

The estimated monetary value of benefits not included in director's emoluments of the Company amounted to RM53,747 (2019 – RM69,875) as disclosed in Note 33 to the financial statements.

24. Income tax expense

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
Income tax				
- current year provision	14,324	31,673	-	6,593
- overprovision in prior year	(6,593)	-	(6,593)	-
	7,731	31,673	(6,593)	6,593

Income tax is calculated at the Malaysian statutory tax rate 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 enjoyed full exemption from income tax on its statutory income from its pioneer activities for 5 years, from 10 November 2014 to 9 November 2019.

Premised on the above, the Company has made the tax provision with effect from 1 November 2019 based on the prevailing tax rate pending the renewal of the Pioneer Status whereby the Company also has submitted an application to Malaysia Digital Economy Corporation ("MDEC") on June 2020 for the renewal of the Pioneer Status. MDEC is still in the midst of processing the renewal application as of date of this financial statement.

Notes to the Financial Statements

31 December 2020

24. Income tax expense (Cont'd.)

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

	<u>Group</u>		<u>Company</u>	
	2020 %	2019 %	2020 %	2019 %
Applicable tax rate	24	24	24	24
Deferred tax asset not recognised	(12)	-	(15)	-
Income tax exempted under pioneer status	-	(22)	-	(22)
Non-allowable expenses	(12)	6	(9)	3
Non-taxable income	-	(5)	-	(5)
Overprovision in prior year	1	-	1	-
Effective tax rate	<u>1</u>	<u>3</u>	<u>1</u>	<u>*</u>

* Less than 1%

25. Earnings per share

Basic :

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

	<u>Group</u>	
	2020 RM	2019 RM
(Loss)/Profit for the financial year attributable to ordinary equity holders of the Company	<u>(649,044)</u>	<u>1,096,862</u>
Number of shares in issue (unit)	<u>149,009,507</u>	<u>149,009,507</u>
Basic earnings per share (sen)	<u>(0.44)</u>	<u>0.74</u>

Diluted :-

Diluted earnings per share is not computed as the Group did not have any convertible financial instruments as at 31 December 2020 and 31 December 2019.

Notes to the Financial Statements

31 December 2020

26. Dividends

Dividends paid and declared in respect of financial year ended 31 December are as follows : -

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Dividends : -		
- RM 0.002 per share final single-tier dividend, paid on 8 August 2019	-	298,019
- RM 0.002 per share final single-tier dividend, paid on 17 January 2020	-	298,019
	<u>-</u>	<u>596,038</u>

The directors do not recommend any final dividend for the financial year ended 31 December 2020.

27. Purchase of plant and equipment

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

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Purchase of plant and equipment (Note 4)	<u>59,937</u>	<u>124,060</u>

28. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
Short-term funds (Note 12)	5,799,526	6,157,038	5,799,526	6,157,038
Cash and bank balances	250,230	1,067,305	247,839	1,053,405
	<u>6,049,756</u>	<u>7,224,343</u>	<u>6,047,365</u>	<u>7,210,443</u>

The foreign currencies exposures of cash and bank balances of the Group and the Company are as follows : -

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
Euro	121,214	146,322	121,214	146,322
US Dollar	45,341	738,678	45,341	738,678

Notes to the Financial Statements

31 December 2020

29. 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.

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.

EPCC : -

Comprise of works and services pertaining to engineering and /or procurement and /or construction and /or commissioning for advanced technology facilities.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer. 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 Chief Executive Officer. 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 plant and equipment.

Notes to the Financial Statements

31 December 2020

29. Segment information (Cont'd.)

Business segment

<u>Group</u> 2020 Revenue	Design fee RM	Post design fee RM	Other support fee RM	EPCC * RM	Total RM
External revenue	598,731	557,953	2,103,959	974,179	4,234,822

2019

Revenue					
External revenue	2,460,124	739,500	2,442,791	652,717	6,295,132

Company
2020

Revenue					
External revenue	598,731	557,953	1,703,701	-	2,860,385

2019

Revenue					
External revenue	2,160,124	739,500	2,482,911	-	5,382,535

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

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
Pharmaceutical	1,869,514	1,729,360	808,754	1,469,480
Biotechnology	2,051,631	3,913,055	2,051,631	3,913,055
EPCC *	313,677	652,717	-	-
	4,234,822	6,295,132	2,860,385	5,382,535

* EPCC comprise of works and services pertaining to engineering, procurement, construction and commissioning

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

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
France	-	317,984	-	317,984
Malaysia	2,587,043	2,565,265	1,212,606	1,652,668
Taiwan	1,460,604	2,917,958	1,460,604	2,917,958
Thailand	18,775	493,925	18,775	493,925
Vietnam	168,400	-	168,400	-
	4,234,822	6,295,132	2,860,385	5,382,535

Notes to the Financial Statements

31 December 2020

29. Segment information (Cont'd.)

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

	<u>Group</u>		<u>Company</u>	
	2020 RM	2019 RM	2020 RM	2019 RM
- Customer A	-	908,563	-	908,563
- Customer B	671,689	887,445	671,689	-
- Customer C	-	800,432	387,257	800,432
- Customer D	-	659,980	282,200	659,980
- Customer E	-	-	-	562,350
- Customer F	1,080,227	-	-	-
	1,751,916	3,256,420	1,341,146	2,931,325

30. Financial instruments

a) Categories of financial instruments

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

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

<u>Group</u>	Carrying amount RM	FAAC RM	FVOCI RM	FLAC RM
2020				
Financial assets				
Trade receivables	2,501,525	-	2,501,525	-
Contract assets	2,027,683	-	2,027,683	-
Other receivables and deposits	18,650	-	18,650	-
Short-term funds	5,799,526	5,799,526	-	-
Cash and bank balances	250,230	-	250,230	-
	10,597,614	5,799,526	4,798,088	-
Financial liabilities				
Trade payables	(58,638)	-	-	(58,638)
Contract liabilities	(121,842)	-	-	(121,842)
Other payables and accruals	(1,650,752)	-	-	(1,650,752)
Lease liabilities	(109,587)	-	-	(109,587)
	(1,940,819)	-	-	(1,940,819)

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

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

<u>Group</u>	Carrying amount RM	FAAC RM	FVOCI RM	FLAC RM
2019				
Financial assets				
Trade receivables	1,521,973	-	1,521,973	-
Contract assets	3,139,932	-	3,139,932	-
Other receivables and deposits	16,108	-	16,108	-
Short-term funds	6,157,038	6,157,038	-	-
Cash and bank balances	1,067,305	-	1,067,305	-
	11,902,356	6,157,038	5,745,318	-
Financial liabilities				
Trade payables	(76,915)	-	-	(76,915)
Contract liabilities	(18,775)	-	-	(18,775)
Other payables and accruals	(1,706,644)	-	-	(1,706,644)
Lease liabilities	(169,229)	-	-	(169,229)
	(1,971,563)	-	-	(1,971,563)
Company				
2020				
Financial assets				
Trade receivables	2,083,590	-	2,083,590	-
Contract assets	1,780,597	-	1,780,597	-
Other receivables and deposits	18,650	-	18,650	-
Amount due from subsidiary company	749,853	-	749,853	-
Short-term funds	5,799,526	5,799,526	-	-
Cash and bank balances	247,839	-	247,839	-
	10,680,055	5,799,526	4,880,529	-
Financial liabilities				
Trade payables	(58,638)	-	-	(58,638)
Contract liabilities	(82,842)	-	-	(82,842)
Other payables and accruals	(1,411,131)	-	-	(1,411,131)
Lease liabilities	(109,587)	-	-	(109,587)
	(1,662,198)	-	-	(1,662,198)

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

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

<u>Company</u>	Carrying amount RM	FAAC RM	FVOCI RM	FLAC RM
2019				
Financial assets				
Trade receivables	887,161	-	887,161	-
Contract assets	2,810,427	-	2,810,427	-
Other receivables and deposits	16,108	-	16,108	-
Amount due from subsidiary company	661,722	-	661,722	-
Short-term funds	6,157,038	6,157,038	-	-
Cash and bank balances	1,053,405	-	1,053,405	-
	<u>11,585,861</u>	<u>6,157,038</u>	<u>5,428,823</u>	<u>-</u>
Financial liabilities				
Contract liabilities	(18,775)	-	-	(18,775)
Other payables and accruals	(1,540,646)	-	-	(1,540,646)
Lease liabilities	(169,229)	-	-	(169,229)
	<u>(1,728,650)</u>	<u>-</u>	<u>-</u>	<u>(1,728,650)</u>

b) Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments as follows : -

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

i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiary.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by shareholders or directors of customers are obtained, and credit valuations are performed on customers requiring credit over a certain amount.

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade Receivables

Risk management objectives, policies and processes for managing the risk (Cont'd.)

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group or 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

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

Concentration of credit risk

The following shows the total amount due from the top three (3) major customers as at the reporting date, which represents more than 80% of the total trade receivables.

	<u>Group</u>	
	2020	2019
	RM	RM
Trade receivables	<u>1,723,540</u>	<u>1,342,399</u>

Recognition and measurement of impairment losses

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 Group. The Group 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.

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade Receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The Group uses an allowance matrix to measure the expected credit losses (“ECL”) of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, 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 2020 which are grouped together as they are expected to have similar risk nature :-

<u>Group</u>	Gross RM	Loss allowance RM	Net RM
2020			
Current (not past due)	1,390,089	(11,051)	1,390,089
1-30 days past due	415,322	(3,323)	415,322
Past due over 90 days	720,114	(9,626)	696,114
	<u>2,525,525</u>	<u>(24,000)</u>	<u>2,501,525</u>
Credit impaired			
Individually impaired	563,714	(563,714)	-
	<u>3,089,239</u>	<u>(587,714)</u>	<u>2,501,525</u>
2019			
Current (not past due)	726,703	-	726,703
1-30 days past due	363,965	-	363,965
Past due over 90 days	431,305	-	431,305
	<u>1,521,973</u>	<u>-</u>	<u>1,521,973</u>
Credit impaired			
Individually impaired	513,891	(513,891)	-
	<u>2,035,864</u>	<u>(513,891)</u>	<u>1,521,973</u>

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade Receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

<u>Company</u>	Gross RM	Loss allowance RM	Net RM
2020			
Current (not past due)	1,381,329	(11,051)	1,381,329
1-30 days past due	415,322	(3,323)	415,322
Past due over 90 days	310,939	(9,626)	286,939
	2,107,590	(24,000)	2,083,590
Credit impaired			
Individually impaired	563,714	(563,714)	-
	2,671,304	(587,714)	2,083,590
2019			
Current (not past due)	91,891	-	91,891
1-30 days past due	363,965	-	363,965
Past due over 90 days	431,305	-	431,305
	887,161	-	887,161
Credit impaired			
Individually impaired	513,891	(513,891)	-
	1,401,052	(513,891)	887,161

Recognition and measurement of impairment losses (Cont'd.)

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below : -

Group	Lifetime ECL RM	Credit Impaired RM	Total RM
Balance at 1 January 2019 / 31 December 2019	-	513,891	513,891
Net measurement of loss allowance	24,000	49,823	73,823
Balance at 31 December 2020	24,000	563,714	587,714

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Cash and cash equivalents

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

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

Other receivables

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group did not recognised any allowance for impairment losses.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiary company. The Company monitors the ability of the subsidiary company to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Inter-company loans and advances

Recognition and measurement of impairment losses

Generally, the Company considers loans and advances to subsidiary company have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiary company' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiary company is not able to pay when demanded. The Company considers a subsidiary company's loan or advance to be credit impaired when : -

- The subsidiary company is unlikely to repay its loan or advance to the Company in full;
- The subsidiary company's loan or advance is overdue for more than 365 days; or
- The subsidiary company is continuously loss making and is having a deficit shareholders' funds.

The Company determines the probability of default for these loans and advances individually using internal information available.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

ii) Liquidity risks

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

The Group maintains a level of cash and cash equivalents and bank facilities 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.

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

Nova Pharma Solutions Berhad

(Incorporated in Malaysia, Registration No. 197701003731 (34608 – K))

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

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

Maturity analysis (Cont'd.)

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

Group	Carrying amount	Effective interest rate	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
2020	RM	%	RM	RM	RM	RM	RM
<i>Non-derivative financial liabilities</i>							
Trade payables	58,638	-	58,638	58,638	-	-	-
Contract liabilities	121,842	-	121,842	121,842	-	-	-
Other payables and accruals	1,650,752	-	1,650,752	1,650,752	-	-	-
Lease liabilities	109,587	8.00	121,968	73,181	48,787	-	-
	1,940,819		1,953,200	1,904,413	48,787	-	-
2019							
<i>Non-derivative financial liabilities</i>							
Trade payables	76,915	-	76,915	76,915	-	-	-
Contract liabilities	18,775	-	18,775	18,775	-	-	-
Other payables and accruals	1,706,644	-	1,706,644	1,706,644	-	-	-
Lease liabilities	169,229	8.00	195,149	73,181	73,181	48,787	-
	1,971,563		1,997,483	1,875,515	73,181	48,787	-

Nova Pharma Solutions Berhad

(Incorporated in Malaysia, Registration No. 197701003731 (34608 – K))

Notes to the Financial Statements

31 December 2020

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

b) Financial risk management (Cont'd.)

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

Maturity analysis (Cont'd.)

Company	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2020							
<i>Non-derivative financial liabilities</i>							
Trade payables	58,638	-	58,638	58,638	-	-	-
Contract liabilities	82,842	-	82,842	82,842	-	-	-
Other payables and accruals	1,411,131	-	1,411,131	1,411,131	-	-	-
Lease liabilities	109,587	8.00	121,968	73,181	48,787	-	-
	1,662,198		1,674,579	1,625,792	48,787	-	-
2019							
<i>Non-derivative financial liabilities</i>							
Contract liabilities	18,775	-	18,775	18,775	-	-	-
Other payables and accruals	1,540,646	-	1,540,646	1,540,646	-	-	-
Lease liabilities	169,229	8.00	195,149	73,181	73,181	48,787	-
	1,728,650		1,754,570	1,632,602	73,181	48,787	-

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

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 Group's financial position or cash flows. Other than interest rates risk and foreign exchange rate risk, the Group is not expose to other prices risk.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Euro ("EURO") and US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

Exposure to foreign currency risk

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

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Denominated in US Dollar		
Balance recognised in the statement of financial position		
Trade receivables (Note 8)	616,195	469,028
Contract assets/(liabilities) (Note 9)	100,514	85,719
Trade payable (Note 17)	(39,704)	-
Cash and bank balances (Note 28)	45,341	783,678
	722,346	1,338,425

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk (Cont'd.)

Exposure to foreign currency risk (Cont'd.)

	<u>Group and Company</u>	
	2020	2019
	RM	RM
Denominated in Euro		
Balance recognised in the statement of financial position		
Trade receivables (Note 8)	-	58,311
Contract assets/(liabilities) (Note 9)	(66,225)	562,350
Cash and bank balances (Note 28)	121,214	146,322
	54,989	766,983

Currency risk sensitivity analysis

A 5% strengthening of 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 Group 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.

<u>Group</u>	2020		2019	
	Equity	Profit	Equity	Profit for
	RM	for the	RM	for the
		financial		financial
		year		year
		RM		RM
<u>US Dollar</u>				
Increase	36,117	36,117	66,921	66,921
<u>Euro</u>				
Increase	2,749	2,749	38,349	38,349

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk sensitivity analysis (Cont'd.)

<u>Company</u>	2020		2019	
	Equity RM	Profit for the financial year RM	Equity RM	Profit for the financial year RM
<u>US Dollar</u> Increase	36,117	36,117	66,921	66,921
<u>Euro</u> Increase	2,749	2,749	38,349	38,349

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

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short-term investment such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

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

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.

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing 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.

c) 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 amount
	Level 1	Level 2	Level 3	Total	
	RM	RM	RM	RM	RM
2020					
Financial asset					
Short-term funds	5,799,526	-	-	5,799,526	5,799,526
2019					
Financial asset					
Short-term funds	6,157,038	-	-	6,157,038	6,157,038

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.

Notes to the Financial Statements

31 December 2020

30. Financial instruments (Cont'd.)

c) Fair value information (Cont'd.)

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 (2019: no transfer in either directions).

Level 3 fair value

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

31. Capital management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group 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 Group 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 Group 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.

32. Material litigation

On 10 October 2018, the Company 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 was 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 was part of the scope of work for the project pertaining to the contract agreement dated 26 August 2016 awarded by OMSB to the Company.

On 25 February 2020, the Company received the final award from the Adjudicator of Asian International Arbitration Centre ("AIAC") in Kuala Lumpur, under Section 12(12)(b) of the CIPAA.

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

On 21 January 2021, the Company served a Statutory Notice pursuant to Section 465 & 466 of the Companies Act 2016 to OMSB, a total of RM561,008 together with interest at 5% p.a., costs of adjudication proceedings and legal costs from 21 days after receipt of notice.

Allowance for impairment has been made for the respective receivables as disclosed in Note 8 to the financial statements.

Notes to the Financial Statements

31 December 2020

33. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group 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 Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

The Group has related party relationship with its subsidiary, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are show below. The related party balances are shown in Note 11 and 18 to the financial statements.

a) Related party /companies transactions : -

i) Transactions with a director : -

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM	RM	RM	RM
- Lease rental	73,181	73,181	73,181	73,181

ii) Significant related company transactions in the financial statements are as follows : -

	Company	
	2020	2019
	RM	RM
Nova HiTech Solutions Sdn Bhd		
- Revenue	-	70,000
- Rental income	15,484	-
- Management fee received /receivable from subsidiary company	12,000	5,000

Notes to the Financial Statements

31 December 2020

33. Related parties (Cont'd.)

Significant related party transactions (Cont'd.)

b) Compensation of key management personnel

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<u>Directors</u>				
Short-term employee benefits	654,090	658,000	496,590	583,080
Post-employment benefits : -				
- Defined contribution plan - EPF	71,241	78,875	53,747	69,875

34. Significant events

- a) The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group and the Company, the impact on business operation has not been a direct consequence of the COVID-19 pandemic but a result of the measures taken by the Government of Malaysia to contain it.

The Group and the Company have performed an assessment of the overall impact of the situation on the Group's and the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 December 2020.

The scare and duration of the economic uncertainty and its related impact on the outlook and prospects of the Group and the Company could not be reasonably estimated at this juncture. The Group and the Company are closely monitoring the evolving situation of the COVID-19 pandemic and the effects, it any will be reflected in the next annual financial statements.

- b) On 30 October 2020, the Company entered into an agreement with Acara Juara Sdn Bhd ("AJ") to mutually terminate the joint venture cum shareholders agreement dated 27 May 2019 and acquired the remaining 49% of the equity interest in Nova HiTech Solutions Sdn. Bhd. ("NHS") from AJ which comprising of 49,000 ordinary shares in NHS for purchase consideration of RM49,000. The acquisition was completed on 30 October 2020 and NHS has become a wholly-owned subsidiary of the Company.

Nova Pharma Solutions Berhad
(Incorporated in Malaysia, Registration No. 197701003731 (34608 – K))

Statement by Directors

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

We, Khoo Boo Wie and Ter Leong Tah, being the two directors of Nova Pharma Solutions Berhad, do hereby state that in our opinion, the financial statements set out on pages 12 to 79 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 Group and of the Company at 31 December 2020 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors

Khoo Boo Wie

Ter Leong Tah

Selangor,
Date : 20 April 2021

Nova Pharma Solutions Berhad
(Incorporated in Malaysia, Registration No. 197701003731 (34608 – K))

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, do solemnly and sincerely declare that the financial statements set out on pages 12 to 79, 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 on 20 April 2021.

Khoo Boo Wie

Before me

Commissioner for Oaths