Company No. 34608-K

NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

Financial Statements
31 December 2016

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Company No. 34608-K

NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 5 to 36 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to exhibit a true and fair view of the financial position of the company as at 31 December 2015 and 2016 and of the financial performance and cash flows of the company for the years ended on these dates.

Signed in Subang Jaya on 20 November 2017

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

KHOO BOO WIE

TAN HONG ENG

Company No. 34608-K

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nova Pharma Solutions Sdn. Bhd., which comprise the statements of financial position as at 31 December 2015 and 31 December 2016, and the statements of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial years then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2015 and 31 December 2016, and of its financial performance and its cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the company's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the company, including the disclosures, and whether the financial statements of the company represent the underlying transactions and events in a manner that achieves fair presentation.

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

Company No. 34608-K

Other Matters

1. As stated in *Note 2* to the financial statements, the company adopted Malaysian Financial Reporting Standard on 1 January 2016 with a transition date of 1 January 2015. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position of the company as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the company for the year ended 31 December 2015 and related disclosures.

2. This report is made solely to the directors of the company, as a body for inclusion in the information memorandum of Nova Pharma Solutions Sdn Bhd in connection with the proposed listing of and quotation of the enlarged issued and paid-up share capital of Nova Pharma Solutions Sdn Bhd on the LEAP Market of Bursa Malaysia Securities Berhad. This report is given for the purposes of complying with the LEAP market listing requirements issued by the Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SIEW BOON YEONG & ASSOCIATES
AF: 0660
Chartered Accountants

DATO' SIEW BOON YEONG
01321/07/2018 J
Chartered Accountant

Kuala Lumpur,
Date: 20 November 2017

NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2016 and 2015

	Note	31.12.2016 RM	31.12.2015 RM	1.1.2015 RM
ASSETS				
NON-CURRENT ASSET				
Property, plant and equipment	*5*	223,038	447,553	355,193
CURRENT ASSETS				
Trade receivables	*6*	1,459,031	680,926	745,167
Other receivables, deposits and prepayments	*7*	20,415	104,703	90,568
Amount owing by contract customers	*8*	1,494,408	435,388	396,164
Current tax assets		219,574	163,047	-
Fixed deposits with a licensed bank	*9*	1,025,549	505,706	1,069,567
Cash and bank balances		2,657,138	664,825	1,353,415
		6,876,115	2,554,595	3,654,881
TOTAL ASSETS		7,099,153	3,002,148	4,010,074

NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2016 and 2015

	Note	31.12.2016 RM	31.12.2015 RM	1.1.2015 RM
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*10*	1,000,000	1,000,000	1,000,000
Retained earnings		2,471,190	752,306	1,317,150
TOTAL EQUITY		3,471,190	1,752,306	2,317,150
NON-CURRENT LIABILITIES				
Hire purchase payable	*11*	-	-	35,196
CURRENT LIABILITIES				
Trade payables	*12*	1,500	21,292	7,288
Other payables and accruals	*13*	2,173,716	689,394	1,423,403
Amount owing to contract customers	*8*	1,452,747	539,156	122,791
Hire purchase payable	*11*	-	-	54,309
Provision for taxation		-	-	49,937
		3,627,963	1,249,842	1,657,728
TOTAL LIABILITIES		3,627,963	1,249,842	1,692,924
TOTAL LIABILITIES AND EQUITY		7,099,153	3,002,148	4,010,074

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

NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the years ended 31 December 2016 and 2015

	Note	2016 RM	2015 RM
REVENUE	*14*	7,371,802	4,871,056
COST OF SALES		(3,467,208)	(2,526,248)
GROSS PROFIT		3,904,594	2,344,808
OTHER OPERATING INCOME		206,698	690,769
DISTRIBUTION COSTS		(133,532)	(454,546)
ADMINISTRATIVE EXPENSES		(1,092,486)	(912,158)
OTHER OPERATING EXPENSES		(59,167)	-
PROFIT FROM OPERATIONS		2,826,107	1,668,873
FINANCE COSTS	*15*	-	(351)
PROFIT BEFORE TAXATION	*16*	2,826,107	1,668,522
INCOME TAX EXPENSE	*17*	(7,223)	(33,366)
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,818,884	1,635,156

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

NOVA PHARMA SOLUTIONS SDN. BHD.

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STATEMENTS OF CHANGES IN EQUITY
for the years ended 31 December 2016 and 2015

	Note	Non-distributable share capital	Distributable retained earnings	Total
		RM	RM	RM
Balance at 1 January 2015		1,000,000	1,317,150	2,317,150
Transactions with owners:				
Dividends paid	19	-	(2,200,000)	(2,200,000)
Profit after taxation/Total comprehensive income for the year		-	1,635,156	1,635,156
Balance at 31 December 2015		1,000,000	752,306	1,752,306
Transactions with owners:				
Dividends paid	19	-	(1,100,000)	(1,100,000)
Profit after taxation/Total comprehensive income for the year		-	2,818,884	2,818,884
Balance at 31 December 2016		1,000,000	2,471,190	3,471,190

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

NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
for the years ended 31 December 2016 and 2015

	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,826,107	1,668,522
Adjustments for:		
Depreciation of property, plant and equipment	316,792	188,686
Interest expense	-	351
Interest income	(26,546)	(17,044)
Reversal of impairment loss on trade receivables	-	(255,800)
Unrealised gain on foreign exchange	(180,152)	(238,484)
Operating profit before working capital changes	2,936,201	1,346,231
(Increase)/decrease in receivables	(1,719,441)	273,061
Increase/(decrease) in payables	1,778,121	(303,259)
Cash generated from operations	2,994,881	1,316,033
Interest received	26,546	17,044
Tax paid	(63,750)	(246,350)
Net cash generated from operating activities	2,957,677	1,086,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(92,277)	(281,046)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(500,000)	(2,200,000)
Interest paid	-	(351)
Repayment of hire purchase payable	-	(89,505)
Net cash used in financing activities	(500,000)	(2,289,856)
Net increase/(decrease) in cash and cash equivalents	2,365,400	(1,484,175)
Effect of foreign exchange rate changes	146,756	231,724
Cash and cash equivalents at beginning of year	1,170,531	2,422,982
Cash and cash equivalents at end of year	3,682,687	1,170,531

NOVA PHARMA SOLUTIONS SDN. BHD.

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STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016 and 2015

	2016 RM	2015 RM
Cash and cash equivalents comprise:		
Fixed deposits with a licensed bank	1,025,549	505,706
Cash and bank balances	2,657,138	664,825
	3,682,687	1,170,531

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

NOVA PHARMA SOLUTIONS SDN. BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 AND 2015

1. GENERAL INFORMATION

The principal activity of the company is to engage in the business of provision of technical documentation, validation and project execution in the pharmaceutical and biotechnology industries. There was no significant change in the natures of this activity during the financial year.

The company is a private limited company, incorporated and domiciled in Malaysia.

The address of the registered office of the company is Suite 25-6, Jalan PJU 1/42A, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

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

On 1 January 2016, the company adopted the following MFRS and Amendments to MFRSs issued by the Malaysian Accounting Standards Board, effective for the annual periods beginning on or after 1 January 2016:

MFRS 14 - Regulatory Deferral Accounts

Amendments to MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure Initiative

Amendments to MFRS 116 Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 Property, Plant and Equipment - Agriculture: Bearer Plants

Amendments to MFRS 127 Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements

Amendments to MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 141 Agriculture - Agriculture: Bearer plants

Annual Improvements to MFRSs 2012 - 2014 Cycle

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

MFRSs, Amendments to MFRSs and Issue Committees ("IC") Interpretation that have been issued but are not yet effective

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

MFRSs/Amendments to MFRSs/IC Interpretation	**Effective for annual periods beginning on or after**
Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Loses	1 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2017, 1 January 2018
MFRS 9 - Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
MFRS 15 - Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018

MFRSs/Amendments to MFRSs/IC Interpretation	**Effective for annual periods beginning on or after**
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 – Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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

<u>MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)</u>

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

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

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

Variable consideration

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

Right of return

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

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

MFRS 16 Leases

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Functional And Foreign Currency

Functional currency

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

Foreign currency

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

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

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

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

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

All exchange differences are taken to profit or loss.

Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition of foreign operations, are translated into RM for consolidation at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated into RM at the average rates for the financial period. All exchanges differences arising from translation are recognised directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, accumulated translation differences recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to comprehensive income.

(b) Property, Plant And Equipment

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

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

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

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

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

(c) Financial Instruments

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

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

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

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

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

(i) Financial Assets

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

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

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

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

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

- *Held-to-maturity Investments*

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

- *Loans and Receivables*

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

- *Available-for-sale Financial Assets*

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

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

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

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

(ii) Financial Liabilities

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

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

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

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

- *Other Financial Liabilities*

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

(iii) Equity Instruments

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

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

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

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

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Impairment

(i) Impairment Of Financial Assets

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

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

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

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

(ii) Impairment Of Non-financial Assets

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

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

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

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

(e) Provisions For Liabilities

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

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

(f) Related Parties

A party is related to an entity if:-

i. directly, or indirectly through one or more intermediaries, the party:-

   a. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiary companies and fellow subsidiary companies);
   b. has an interest in the entity that gives it significant influence over the entity; or
   c. has joint control over the entity;

ii. the party is an associate of the entity;

iii. the party is a joint venture in which the entity is a venture;

iv. the party is a member of the key management personnel of the entity or its parent;

v. the party is a close member of the family of any individual referred to in *(i)* or *(iv);*

vi. the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in *(iv)* or *(v)*; or

vii. the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

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

(g) Revenue Recognition

(i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the company's activities. Revenue from sale of goods and services is recognised when significant risk and rewards have been transferred to the customer, if any, or upon performance of services, net of returns and trade discounts.

(ii) Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

(h) Interest income

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

(i) Income Tax Expense

Income taxes for the period comprise current and deferred taxes.

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

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

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

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

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

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

(j) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plan

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

(k) Cash And Cash Equivalents

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

(l) Hire Purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and the total instalments payable less undue interests under hire purchase agreements are recorded as liabilities. The interests are allocated to profit or loss over the year of the respective agreements based on the remaining balance of liability for each period during the hire purchase term. Assets acquired under hire purchase arrangements are depreciated over the expected useful lives of equivalent owned assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Depreciation of Property, Plant and Equipment

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

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

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

The carrying amount of equipment is disclosed in *Note 5.*

(b) Construction Contracts

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

(i) Contract Revenue

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

(ii) Contract Costs

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

(c) Income Taxes

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

5. PROPERTY, PLANT AND EQUIPMENT

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

	Computer equipment	Furniture and fittings	Motor vehicles	Renovation	Office equipment	Total
	RM	RM	RM	RM	RM	RM
Cost						
At 1 January 2015	80,000	25,815	280,769	116,682	-	503,266
Additions	281,046	-	-	-	-	281,046
At 31 December 2015/1 January 2016	361,046	25,815	280,769	116,682	-	784,312
Additions	23,854	-	65,983	-	2,440	92,277
At 31 January 2016	384,900	25,815	346,752	116,682	2,440	876,589
Accumulated depreciation						
At 1 January 2015	21,667	2,743	81,532	42,131	-	148,073
Charge for the year	91,060	2,581	56,154	38,891	-	188,686
At 31 December 2015/1 January 2016	112,727	5,324	137,686	81,022	-	336,759
Charge for the year	220,932	2,582	57,254	35,658	366	316,792
At 31 December 2015	333,659	7,906	194,940	116,680	366	653,551
Net carrying amount						
At 31 January 2015	58,333	23,072	199,237	74,551	-	355,193
At 31 December 2015	248,319	20,491	143,083	35,660	-	447,553
At 31 December 2016	51,241	17,909	151,812	2	2,074	223,038

6. TRADE RECEIVABLES

	31.12.2016 RM	31.12.2015 RM	01.01.2015 RM
Trade receivables	1,535,322	757,217	1,077,258
Less: Accumulated impairment losses	(76,291)	(76,291)	(332,091)
	1,459,031	680,926	745,167

The normal trade credit term granted by the company ranged from 14 days to 60 days (31.12.2015: 14 days to 60 days; 01.01.2015: 14 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

The currency exposure profile of receivables is as follows:

	31.12.2016 RM	31.12.2015 RM	01.01.2015 RM
Ringgit Malaysia	660,603	572,995	562,379
United States Dollar	874,719	184,222	514,879
	1,535,322	757,217	1,077,258

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

	31.12.2016 RM	31.12.2015 RM	01.01.2015 RM
At 1 January	76,291	332,091	76,291
Add: Additions	-	-	255,800
Less: Reversals	-	(255,800)	-
At 31 December	76,291	76,291	332,091

7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31.12.2016 RM	31.12.2015 RM	01.01.2015 RM
Other receivables	2,880	-	47,332
Deposits	1,366	27,882	27,882
Prepayments	16,169	76,821	15,355
	20,415	104,703	90,568

In 01.01.2015, included in other receivables was an amount of RM35,594 owing by a related company. The amount owing was unsecured, interest free and repayable on demand.

8. AMOUNT OWING FROM /(TO) CONTRACT CUSTOMERS

	31.12.2016 RM	31.12.2015 RM	01.01.2015 RM
Contract costs incurred to date	5,440,550	3,304,963	3,730,050
Add: Attributable profits	3,939,709	2,410,000	2,719,977
	9,380,259	5,714,963	6,450,027
Less: Progress billings	(9,338,598)	(5,818,731)	(6,176,654)
	41,661	(103,768)	273,373
Represented by:			
Amount owing from contract customers	1,494,408	435,388	369,164
Amount owing to contract customers	(1,452,747)	(539,156)	(122,791)

9. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank earn effective interest rate of 3.20% (31.12.2015: 3.40%; 01.01.2015: 3.20%) per annum.

10. SHARE CAPITAL

	31.12.2016	31.12.2015	01.01.2015	31.12.2016	31.12.2015	01.01.2015
	Number of ordinary shares			RM	RM	RM
Issued share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

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

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

11. HIRE PURCHASE PAYABLE

	31.12.2016 RM	31.12.2015 RM	01.01.2015 RM
Minimum hire purchase payments			
- not later than 1 year	-	-	57,336
- later than 1 year and not later than 5 years	-	-	35,827
	-	-	93,163
Future finance charges on hire purchase	-	-	(3,658)
Present value of hire purchase liabilities	-	-	89,505
Present value of hire purchaase liabilities			
- not later than 1 year	-	-	54,309
- later than 1 year and not later than 5 years	-	-	35,196
	-	-	89,505

12. TRADE PAYABLES

The normal trade credit term granted to the company is 30 days (31.12.2015: 30 days; 01.01.2015: 30 days).

13. OTHER PAYABLES AND ACCRUALS

	31.12.2016 RM	31.12.2015 RM	01.01.2015 RM
Other payables	611,331	19,774	743,691
Accruals	1,562,385	669,620	679,712
	2,173,716	689,394	1,423,403

In 01.01.2015, included in other payables were amounts of RM674,490 owing to immediate holding company and RM53,588 owing to related companies. The amounts owing were unsecured, interest free and repayable on demand.

14. REVENUE

	2016 RM	2015 RM
Contract revenue	7,046,930	2,607,515
Service revenue	324,872	2,263,541
	7,371,802	4,871,056

15. FINANCE COSTS

	2016	2015
	RM	RM
Hire purcahase interest	-	351

16. PROFIT BEFORE TAXATION

	2016	2015
	RM	RM
Profit before taxation is stated *after charging:*		
Auditors' remuneration		
- current year's provision	17,920	20,000
- over provision in respect of prior year	(2,000)	(8,480)
Depreciation	316,792	188,686
Realised loss on foreign exchange	59,167	-
Rental of equipment	700	4,200
Rental of premises	70,419	70,074
Staff costs *(Note 18)*	1,694,325	1,510,110
and crediting:		
Gain on foreign exchange - realised	-	179,441
Gain on foreign exchange - unrealised	180,152	238,484
Interest income	26,546	17,044
Reversal of impairment loss on trade receivables	-	255,800

17. INCOME TAX EXPENSE

	2016	2015
	RM	RM
Malaysian income tax:		
- current year's provision	6,371	3,409
- under provision in respect of prior year	852	29,957
	7,223	33,366

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

	2016 RM	2015 RM
Profit before taxation	2,826,107	1,668,522
Income tax expense at Malaysian statutory tax rate of 24% (2015: 20%)	678,300	333,704
• Adjustments for the following tax effects:		
- expenses not deductible for tax purposes	9,800	41,834
- income not subject to tax	-	(98,857)
- pioneer status income exemption	(685,300)	(273,272)
- deferred tax assets not recognised during the year	3,571	-
	(671,929)	(330,295)
• Under provision of taxation in respect of prior year	852	29,957
	7,223	33,366

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

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

The cumulative pioneer profits as at 31 December 2016 is approximately RM4,116,933 (31.12.2015: RM1,037,758; 1.1.2015: Nil) subject to confirmation by the Inland Revenue Board.

18. STAFF COSTS

The staff costs recognised in the profit or loss are as follows:

	2016 RM	2015 RM
Salaries and wages	1,487,569	1,223,487
Defined contribution plan	185,907	158,482
Other employee benefit expenses	20,849	128,141
	1,694,325	1,510,110

Included in staff costs are directors' remuneration who are also the key management personnel of the company:

	2016 RM	2015 RM
Directors' remuneration		
- Salaries and other emoluments	646,128	616,475
- Defined contribution plan	76,121	72,236
	722,249	688,711

19. DIVIDENDS PAID

	2016 RM	2015 RM
In respect of the financial year ended 31 December 2016:		
Single-tier interim dividend of RM0.25 on 1,000,000 ordinary shares, paid on 3 May 2016	250,000	-
Single-tier interim dividend of RM0.25 on 1,000,000 ordinary shares, paid on 9 September 2016	250,000	-
Single-tier interim dividend of RM0.60 on 1,000,000 ordinary shares, paid on 9 January 2017	600,000	-
In respect of the financial year ended 31 December 2015:		
Single-tier interim dividend of RM1.20 on 1,000,000 ordinary shares, paid on 23 March 2015	-	1,200,000
Single-tier interim dividend of RM0.20 on 1,000,000 ordinary shares, paid on 29 September 2015	-	200,000
Single-tier interim dividend of RM0.80 on 1,000,000 ordinary shares, paid on 28 December 2015	-	800,000
	1,100,000	2,200,000

20. RELATED PARTY DISCLOSURES

(a) Identities of related parties

The company has related party relationships with its holding company, subsidiary company and the directors of the company who are the key management personnel.

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

(i) Transaction between the company and its directors

	2016	2015
	RM	RM
Rental of premises paid to a director	24,394	-

(ii) Key management compensation

	2016	2015
	RM	RM
Short term employee benefits	722,249	688,711

21. FINANCIAL INSTRUMENTS

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

(a) Financial Risk Management Policies

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

(i) Foreign Currency Risk

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

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

	United States Dollar	
	2016	2015
	RM	RM
Financial assets		
Trade receivables	874,719	184,222
Cash and bank balances	723,182	389,608
Currency exposure	1,597,901	573,830

	Euro	
	2016	2015
	RM	RM
Financial assets		
Cash and bank balances	5,776	5,984

Foreign Currency Risk Sensitivity Analysis

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

	2016	2015
	RM	RM
	Increase/ (Decrease)	Increase/ (Decrease)
Effects on profit after tax/equity		
Strengthened by 10%		
- United States Dollar	159,790	57,383
- Euro	578	598
Weakened by 10%		
- United States Dollar	(159,790)	(57,383)
- Euro	(578)	(598)

(ii) Interest Rate Risk

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

Fair Value Sensitivity Analysis For Fixed Rate Instrument

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

Interest Rate Risk Sensitivity Analysis

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

(iii) Credit Risk

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

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

Credit risk concentration profile

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

Exposure to credit risk

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

Ageing analysis

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

	Gross amount RM	Individually impairment RM	Collective impairment RM	Carrying amount RM
2016				
Not past due	650,592	-	-	650,592
Past due:				
- less than 3 months	7,526	-	-	7,526
- between 3 to 6 months	424,000	-	-	424,000
- more than 6 months	453,204	(76,291)	-	376,913
	1,535,322	(76,291)	-	1,459,031
2015				
Not past due	534,627	-	-	534,627
Past due:				
- less than 3 months	-	-	-	-
- between 3 to 6 months	124,168	-	-	124,168
- more than 6 months	98,422	(76,291)	-	22,131
	757,217	(76,291)	-	680,926

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

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

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

(iv) Liquidity Risk

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

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

	Weighted Average Effective Rate	Carrying Amount	Contractual Undiscounted Cash Flow	On Demand Or Within 1 Year
	%	RM	RM	RM
2016				
Trade payables	-	1,500	1,500	1,500
Other payables and accruals	-	2,173,716	2,173,716	2,173,716
		2,175,216	2,175,216	2,175,216
2015				
Trade payables	-	21,292	21,292	21,292
Other payables and accruals	-	689,394	689,394	689,394
		710,686	710,686	710,686

(b) Capital Risk Management

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

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

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

	2016	2015
	RM	RM
Total liabilities (excluding amount owing to contract customers)	3,627,963	1,249,842
Less: Cash and cash equivalents	(3,681,687)	(1,170,531)
Net debt	(53,724)	79,311
Total equity attributable to owners of the company	3,471,190	1,752,306
Debt-to-equity ratio	N/A	0.003

Note:

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

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

(c) Classification Of Financial Instruments

	2016 RM	2015 RM
Financial Assets		
Loans and Receivables		
Trade receivables	1,459,031	680,926
Other receivables and deposits	4,246	27,882
Fixed deposits with a licensed bank	1,025,549	505,706
Cash and bank balances	2,657,138	664,825
	5,145,964	1,879,339
Financial Liabilities		
Other Financial Liabilities		
Trade payables	1,500	21,292
Other payables and accruals	2,173,716	689,394
	2,175,216	710,686

(d) Fair Values Of Financial Instruments

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

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

(e) Fair Value Hierarchy

As at 31 December 2015 and 2016, there were no financial instruments measured at fair value in the statements of financial position.

22. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 20 November 2017 by the Board of Directors.