

nova pharma solutions

Designing for Healthier Future

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608-K)

(Incorporated in Malaysia)

ADDITIONAL INFORMATION ACCOMPANYING THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED (“FYE”) 31 DECEMBER 2018

(APPENDIX 6A, PART B OF THE LEAP MARKET LISTING REQUIREMENTS)

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY NOVA PHARMA SOLUTIONS BERHAD (“NPS” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

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1. ANALYSIS OF FINANCIAL PERFORMANCE

The Company's revenue by its business activities are presented as follows:

	AUDITED FOR THE FYE	
	31.12.2018	31.12.2017
	RM'000	RM'000
Design fee	5,437	5,451
Post design fee	1,893	1,387
Other support fee	568	295
	<u>7,898</u>	<u>7,133</u>

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

	AUDITED FOR THE FYE	
	31.12.2018	31.12.2017
	RM'000	RM'000
Pharmaceutical	4,296	2,582
Biotechnology	3,602	4,551
Total	<u>7,898</u>	<u>7,133</u>

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

	AUDITED FOR THE FYE	
	31.12.2018	31.12.2017
	RM'000	RM'000
Malaysia	4,429	2,932
Taiwan	3,057	3,837
Thailand	315	364
UAE	52	0
France	45	0
Total	<u>7,898</u>	<u>7,133</u>

The Company's revenue was mainly generated from 3 business activities, namely design fee, post design fee and other support fee from pharmaceutical and biotechnology projects.

The Company recorded a revenue of RM7.898 million for the FYE 31 December 2018 which were mainly contributed by Malaysia and Taiwan market with revenue contribution of 56.08% and 38.71% respectively. In order to facilitate the working relationship with the customers in Taiwan, the Company has registered a Representative Office in Taiwan in January, 2019.

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1. ANALYSIS OF FINANCIAL PERFORMANCE (Cont'd)

Revenue increased by 10.73% or RM0.765 million for the FYE 31 December 2018 as compared to the FYE 31 December 2017. Generally, the higher revenue contribution from post-design fee during the FYE 31 December 2018 as compared to FYE 31 December 2017 was mainly due to higher post-design works from a local pharmaceutical company. Revenue contribution from Malaysia has increased by approximately RM1.497 million or 51.06% for the FYE 31 December 2018 as compared to the FYE 31 December 2017 was mainly due to higher pace of local pharmaceutical activities in the second half of 2018. This has also attributed to the higher revenue contribution from pharmaceutical industry during the FYE 31 December 2018 as most of the pharmaceutical projects are contributed from Malaysia market.

Despite the higher revenue, the Company recorded a lower gross profit for the FYE 31 December 2018 of RM4.111 million as compared to the FYE 31 December 2017 of RM4.457 million which were mainly due to lower gross profit margin. The gross profit margin for the FYE 31 December 2018 and FYE 31 December 2017 were 52.05% and 62.48% respectively.

Generally, gross profit margin contribution from projects in Malaysia market, which mainly comprise traditional pharmaceutical projects, are lower than gross profit margin contribution from overseas projects, which mainly comprise biotechnology projects. Hence, the lower gross profit for the FYE 31 December 2018 was mainly due to higher revenue contribution from Malaysia market which contributed lower gross profit margin. The revenue contribution from Malaysia market for FYE 31 December 2018 and FYE 31 December 2017 were 56.08% and 41.10% respectively.

Profit after tax decreased by 18.31% or RM0.485 million for the FYE 31 December 2018 as compared to the FYE 31 December 2017 which was mainly due to :

- a) lower gross profit margin contribution from Malaysia market; and
- b) a provision for doubtful debts of RM437,600 and recognition of a foreseeable loss on contract works of RM138,000 pertaining to a local pharmaceutical project.

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2. PROSPECTS

The Board of Directors opined that 2019 will be a challenging year in view of softening business sentiment in both local and global markets. Nonetheless, the Company constantly endeavour to stay at the forefront of the engineering services for pharmaceutical and biotechnology industries and aim to deliver quality and value to its customers, while ensuring excellence and professionalism at every level of its business operations. This is achieved by providing effective, efficient and economical services.

In January 2019, the Company has registered a Representative Office in Taiwan in order to increase the marketing activities of its range of services in Taiwan market and expects the Taiwan market to continue to contribute positively to the Company's revenue and profitability.

As at 31 December 2018, the Company's order book stood at approximately RM5.498 million.

3. STATUS OF CORPORATE PROPOSALS

On 2 February 2018, the Company issued an Information Memorandum for an excluded issue of 12,300,000 new ordinary shares at an issue price of RM0.20 to selected sophisticated investors within the meaning of sections 229 and 230 of the Capital Markets and Services Act 2007 ("Excluded Issue") and submitted an application for its proposed listing on LEAP Market to Bursa Malaysia Securities Berhad ("Bursa Securities").

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

4. UTILISATION OF PROCEEDS

The status of utilisation of proceeds raised from the Excluded Issue of RM2.46 million as at 31 December 2018 is as follows:

Purpose	Proposed Utilisation RM'000	Reallocation RM'000	Actual Utilisation RM'000	Unutilised Proceeds RM'000	Estimated timeframe for utilisation upon listing
Future business expansion	500	-	-	500	Within 24 months
Working Capital	960	142 ⁽¹⁾	(1,102)	-	Within 12 months
Estimated listing expenses	1,000	(142) ⁽¹⁾	(858)	-	Within 2 weeks
Total	2,460	-	(1,960)	500	

Note:

(1) The surplus of estimated listing expenses were adjusted to the amount allocated for Working Capital.