

nova pharma solutions
Designing for Healthier Future

NOVA PHARMA SOLUTIONS BERHAD

Registration No. 197701003731 (34608-K)
(Incorporated in Malaysia)

**ADDITIONAL INFORMATION ACCOMPANYING THE AUDITED FINANCIAL
STATEMENTS FOR THE FINANCIAL YEAR ENDED (“FYE”) 31 DECEMBER 2019**

(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

A. The revenue by its business activities are presented as follows:

	AUDITED FOR THE FYE	
	Group	Company
	31.12.2019	31.12.2018
	RM'000	RM'000
Design fee	2,460	5,437
Post design fee	739	1,893
Other Support ⁽¹⁾	2,443	568
EPCC ⁽²⁾	653	-
Total	6,295	7,898

Notes:

(1) Other support mainly comprise of Good Manufacturing Practice documents review, maintenance and other related services.

(2) EPCC comprise of works and services pertaining to engineering and/or procurement and/or construction and/or commissioning.

B. The revenue by its industry is presented as follows:

	AUDITED FOR THE FYE	
	Group	Company
	31.12.2019	31.12.2018
	RM'000	RM'000
Pharmaceutical	1,729	4,296
Biotechnology	3,913	3,602
EPCC ⁽¹⁾	653	-
Total	6,295	7,898

Note:

(1) Mainly comprise of advanced technology facilities in various industries other than pharmaceutical and biotechnology.

C. The revenue by geographical location is presented as follows:

	AUDITED FOR THE FYE	
	Group	Company
	31.12.2019	31.12.2018
	RM'000	RM'000
Malaysia	2,565	4,429
Taiwan	2,918	3,057
Thailand	494	315
UAE	-	52
France	318	45
Total	6,295	7,898

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1. ANALYSIS OF FINANCIAL PERFORMANCE (Cont'd)

The Group's revenue was generated from design, post design, other support services from pharmaceutical and biotechnology project as well as EPCC project for the advanced technology facilities in various industries.

The contribution of revenue for the financial year ended 31 December 2019 ("FYE 2019") has decreased by RM1.60 million or 20.30% as compared to the financial year ended 31 December 2018 ("FYE 2018"). This was mainly due to the slower pace of pharmaceutical activities in Malaysia market. However, the decrease in revenue was partially offset by higher contribution from overseas biotechnology projects and local advanced technology facilities projects.

The revenue from pharmaceutical segment has decreased by RM2.57 million or 59.75% for the FYE 2019 as compared to FYE 2018.

An increase in the revenue for the FYE 2019 from the other support activity by RM1.88 million as compared to FYE 2018 was mainly due to the engineering works in relation to Good Manufacturing Practice documentation review for biotechnology projects located in Taiwan and France.

The revenue from the EPCC activity was due to the works and services pertaining to engineering, procurement and construction for advanced technology facilities such as semiconductor plant located in Malaysia. The EPCC works were carried out by NPS' subsidiary, Nova HiTech Solutions Sdn Bhd ("NHS").

The Group's profit before tax for FYE 2019 was RM1.15 million, a decrease of 47.00% as compared to the FYE 2018 of RM2.17 million was mainly due to:

- (1) lower revenue contribution from local pharmaceutical projects;
- (2) lower profit margin contribution from the pharmaceutical and advanced technology facilities projects secured locally;
- (3) higher staff cost incurred for the newly incorporated subsidiary, NHS, which is still undergoing the gestation period; and
- (4) lower other income contribution due to the decrease of Group's investment in cash management fund placement.

2. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this financial report.

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3. PROSPECTS

The Board of Directors is of the view that business sentiment shall remain soft in both local and global markets for year 2020. Nonetheless, the Group will continue to explore various potential business opportunities in its targeted markets amid the significant impact of COVID-19 pandemic on the economic uncertainties. It also endeavours 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 Group has registered a Representative Office in Taiwan in order to facilitate the marketing activities of its range of services in Taiwan market. The Group is currently exploring new business opportunities with its existing customers in Taiwan and expects the Taiwan market to continue to contribute positively to the Group's revenue and profitability in future.

In June 2019, the Group has subscribed 51,000 ordinary shares in NHS as part of the Group's plan to further expand its existing business through undertaking of turnkey or EPCC projects. NHS is expected to contribute positively to the Group in the near future and will enhance the Group's engineering capabilities in advanced technology facilities setup.

In December 2019, the Group has signed a teaming agreement with Triplan India Pvt Ltd and its subsidiaries as part of the engineering and marketing collaboration arrangement for future potential project in the target markets mainly South East Asia, Taiwan, India, Europe and South Korea. The arrangement is expected to contribute positively to the Group's revenue and profitability.

As at 15 May 2020, the Company's order book stood at approximately RM4.8 million.

4. UTILISATION OF PROCEEDS

The status of utilisation of proceeds raised from the Excluded Issue of RM2.46 million as at 31 December 2019 is as follows:

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

Notes:

(1) The surplus of estimated listing expenses was adjusted to the amount allocated for working capital.

(2) On 15 January 2020, the Company announced the decision to re-allocate the proceeds of RM500,000 previously earmarked for future business expansion to the working capital of the Group which was utilised in March 2020.

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5. INTERRUPTION IN BUSINESS

The government's imposition of the Movement Control Order ("MCO") nationwide from 18 March 2020 to 9 June 2020, as a measure to curb the spread of the Covid-19 pandemic, has halted most economic activities in Malaysia, including our engineering services as we were not considered a critical sector for the supply of essential services. We made arrangement for our staff to work from home during the MCO period and we resumed operations from office during the conditional MCO period which was effective from 4 May 2020. During the MCO period, our engineering team continue to keep in contact with our customers who are mainly in the manufacturing activities of pharmaceutical products, which are under the supply of essential goods. We conducted on-line workshop for some of our customers as well as submitted proposals for new job orders. We have successfully secured new job orders worth of RM2.9 million during the MCO period.

In response to the Covid-19 pandemic, our Group has established an emergency response protocol committee which comprises mainly of key management staff to oversee the adherence of infection control measures based on the guidelines and Standard Operating Procedures ("SOP") issued by Ministry of International Trade and Industry ("MITI"). The infection control measures include the SOP as set out by MITI, which includes amongst others:

- (a) Wearing of face masks;
- (b) Taking and recording of body temperatures before entering the work places;
- (c) Sanitise of hands prior to entering work places and where all employees are encouraged to sanitise or wash their hands with soap and water frequently throughout the day;
- (d) Sanitise all common areas of work places frequently; and
- (e) Practise social distancing at work places.

In addition, our Group has put in place a business contingency plan in the event of any infected cases at our business premises, which is summarised as follows:

- (a) Monitor health status of all employees and maintain an up-to-date contact list of employees. If it is observed that an employee exhibits symptom of illness at work, his supervisor or manager will be notified immediately to relief the ill employee from work so as to seek medical attention. The ill employee's work area is also disinfected;
- (b) Undertaken staff planning and rotation of lead engineer/key staff; and
- (c) Cross trained employees to ensure essential functions can continue without any disruption.

Any infected personnel will be quarantined and we will close our business premises for 1 day for sanitisation and for all employees to undergo a health screening test. Thereafter, the back-up personnel will be assigned to temporarily replace the infected personnel's functions to ensure continuity of operations.