

nova pharma solutions
Designing for Healthier Future

NOVA PHARMA SOLUTIONS BERHAD
Company No. 197701003731 (34608-K)
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE
HALF YEAR ENDED 30 JUNE 2020**

**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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2020

	UNAUDITED INDIVIDUAL		UNAUDITED CUMULATIVE	
	6 months ended		6 months ended	
	30 June		30 June	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	1,412	3,172	1,412	3,172
Cost of sales	(1,062)	(1,559)	(1,062)	(1,559)
Gross profit	350	1,613	350	1,613
Other operating income	105	117	105	117
Operating expenses	(1,350)	(1,039)	(1,350)	(1,039)
(Loss) / profit from operating activities	(895)	691	(895)	691
Finance costs	-	-	-	-
(Loss) / profit before tax	(895)	691	(895)	691
Tax expenses	-	(1)	-	(1)
(Loss) / profit for the period	(895)	690	(895)	690
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive (loss) / income for the period	(895)	690	(895)	690
(Loss) / profit for the period attributable to:				
Owners of the Company	(782)	690	(782)	690
Non-controlling interest	(113)	-	(113)	-
	(895)	690	(895)	690
Total comprehensive (loss) / income for the period attributable to:				
Owners of the Company	(782)	690	(782)	690
Non-controlling interest	(113)	-	(113)	-
	(895)	690	(895)	690
(LOSS) / EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic (Sen)	(0.52)	0.46	(0.52)	0.46
Diluted (Sen)	N/A	N/A	N/A	N/A

Note:

The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and the accompanying explanatory notes attached to this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Unaudited as at 30.06.2020 RM'000	Audited as at 31.12.2019 RM'000
NON-CURRENT ASSETS		
Right-of-use Asset	136	168
Property, plant and equipment	217	227
	<u>353</u>	<u>395</u>
CURRENT ASSETS		
Trade receivables	1,598	1,522
Other receivables, deposits and prepayments	39	47
Contract assets	2,241	3,140
Current tax assets	839	229
Short-term funds	5,744	6,157
Cash and bank balances	731	1,067
	<u>11,192</u>	<u>12,162</u>
TOTAL ASSETS	11,545	12,557
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	7,985	7,985
Retained earnings	1,745	2,527
Non-controlling interest	(40)	73
	<u>9,690</u>	<u>10,585</u>
CURRENT LIABILITIES		
Trade payables	164	77
Other payables and accruals	1,105	1,707
Lease liabilities	62	60
Contract liabilities	446	19
	<u>1,777</u>	<u>1,863</u>
NON-CURRENT LIABILITIES		
Lease liabilities	78	109
TOTAL LIABILITIES	1,855	1,972
TOTAL EQUITY AND LIABILITIES	11,545	12,557
NET ASSETS PER SHARE (RM)⁽¹⁾	0.065	0.071

Notes:

The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are detailed in Note A1 and the accompanying explanatory notes attached to this interim financial report.

(1) Net assets per share is calculated based on the Company's number of ordinary shares at the end of the reporting period.

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 30 JUNE 2020**

	Share Capital RM'000	Retained earnings RM'000	Non- controlling Interest RM'000	Total Equity RM'000
Opening balance at 1 January 2020	7,985	2,527	73	10,585
Total comprehensive loss for the period	-	(782)	(113)	(895)
Closing balance at 30 June 2020	<u>7,985</u>	<u>1,745</u>	<u>(40)</u>	<u>9,690</u>
Opening balance at 1 January 2019	7,985	2,030	-	10,015
Effective of MFRS 16 net of tax	-	(4)	-	(4)
As restated	7,985	2,026	-	10,011
Total comprehensive income for the period	-	1,097	24	1,121
Issuance of shares to non-controlling interests	-	-	49	49
Dividends	-	(596)	-	(596)
Closing balance at 31 December 2019	<u>7,985</u>	<u>2,527</u>	<u>73</u>	<u>10,585</u>

Note:

The basis of preparation of the Unaudited Condensed Statement of Changes in Equity are detailed in Note A1 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE HAFL-YEAR ENDED 30 JUNE 2020**

	Unaudited 6 months ended 30 June	
	2020 RM'000	2019 RM'000
Operating activities		
(Loss) / profit before tax	(895)	691
Adjustments for:		
Depreciation	49	30
Amortisation	31	-
Interest income	-	(3)
Unit Trust Dividend	(89)	(114)
Unrealized (gain)/loss on foreign exchange	(20)	43
Interest expenses	(7)	-
Operating (loss) / profit before working capital changes	(931)	647
Change in trade and other receivables	(69)	1,136
Change in contract assets/liabilities	1,326	(943)
Change in trade and other payables	(216)	(666)
Cash generated from operations	110	174
Tax paid	(578)	(64)
Interest expenses	7	-
Net Cash flows generated from operating activities	(461)	110
Investing activities		
Investment measured at fair value through profit or loss:		
Unit Trust Dividend	89	114
Interest Income	-	3
Purchase of property, plant and equipment	(38)	-
Net cash used in investing activities	51	117
Financing activities		
Dividend paid	(298)	-
Repayment of lease liabilities	(29)	-
Net cash from financing activities	(327)	-
Net (decrease)/increase in cash and cash equivalents	(737)	227
Effect of foreign exchange rate changes	(12)	20
Cash and cash equivalents at beginning of period	7,224	9,091
Cash and cash equivalents at the end of period	6,475	9,338
Analysis of cash and cash equivalents:		
Deposit with licensed banks	5,744	7,044
Cash and bank balances	731	2,294
Cash and cash equivalents at the end of period	6,475	9,338

Note:

The basis of preparation of the Unaudited Condensed Statement of Cash Flows are detailed in Note A1 and the accompanying explanatory notes to this interim financial report.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

A1 COMPLIANCE WITH FINANCIAL REPORTING STANDARD AND LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting.

The interim financial report should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by Nova Pharma Solution Berhad ("NPS") and its subsidiary ("Group") in this interim financial report are consistent with those adopted in the Audited Financial Statements for the financial year ended 31 December 2019 except the adoption of standards and amendments to standards and interpretations that are mandatory for the Group for the financial year beginning 1 January 2020:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest rate Benchmark Reform
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

The adoption of these new MFRS, amendments and IC interpretations did not have any material impact on the interim financial report of the Group.

A2 SEASONAL OR CYCLICAL FACTORS

The business operation of the Group are not significantly affected by any seasonal or cyclical factors.

A3 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

The Malaysian Government had on 18 March 2020 implemented the Movement Control Order ("MCO") to curb the spread of the COVID-19 disease which was further extended to 12 May 2020. During this period, temporary closure of all businesses were mandated except for those involved in the provision of essential services and products. The MCO had eased into a conditional MCO until 9 June 2020 of which certain restrictions were imposed by authorities such as closure of international borders, overseas travel restrictions and compliance to the standard operating procedures which has impacted the Group's businesses. Consequently, the Group's performance had been adversely affected during the period under review.

Other than above, there were no material unusual items affecting assets, liabilities, equity, net income and cash flow of the Group for the financial period ended 30 June 2020.

A4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates for the financial period ended 30 June 2020.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (CONT'D)

A5 DEBTS AND EQUITY SECURITIES

There were no material issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 30 June 2020.

A6 SEGMENTAL INFORMATION

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

	INDIVIDUAL		CUMULATIVE	
	6 months ended 30 June		6 months ended 30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Design	373	1,720	373	1,720
Post Design	147	378	147	378
Other Support ⁽¹⁾	892	1,074	892	1,074
Total	1,412	3,172	1,412	3,172

Notes:

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

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

	INDIVIDUAL		CUMULATIVE	
	6 months ended 30 June		6 months ended 30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Pharmaceutical	468	946	458	946
Biotechnology	662	2,226	662	2,226
Others ⁽¹⁾	282	-	282	-
Total	1,412	3,172	1,412	3,172

Note:

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

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

	INDIVIDUAL		CUMULATIVE	
	6 months ended 30 June		6 months ended 30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	777	992	777	992
Taiwan	447	1,664	447	1,664
Thailand	19	214	19	214
Vietnam	169	-	169	-
France	-	302	-	302
Total	1,412	3,172	1,412	3,172

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (CONT'D)

A6 SEGMENTAL INFORMATION (CONT'D)

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

During the half year ended 30 June 2020 ("1H20"), the Group recorded a revenue of RM1.41 million which were mainly contributed by Malaysia and Taiwan market with revenue contributions of 55.03% and 31.66% respectively.

However, both revenue contribution from Malaysia and Taiwan for the 1H20 has decreased by approximately RM0.2 million and RM1.22 million or 21.67% and 73.14%, respectively as compared to the half year ended 30 June 2019 ("1H19"). This was mainly due to the sudden suspension of businesses arising from the unprecedented enforcement of the MCO by Malaysian Government to curb further spread of COVID-19 pandemic. Further, the travel restrictions and border controls have also delayed the scheduled progress works which in turn delayed the revenue recognition. This has attributed to the lower revenue contribution from biotechnology industry during the 1H20 as most of the biotechnology projects are from Taiwan.

The higher revenue contributed by others segment was maintenance works and other related engineering services carried out by the Company's subsidiary, Nova Hitech Solutions Sdn Bhd ("NHS") for advanced technology facilities.

A7 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the date of this interim financial report.

A8 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets and contingent liabilities as at the date of this interim financial report.

A9 CAPITAL COMMITMENTS

There were no material capital commitments in respect of property, plant and equipment as at the date of this interim financial report.

A10 CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group as at the end of this interim financial report.

B ADDITIONAL INFORMATION REQUIRED UNDER THE LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 REVIEW OF PERFORMANCE

1H20 compared with 1H19

The Group's revenue in 1H20 was RM1.41 million, a decrease of approximately RM1.76 million or 55.49% as compared to 1H19, which was mainly due to lower contribution from local pharmaceutical projects and overseas biotechnology projects. The decrease was partially offset by the maintenance works and other engineering services works carried out by NHS for advanced technology facilities.

The lower Group's gross profit for the 1H20 of RM0.35 million as compared to 1H19 of RM1.61 million was mainly due to:

- (1) lower revenue arising from the suspensions of businesses and imposition of travel restriction as well as border control during the MCO period; and
- (2) lower gross profit margin contribution from the pharmaceutical projects and advanced technology facilities' engineering works which were secured locally.

The Group's loss before tax for 1H20 was RM0.89 million as compared to the profit before tax 1H19 of RM0.69 million was mainly due to:

- (1) lower revenue contribution from both local and overseas projects due to the COVID-19 pandemic;
- (2) higher staff cost incurred in 1H20 vs compared to 1H19 due to additional manpower was hired by NHS which was incorporated in June 2019; and
- (3) lower other income due to the decrease of Group's investment in cash management fund placement.

B2 PROSPECTS

The outbreak of COVID-19 pandemic has adversely affected both local and global economies resulting in suspensions of businesses, imposition of travel restrictions and border control. The impact of the COVID-19 pandemic, changes in consumer behaviour and time taken for the economy to recover cannot be ascertained at this juncture.

Considering the unprecedented difficult times filled with uncertainty, the prospects and impact of the crisis on the Group's business activities for the remaining year could not be determined at this juncture. Nevertheless, the Group continues to monitor the crisis, and will take appropriate actions in securing potential business opportunities. In the meantime, the Group will take the necessary measures including keeping the operation costs at manageable level and to conserve cash in order to mitigate adverse impact from the COVID-19 pandemic on the Group's performance.

Under the aforesaid circumstances, the Group is of the view that operating performance will remain challenging for the financial year ending 31 December 2020.

As at 31 July 2020, the Group's order book stood at approximately RM5.62 million.

B3 PROFIT FORECAST, PROFIT GUARANTEE AND INTERNAL TARGETS

The Group did not provide any profit forecast, profit guarantee or made any internal targets as at the date of this interim financial report.

C OTHER INFORMATION

C1 STATUS OF CORPORATE PROPOSALS

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

C2 BORROWINGS AND DEBT SECURITIES

As at the date of this interim financial report, there were no borrowings and the Group has not issued any debt securities.

C3 MATERIAL LITIGATION

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

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

On 25 February 2019, the Adjudicator of Asian International Arbitration Center had pursuant to Section 12(2)(b) of the Construction Industry Payment and Adjudication Act 2012 provided its adjudication decision which awarded to and in favor of NPS of the abovesaid claim. It also orders OMSB to pay NPS, a total of RM482,899.20 together with interest at 5% per annum from 14 days after receipt of invoice 00000319 being the aggregate of the following:-

- (1) NPS’s claims of RM437,600 (in respect of Debts);
- (2) Interest rate of 5% per annum from 14 days after receipt of invoice 00000319 on the Debt;
- (3) Costs of Adjudication Proceedings of RM15,299.20; and
- (4) Legal Costs of RM30,000.00.

This litigation is still ongoing and there are no changes to the status since 25 February 2019. Any material new development will be announced in due course.

C4 DIVIDENDS

An interim dividend of 0.2 sen per ordinary share in respect of financial year ended 2019 was paid on 17 January 2020.

No dividend has been proposed or declared during the financial period ended 30 June 2020.

C OTHER INFORMATION (CONT'D)

C5 EARNINGS/(LOSS) PER SHARE

	INDIVIDUAL 6 months ended 30 June		CUMULATIVE 6 months ended 30 June	
	2020	2019	2020	2019
(Loss) / profit attributable to owners of the Company (RM'000)	(782)	690	(782)	690
Weighted average number of shares at end of period ('000)	149,010	149,010	149,010	149,010
(Loss) / earnings per ordinary share (Sen)	(0.52)	0.46	(0.52)	0.46

Diluted earnings per share is not computed as the Company did not have any convertible financial instruments as at the date of this interim financial report.

C6 UTILISATION OF PROCEEDS

The status of utilisation of proceeds raised from the Excluded Issue of RM2.46 million pursuant to the listing in LEAP Market of Bursa Securities as at 30 June 2020 is as follows:

Purpose	Proposed Utilisation RM'000	Reallocation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation upon listing
Future business expansion	500	(500) ⁽²⁾	-	Within 24 months
Working Capital	960	642 ^{(1) (2)}	(1,602)	Within 12 months
Estimated listing expenses	1,000	(142) ⁽¹⁾	(858)	Within 2 weeks
Total	2,460	-	(2,460)	

Notes:

(1) The surplus of estimated listing expenses were 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.