

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608-K)
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 30 JUNE 2018**

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.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

UNAUDITED CONDENSED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2018

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
Revenue	2,869	3,464	2,869	3,464
Cost of Sales	(1,393)	(1,361)	(1,393)	(1,361)
Gross Profit	1,476	2,103	1,476	2,103
Other operating income	64	24	64	24
Operating expenses	(994)	(923)	(994)	(923)
Profit from operating activities	546	1,204	546	1,204
Finance Costs	-	-	-	-
Profit before tax	546	1,204	546	1,204
Tax expenses	(6)	(5)	(6)	(5)
Profit for the period	540	1,199	540	1,199
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	540	1,199	540	1,199
Profit and total comprehensive income attributable to owners of the Company	540	1,199	540	1,199
EARNINGS PER SHARE				
Basic (Sen)	0.37	1.00	0.37	1.00
Diluted (Sen)	N/A	N/A	N/A	N/A

Note:

The basis of preparation of the Unaudited Condensed Statements of Comprehensive Income are detailed in Note A1 and the accompanying explanatory notes attached to this interim financial report.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Unaudited as at 30.6.2018 RM'000	Audited as at 31.12.2017 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	153	134
CURRENT ASSETS		
Trade receivables	1,367	1,118
Other receivables, deposits and prepayments	20	527
Gross amount due from customers for contract works	1,486	1,657
Current tax assets	78	53
Fixed deposit with a licensed bank	4,029	1,060
Cash and bank balances	4,115	4,040
	<u>11,095</u>	<u>8,455</u>
TOTAL ASSETS	11,248	8,589
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	7,985	5,000
Retained earnings	1,002	1,320
	<u>8,987</u>	<u>6,320</u>
CURRENT LIABILITIES		
Trade payables	403	131
Other payables and accruals	1,356	1,926
Gross amount due to customers for contract works	502	212
	<u>2,261</u>	<u>2,269</u>
TOTAL LIABILITIES	<u>2,261</u>	<u>2,269</u>
TOTAL EQUITY AND LIABILITIES	11,248	8,589
Net assets per share (RM)	0.06	0.05

Notes:

- (1) *The basis of preparation of the Unaudited Condensed Statements of Financial Position are detailed in Note A1 and the accompanying explanatory notes attached to this interim financial report.***
- (2) *Net assets per share is calculated based on the Company's number of ordinary shares at the end of the reporting period.***

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Share Capital RM'000	Retained earnings RM'000	Total Equity RM'000
Opening balance at 1 January 2018	5,000	1,320	6,320
Total income for the period	-	540	540
Listing Expenses		(858)	(858)
New Issuance of shares	2,985	-	2,985
Closing balance at 30 June 2018	7,985	1,002	8,987
Opening balance at 1 January 2017	1,000	2,471	3,471
Total income for the period	-	1,199	1,199
Dividend	-	(250)	(250)
Closing balance at 30 June 2017	1,000	3,420	4,420

Note:

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

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2018

	6 months ended 30.6.2018 RM'000	6 months ended 30.6.2017 RM'000
Operating activities		
Profit before tax	546	1,204
Adjustment for:		
Depreciation	46	57
Interest income	(26)	(24)
Unit Trust Dividend	(31)	-
Unrealized loss/(gain) on foreign exchange	(8)	116
Operating profit before working capital changes	527	1,353
Change in trade and other receivables	264	271
Change in gross amount due to/from customers for contract works	462	(95)
Change in trade and other payables	(302)	329
Cash flows generated from operating activities	951	1,858
Investing activities		
Tax (paid)/refund	(32)	130
Unit Trust Dividend	31	-
Interest received	26	24
Net cash generated from/(used in) investing activities	25	154
Financing activities		
Purchase of property, plant and equipment	(65)	(14)
Dividend paid	-	(850)
Proceeds from issuance of shares less listing expenses	2,127	-
Net cash from/(used in) financing activities	2,062	(864)
Net increase in cash and cash equivalents	3,038	1,148
Effect of foreign exchange rate changes	5	(87)
Cash and cash equivalents at beginning of period	5,100	3,682
Cash and cash equivalents at the end of period	8,143	4,743
Cash and cash equivalents comprise:		
Cash and bank balances	4,115	3,701
Deposit with licensed banks	4,028	1,042
	8,143	4,743

Note:

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

NOVA PHARMA SOLUTIONS BERHAD

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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

Basis of Preparation

The interim financial statements of NPS 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 2017 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 the Company in this interim financial report are consistent with those adopted in the Audited Financial Statements for the financial year ended 31 December 2017 except for the following:

	Effective for annual periods beginning on or after
Amendments to MFRSs	
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 - Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140 Investment Property - Transfers of Investment Property	1 January 2018

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Changes in Accounting Policies (Cont'd)

Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of the above amendments to MFRSs do not have any significant financial impact on the results and financial position of the Company for the current period.

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:

	Effective for annual periods beginning on or after
MFRSs/Amendments to MFRSs/IC Interpretation	
MFRS 16 - Leases	1 January 2019
Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
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:

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 15 also applied.

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A2 SEASONAL OR CYCLICAL FACTORS

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

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

There were no material unusual items affecting assets, liabilities, equity, net income and cash flow of the Company during the current financial period.

A4 MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates during the period ended 31 December 2017.

A5 DEBTS AND EQUITY SECURITIES

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the period under review :

- (i) On 11 January 2018, the Company issued 2,625,000 ordinary shares to Hermansen Holdings 2016 Aps at an issue price of RM0.20 per ordinary share; and
- (ii) On 28 February 2018, the Company issued 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.

A6 SEGMENTAL INFORMATION

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

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	31.6.2018	31.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Design fee	2,107	2,656	2,107	2,656
Post design fee	624	760	624	760
Other support fee	138	48	123	48
	2,869	3,464	2,869	3,464

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

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Pharmaceutical	1,329	1,876	1,329	1,876
Biotechnology	1,540	1,588	1,540	1,588
Total	2,869	3,464	2,869	3,464

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A6 SEGMENTAL INFORMATION (CONT'D)

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

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,379	1,937	1,379	1,937
Taiwan	1,352	1,527	1,352	1,527
Thailand	138	-	138	-
Total	2,869	3,464	2,869	3,464

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 RM2.87 million for the 6-month period ended 30 June 2018 which were mainly contributed by Malaysia and Taiwan market with revenue contribution of 48.07% and 47.12% respectively.

Generally, the lower revenue contribution from design fee during the 6-month period ended 30 June 2018 was mainly due to lower revenue contribution from Malaysia market. Revenue contribution from Malaysia has decreased by approximately RM0.56 million or 28.81% for the current financial period ended 30 June 2018 as compared to the preceding 6-month period ended 30 June 2017 was mainly due to slower pace of local pharmaceutical activities. This has also attributed to the lower revenue contribution from pharmaceutical industry during the 6-month period ended 30 June 2018 as most of the pharmaceutical projects are contributed from Malaysia market.

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

As at 30 June 2018, the Company has no material capital commitments.

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

B1 REVIEW OF PERFORMANCE

Revenue decreased by 17.18% or RM0.60 million for the 6-month period ended June 2018 as compared to the preceding 6-month period ended 30 June 2017 was mainly due to slower pace of activities for local pharmaceutical projects during the first half of 2018 which could be partly due to political uncertainties pertaining to the GE 14.

The lower gross profit for the 6-month period ended 30 June 2018 of RM1.48 million as compared to the preceding 6-month period 30 June 2017 of RM2.10 million was mainly due to :

- a) lower revenue recorded during the period under review; and
- b) lower gross profit margin contribution from a new pharmaceutical customer secured during the period under review for a local project with lower set-up cost budget.

Profit after tax decreased by 54.96% or RM0.66 million for the 6-month ended 30 June 2018 as compared to the preceding 6-month period ended 30 June 2017 which was mainly due to lower revenue and gross profit margin contribution from Malaysia market.

B2 PROSPECTS

Barring unforeseen circumstances, the Company believe that the local pharmaceutical activities will gain momentum in the second half of 2018. Meantime, in June 2018, the Company has managed to secure a new biotechnology project for initial phase of conceptual design works which worth about RM400,000 in Taiwan and expects both Malaysia and Taiwan market will continue to contribute significantly to the Company's revenue and its results positively.

As at 30 June 2018, the Company's order book stood at approximately RM8.18 million.

B3 PROFIT FORECAST, PROFIT GUARANTEE AND INTERNAL TARGETS

The Company did not provide any profit forecast, profit guarantee or made any internal targets for the period under review.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

C OTHER INFORMATION

C 1 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.

C 2 BORROWINGS AND DEBT SECURITIES

As at the reporting date, there were no borrowings and the Company has not issued any debt securities.

C 3 MATERIAL LITIGATION

There are no material litigations pending as at the date of this report.

C 4 DIVIDENDS

The Board does not recommend any dividend for the current period.

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C 5 EARNINGS/(LOSS) PER SHARE

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	30.6.18 RM'000	30.6.17 RM'000	30.6.18 RM'000	30.6.17 RM'000
Profit attributable to owners of the Company	540	1,199	540	1,199
Weighted average number of shares at end of period	146,983	120,000	146,983	120,000
Basic earnings per ordinary share (Sen)	0.37	1.00	0.37	1.00

Diluted earnings per share is not computed as the Company did not have any convertible financial instruments as at 30 June 2018.

C 6 UTILISATION OF PROCEEDS

The status of utilisation of proceeds raised from the Excluded Issue of RM2.46 million as at 30 June 2018 is as follows:

Purpose	Proposed Utilisation 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	(899)	61	Within 12 months
Estimated listing expenses	1,000	(858)	142 ⁽¹⁾	Within 2 weeks
Total	2,460	(1,757)	703	

Note:

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