

NOVA PHARMA SOLUTIONS BERHAD

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

**FINANCIAL STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 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 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Revenue	5,029	3,669	7,898	7,133
Cost of Sales	(2,394)	(1,315)	(3,787)	(2,676)
Gross Profit	2,635	2,354	4,111	4,457
Other operating income	251	21	308	45
Operating expenses	(1,263)	(921)	(2,250)	(1,843)
Profit from operating activities	1,623	1,454	2,169	2,659
Finance Costs	-	-	-	-
Profit before tax	1,623	1,454	2,169	2,659
Tax expenses	1	(4)	(5)	(10)
Profit for the period	1,624	1,450	2,164	2,649
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	1,624	1,450	2,164	2,649
Profit and total comprehensive income attributable to owners of the Company	1,624	1,450	2,164	2,649
EARNINGS PER SHARE				
Basic (Sen)	1.11	1.21	1.47	2.21
Diluted (Sen)	N/A	N/A	N/A	N/A

Note:

The basis of preparation of the Unaudited Condensed 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.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Unaudited as at 31.12.2018 RM'000	Audited as at 31.12.2017 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	167	134
CURRENT ASSETS		
Trade receivables	1,268	1,118
Other receivables, deposits and prepayments	33	527
Contract assets	2,487	1,657
Tax recoverable	111	53
Fixed deposit with licensed banks	4,099	1,060
Cash and bank balances	4,992	4,040
	<u>12,990</u>	<u>8,455</u>
TOTAL ASSETS	13,157	8,589
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	7,985	5,000
Retained earnings	2,030	1,320
	<u>10,015</u>	<u>6,320</u>
CURRENT LIABILITIES		
Trade payables	171	131
Other payables and accruals	2,822	1,926
Contract liabilities	149	212
	<u>3,142</u>	<u>2,269</u>
TOTAL LIABILITIES	<u>3,142</u>	<u>2,269</u>
TOTAL EQUITY AND LIABILITIES	13,157	8,589
Net assets per share (RM)	0.07	0.05

Notes:

- (1) *The basis of preparation of the Unaudited Condensed Statement 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 31 DECEMBER 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 comprehensive income for the period	-	2,164	2,164
Listing Expenses	-	(858)	(858)
New Issuance of shares	2,985	-	2,985
Dividend	-	(596)	(596)
Closing balance at 31 December 2018	7,985	2,030	10,015
Opening balance at 1 January 2017	1,000	2,471	3,471
Total comprehensive income for the period	-	2,649	2,649
Issuance of bonus share	2,000	(2,000)	-
New Issuance of shares	2,000	-	2,000
Dividend	-	(1,800)	(1,800)
Closing balance at 31 December 2017	5,000	1,320	6,320

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.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2018**

	12 months ended 31.12.2018 RM'000	12 months ended 31.12.2017 RM'000
Operating activities		
Profit before tax	2,169	2,659
Adjustments for:		
Depreciation	83	112
Interest income	(33)	(45)
Unit Trust Dividend	(99)	-
Unrealized (gain)/loss on foreign exchange	(176)	198
Provision for doubtful debts	438	-
Foreseeable loss for contract works	138	-
Operating profit before working capital changes	2,520	2,924
Change in trade and other receivables	(95)	(202)
Change in contract assets/liabilities	(1,031)	(1,403)
Change in trade and other payables	352	471
Cash generated from operations	1,746	1,790
Tax (paid)/refund	(64)	157
Unit Trust Dividend	99	-
Interest received	34	45
Cash flows generated from operating activities	1,815	1,992
Investing activities		
Purchase of property, plant and equipment	(117)	(23)
Net cash used in investing activities	(117)	(23)
Financing activities		
Dividend paid	-	(2,400)
Proceeds from issuance of shares less listing expenses	2,127	2,000
Net cash from/(used in) financing activities	2,127	(400)
Net increase in cash and cash equivalents	3,825	1,570
Effect of foreign exchange rate changes	166	(152)
Cash and cash equivalents at beginning of period	5,100	3,682
Cash and cash equivalents at the end of period	9,091	5,100
Cash and cash equivalents comprise:		
Cash and bank balances	4,992	4,040
Deposit with licensed banks	4,099	1,060
	9,091	5,100

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.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 ("FYE") 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 (2014)	1 January 2018
MFRS 15 - Revenue from Contracts with Customers	1 January 2018
Amendments to 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 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual improvements 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual improvements 2014 - 2016 Cycle)	1 January 2018
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

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A1 COMPLIANCE WITH FINANCIAL REPORTING STANDARD AND LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

Changes in Accounting Policies (Cont'd)

Material impacts of initial application of an accounting standard, an amendment or an interpretation, are disclosed below:

i) **MFRS 15 Revenue from Contracts with Customers**

The core principle of this new MFRS is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligations in the contract;
- (3) determining the transaction price;
- (4) allocating the transaction price to the separate performance obligations in the contract;
- and
- (5) recognising revenue when (or as) the entity satisfies a performance obligation.

For a contract with a customer that has multiple elements, MFRS 15 requires that the contract shall be identified into separate performance obligations if they are individually distinct. The transaction price (i.e. the consideration receivable) in the contract shall be allocated to the performance obligations on the relative standalone selling price method. If the consideration receivable is variable, a probability weighted estimated or the most likely outcome is applied in the measurement of revenue, depending on which is the more appropriate basis under the particular circumstances. Revenue for a performance obligation is recognised in profit or loss when, or as, the entity transfers control of an asset (i.e. the good or service), to the customer. MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, timing and uncertainty of revenue and cash flows from contracts with customers.

The new MFRS requires that the Company assess when control of a project is transferred to a customer and whether the performance obligation in contract with a customer is satisfied over time or at a point in time. The Company considers that the performance obligation is satisfied over time if its performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. If a performance obligation is satisfied over time, the new MFRS requires that revenue shall be recognised progressively over time by applying the percentage of completion method.

NOVA PHARMA SOLUTIONS BERHAD
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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A1 COMPLIANCE WITH FINANCIAL REPORTING STANDARD AND LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

Changes in Accounting Policies (Cont'd)

i) MFRS 15 Revenue from Contracts with Customers (Cont'd)

The adoption of this new MFRS has enable the Company to continue with its previous accounting policy for recognising revenue from project service activities using the percentage of completion method. Other than the enhanced new disclosures about contracts with customers, which the Company has complied with in the current year, the adoption of this new MFRS has no effect on the Company's financial position or results.

The amendments to MFRS 15 are to clarify certain aspects of MFRS 15 to make them easier for reporting entities to apply the requirements of the new Revenue Standard. In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

ii) MFRS 9 Financial Instruments (2014)

For the purpose of subsequent measurement, the Company classifies financial assets into three measurement categories, namely:

- (1) financial assets at amortised cost ("**AC**");
- (2) financial assets at fair value through other comprehensive income ("**FVOCI**"); and
- (3) financial assets at fair value through profit or loss ("**FVPL**").

The classification is based on the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Company measures financial assets, as follow:

(1) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A1 COMPLIANCE WITH FINANCIAL REPORTING STANDARD AND LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

Changes in Accounting Policies (Cont'd)

ii) MFRS 9 Financial Instruments (2014) (Cont'd)

(2) Financial assets at FVOCI

A financial asset is measured at FVOCI if: (a) it is held within the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(3) Financial assets at FVPL.

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

MFRS 9 also introduces a new impairment methodology for financial assets, lease receivables and contract assets subject to impairment requirements and a new hedged accounting model. It uses a single forward-looking expected credit loss model that requires a 12-month expected credit loss be provided on initial recognition of a financial instrument, and if, and only if, there has been a significant deterioration in the credit risk after initial recognition, a lifetime expected credit loss shall be recognised. Also, the new hedge accounting model has been aligned to an entity's business model for managing financial risk, with eligible qualifying hedged items being extended to cover hedges of non-financial items.

The date of initial application of MFRS 9 is 1 January 2018.

iii) Other new and revised MFRSs

The adoption of the other new and revised accounting standards, amendments and interpretations have no significant impact on the financial statements of the Company.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A1 COMPLIANCE WITH FINANCIAL REPORTING STANDARD AND LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

Changes in Accounting Policies (Cont'd)

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
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation	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 MFRS 3 Business Combinations - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 11 Joint Arrangements - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 112 Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 123 Borrowing Costs - Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A1 COMPLIANCE WITH FINANCIAL REPORTING STANDARD AND LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

Changes in Accounting Policies (Cont'd)

	Effective for annual periods beginning on or after
MFRSs/Amendments to MFRSs/IC Interpretation	
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments MFRS 3 Business Combinations	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 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 directors anticipate that the above-mentioned accounting standards, interpretations and amendments will be adopted by the Company when they become effective.

Amendments to MFRS 4 *Insurance Contracts* – *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* and MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Company.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A1 COMPLIANCE WITH FINANCIAL REPORTING STANDARD AND LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

Changes in Accounting Policies (Cont'd)

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.

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 2018.

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 FYE 31 December 2018:

- (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.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A6 SEGMENTAL INFORMATION

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

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Design fee	3,330	2,895	5,437	5,451
Post design fee	1,269	643	1,893	1,387
Other support fee	430	131	568	295
	5,029	3,669	7,898	7,133

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

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Pharmaceutical	2,967	706	4,296	2,582
Biotechnology	2,062	2,963	3,602	4,551
Total	5,029	3,669	7,898	7,133

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

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Malaysia	3,050	994	4,429	2,932
Taiwan	1,705	2,311	3,057	3,837
Thailand	177	364	315	364
UAE	52	0	52	0
France	45	0	45	0
Total	5,029	3,669	7,898	7,133

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. The Company is currently in the process of identifying a permanent office space for rent and hiring of suitable candidates for the Representative Office.

NOVA PHARMA SOLUTIONS BERHAD

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

A6 SEGMENTAL INFORMATION (CONT'D)

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.

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 31 December 2018, the Company has no material capital commitments.

NOVA PHARMA SOLUTIONS BERHAD

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

B1 REVIEW OF PERFORMANCE

Revenue increased by 10.73% or RM0.765 million for the FYE 31 December 2018 as compared to the FYE 31 December 2017 was mainly due to higher pace of activities for local pharmaceutical projects during the second half of 2018.

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.

B2 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 our 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.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

B ADDITIONAL INFORMATION REQUIRED UNDER THE LEAP MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

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

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 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.

C 4 DIVIDENDS

On 12 December 2018, the Board of Directors declared an interim single tier dividend of 0.4 sen per ordinary share in respect of FYE 31 December 2018 which was paid on 18 January 2019.

On 21 February 2019, the Board of Directors proposed a final single tier dividend of 0.2 sen per ordinary share in respect of FYE 31 December 2018, subject to shareholders approval at the forthcoming Annual General Meeting of the Company. The entitlement and payment dates shall be finalised by the Company at a later date and announced in due course.

NOVA PHARMA SOLUTIONS BERHAD

(Company No. 34608 K)

C OTHER INFORMATION (CONT'D)

C 5 EARNINGS/(LOSS) PER SHARE

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	31.12.18	31.12.17	31.12.18	31.12.17
Profit attributable to owners of the Company (RM'000)	1,624	1,450	2,164	2,649
Weighted average number of shares at end of period ('000)	146,983	120,116	146,983	120,116
Basic earnings per ordinary share (Sen)	1.11	1.21	1.47	2.21

Diluted earnings per share is not computed as the Company did not have any convertible financial instruments as at 31 December 2018.

C 6 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.