

nova pharma solutions
Designing for Healthier Future

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

**FINANCIAL STATEMENTS FOR THE
HALF YEAR ENDED 31 DECEMBER 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 FINANCIAL YEAR ENDED 31 DECEMBER 2020

	UNAUDITED INDIVIDUAL		UNAUDITED CUMULATIVE	
	6 months ended		Financial year ended	
	31 December		31 December	
	<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	2,823	3,123	4,235	6,295
Cost of sales	(1,422)	(1,787)	(2,484)	(3,346)
Gross profit	1,401	1,336	1,751	2,949
Other operating income	92	128	197	245
Operating expenses	(1,249)	(994)	(2,599)	(2,033)
Profit / (Loss) from operating activities before impairment losses	244	470	(651)	1,161
Impairment losses	(57)	-	(57)	-
Profit / (Loss) from operating activities	187	470	(708)	1,161
Finance costs	(14)	(9)	(14)	(9)
(Loss) / profit before tax	173	461	(722)	1,152
Tax expenses	(8)	(30)	(8)	(31)
(Loss) / profit for the financial year	165	431	(730)	1,121
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive (loss) / income for the financial year	165	431	(730)	1,121
(Loss) / profit for the financial year attributable to:				
Owners of the Company	133	407	(649)	1,097
Non-controlling interest	32	24	(81)	24
	165	431	(730)	1,121
Total comprehensive (loss) / income for the financial year attributable to:				
Owners of the Company	133	407	(649)	1,097
Non-controlling interest	32	24	(81)	24
	165	431	(730)	1,121
(LOSS) / EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic (Sen)	0.09	0.27	(0.44)	0.74
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 31 DECEMBER 2020**

	Unaudited as at 31.12.2020 RM'000	Audited as at 31.12.2019 RM'000
NON-CURRENT ASSETS		
Right-of-use Asset	105	168
Property, plant and equipment	183	227
	<u>288</u>	<u>395</u>
CURRENT ASSETS		
Trade receivables	2,501	1,522
Other receivables, deposits and prepayments	102	47
Contract assets	2,100	3,140
Current tax assets	835	229
Short-term funds	5,800	6,157
Cash and bank balances	250	1,067
	<u>11,588</u>	<u>12,162</u>
TOTAL ASSETS	11,876	12,557
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	7,985	7,985
Retained earnings	1,878	2,527
Non-controlling interest	-	73
	<u>9,863</u>	<u>10,585</u>
CURRENT LIABILITIES		
Trade payables	59	77
Other payables and accruals	1,651	1,707
Lease liabilities	64	60
Contract liabilities	194	19
	<u>1,968</u>	<u>1,863</u>
NON-CURRENT LIABILITIES		
Lease liabilities	45	109
TOTAL LIABILITIES	2,013	1,972
TOTAL EQUITY AND LIABILITIES	11,876	12,557
NET ASSETS PER SHARE (RM)⁽¹⁾	0.066	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 FINANCIAL YEAR ENDED 31 DECEMBER 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	-	(649)	(81)	(730)
Acquisition of non-controlling interests	-	-	(49)	(49)
Impairment losses	-	-	57	57
Closing balance at 31 December 2020	7,985	1,878	-	9,863
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	7,985	2,527	73	10,585

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 FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Unaudited Financial year ended 31 December	
	2020 RM'000	2019 RM'000
Operating activities		
(Loss) / profit before tax	(722)	1,152
Adjustments for:		
Depreciation	104	64
Amortisation	63	63
Interest income	(1)	(4)
Unit Trust Dividend	(143)	(223)
Unrealized (gain)/loss on foreign exchange	(29)	34
Impairment losses	57	-
Provision for doubtful debts	150	-
Interest expenses	13	9
Operating (loss) / profit before working capital changes	(508)	1,095
Change in trade and other receivables	(1,059)	(280)
Change in contract assets/liabilities	1,215	(783)
Change in trade and other payables	255	(1,339)
Cash generated from operations	(97)	(1,307)
Tax paid	(613)	(261)
Tax refund	-	111
Interest expenses	(13)	(9)
Net Cash flows generated from operating activities	(723)	(1,466)
Investing activities		
Investment measured at fair value through profit or loss:		
Unit Trust Dividend	143	223
Interest Income	1	4
Purchase of property, plant and equipment	(60)	(124)
Net cash used in investing activities	84	103
Financing activities		
Dividend paid	(298)	(298)
Proceeds from issuance of shares	-	49
Repayment of lease liabilities	(60)	(64)
Repayment to a director	-	(171)
Net cash from financing activities	(358)	(484)
Net (decrease)/increase in cash and cash equivalents	(997)	(1,847)
Effect of foreign exchange rate changes	(177)	(20)
Cash and cash equivalents at beginning of period	7,224	9,091
Cash and cash equivalents at the end of financial year	6,050	7,224
<u>Analysis of cash and cash equivalents:</u>		
Deposit with licensed banks	5,800	6,157
Cash and bank balances	250	1,067
Cash and cash equivalents at the end of financial year	6,050	7,224

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 FINANCIAL YEAR ENDED 31 DECEMBER 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 - Interest rate Benchmark Reform and MFRS 7
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 is 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 pandemic which was further extended to 12 May 2020. During this period, temporary closure of all businesses was mandated except for those involved in the provision of essential services and products. The movement control enforcement had eased into a Conditional MCO ("CMCO") 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 ("SOP") which has impacted the Group's businesses.

On 9 June 2020, the Malaysia Government further extended the movement control enforcement from 10 June 2020 until 31 December 2020 as Recovery MCO ("RMCO"). Under the RMCO, new and revised SOP were implemented which further loosen the restrictions imposed such as opening the state border and reopening of all business sectors. Subsequently, due to spike of Covid-19 cases, a few states were put under CMCO enforcement again during the final quarter of 2020. The Group's performance has improved during the second half of the year largely due to easing of SOP during the RMCO enforcement.

Other than above, there were no material unusual items affecting assets, liabilities, equity, net income and cash flow of the Group for the financial year ended 31 December 2020.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

A4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates for the financial year ended 31 December 2020.

A5 DEBTS AND EQUITY SECURITIES

There were no material issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial year ended 31 December 2020.

A6 SEGMENTAL INFORMATION

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

	INDIVIDUAL		CUMULATIVE	
	6 months ended 31 December		financial year ended 31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Design	226	740	599	2,460
Post Design	411	361	558	739
EPCC ⁽¹⁾	974	653	974	653
Other Support ⁽²⁾	1,212	1,369	2,104	2,443
Total	2,823	3,123	4,235	6,295

Notes:

- 1- EPCC comprise of works and services pertaining to engineering and/or procurement and/or construction and/or commissioning.
- 2- Other support mainly comprises 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 31 December		financial year ended 31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Pharmaceutical	1,402	783	1,870	1,729
Biotechnology	1,389	1,687	2,051	3,913
Others ⁽¹⁾	32	653	314	653
Total	2,823	3,123	4,235	6,295

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 31 December		financial year ended 31 December	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,810	1,573	2,587	2,565
Taiwan	1,013	1,254	1,460	2,918
Thailand	-	280	19	494
Vietnam	-	-	169	-
France	-	16	-	318
Total	2,823	3,123	4,235	6,295

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 31 December 2020 ("**2H20**") and financial year ended 31 December 2020 ("**FY20**"), the Group revenue has decreased by RM0.30 million and RM2.06 million or 9.61% and 32.71%, respectively compared to the previous half year ended 31 December 2019 ("**2H19**") and financial year ended 31 December 2019 ("**FY19**"). This was mainly due to the sudden suspension of businesses arising from the unprecedented enforcement of the various MCO by Malaysian Government to curb further spread of COVID-19 pandemic. However, the Group managed to pick up the paces on the delay scheduled progress works during the 2H20 largely due to the RMCO enforcement where the Government reopened the state border as well as all the business sectors.

The contribution of revenue from Taiwan in FY20 has decrease by RM1.46 million or 49.93% compared to FY19 mainly due to the closure of international border. This has directly attributed to the lower revenue contribution from biotechnology industry during the FY20 as most of the biotechnology projects are from Taiwan.

The higher revenue contributed by EPCC and other support was mainly due to the 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

The changes in the composition of the Group during FY20 are as follows:

- (1) On 30 October 2020, the Company entered into an agreement with Acara Juara Sdn Bhd ("**AJ**") to mutually terminate the joint venture cum shareholders agreement dated 27 May 2019 and acquired the remaining 49% of the equity interest in NHS from AJ which comprising of 49,000 ordinary shares for purchase consideration of RM49,000. The acquisition was completed on 30 October 2020 and NHS has become a wholly-owned subsidiary of the Company.

Other than the above, 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

2H20 compared with 2H19

The Group's revenue in 2H20 was RM2.82 million, a decrease of approximately RM0.30 million or 9.61% as compared to 2H19, which was mainly due to lower contribution from local advanced technology facilities' engineering works from industries other than pharmaceutical and biotechnology. The above is partially offset by higher contribution from local pharmaceutical projects.

The Group's higher gross profit for the 2H20 of RM1.40 million as compared to 2H19 of RM1.34 million was mainly due to higher gross profit margin contribution from the biotechnology projects which were secured from both local and oversea.

The Group's profit before tax for 2H20 was RM0.20 million, a decrease of 62.47% as compared to the 2H19 of RM0.46 million. The decrease was mainly attributable to:

- (1) lower revenue contribution due to the COVID-19 pandemic;
- (2) recognition of provision of bad debts in 2H20 amounted to RM0.15 million;
- (3) impairment losses arising from acquisition of the remaining 49% of the equity interest in NHS; and
- (4) lower contribution from other income due to the reduction of overnight policy rate by Bank Negara Malaysia causing the decrease of interest distribution from cash management fund placement.

FY20 compared with FY19

The Group's revenue in FY20 was RM4.23 million, a decrease of approximately RM2.06 million or 32.71% as compared to FY19, which was mainly due to lower contribution from oversea biotechnology projects as a result from closure of international border caused by the COVID-19 pandemic.

The Group's loss before tax for FY20 was RM0.72 million as compared to the profit before tax for FY19 of RM1.15 million was mainly due to:

- (1) lower revenue from oversea arising from the suspensions of businesses and imposition of travel restriction as well as border control during the various stage of MCO period.
- (2) higher operating cost incurred for the newly incorporated subsidiary, NHS.

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

B2 PROSPECTS

Despite the positive Covid-19 vaccine news, the recovery path to pre-pandemic levels is expected to be bumpier than anticipated and the Board of Directors and NPS ("**Board**") is of the view that year 2021 will continue to be a challenging year due to the current economic situation in Malaysia and Globally. The second MCO imposed by the government of Malaysia in January 2021, are expected to pose some ramifications to the Malaysia's economic recovery trajectory in the year 2021. The Board will continue to take all proactive measures to ensure the existing business remains sustainable, resilient and will focus in delivering and completing all unfulfilled order book in hand.

As of 15 February 2021, our order book stood at approximately RM9.51 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.

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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 (“**Claim**”).

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 was 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 favour of NPS of the Claim.

On 21 January 2021, the Company served a Statutory Notice pursuant to Section 465 & 466 of the Companies Act 2016 to OMSB for the payment of RM561,007.80 which made up of the following:-

- (1) Debts of RM437,600;
- (2) Interest rate of 5% per annum on the Debts from 28 June 2017 until 21 January 2021 of RM78,108.60, and which continues for each additional day starting from 22 January 2021 at the rate of RM59.95 per day until the settlement of the Debts;
- (3) Costs of adjudication proceedings of RM15,299.20; and
- (4) Legal Costs of RM30,000.00.

In the event of failure or refusal to make the payment by OMSB for the above amount within twenty-one (21) days from 21 January 2021, a Winding-up proceedings against OMSB shall be instituted by the Company without any further notice.

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 year ended 31 December 2020.

C OTHER INFORMATION (CONT'D)

C5 EARNINGS/(LOSS) PER SHARE

	INDIVIDUAL 6 months ended 31 December		CUMULATIVE Financial year ended 31 December	
	2020	2019	2020	2019
(Loss) / profit attributable to owners of the Company (RM'000)	133	407	(649)	1,097
Weighted average number of shares at end of period ('000)	149,010	149,010	149,010	149,010
(Loss) / earnings per ordinary share (Sen)	0.09	0.27	(0.44)	0.74

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 31 December 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.