

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 30 JUNE 2021**

**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 2021

| | UNAUDITED INDIVIDUAL | | UNAUDITED CUMULATIVE | |
|--|----------------------|---------------|----------------------|---------------|
| | 6 months ended | | 6 months ended | |
| | 30 June | | 30 June | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Revenue | 2,827 | 1,412 | 2,827 | 1,412 |
| Cost of sales | (1,728) | (1,062) | (1,728) | (1,062) |
| Gross profit | 1,099 | 350 | 1,099 | 350 |
| Other operating income | 58 | 105 | 58 | 105 |
| Operating expenses | (1,063) | (1,350) | (1,063) | (1,350) |
| Profit / (Loss) from operating activities | 94 | (895) | 94 | (895) |
| Finance costs | - | - | - | - |
| Profit / (Loss) before tax | 94 | (895) | 94 | (895) |
| Tax expenses | - | - | - | - |
| Profit / (Loss) for the period | 94 | (895) | 94 | (895) |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income / (loss) for the period | 94 | (895) | 94 | (895) |
| Profit / (Loss) for the period attributable to: | | | | |
| Owners of the Company | 94 | (782) | 94 | (782) |
| Non-controlling interest | - | (113) | - | (113) |
| | 94 | (895) | 94 | (895) |
| Total comprehensive income / (loss) for the period attributable to: | | | | |
| Owners of the Company | 94 | (782) | 94 | (782) |
| Non-controlling interest | - | (113) | - | (113) |
| | 94 | (895) | 94 | (895) |
| EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Basic (Sen) | 0.06 | (0.52) | 0.06 | (0.52) |
| 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 2021

| | Unaudited as at 30.06.2021 RM'000 | Audited as at 31.12.2020 RM'000 |
|---|---|---------------------------------------|
| NON-CURRENT ASSETS | | |
| Right-of-use Asset | 73 | 105 |
| Property, plant and equipment | 139 | 183 |
| Investment in Subsidiary | - | - |
| | <u>212</u> | <u>288</u> |
| CURRENT ASSETS | | |
| Trade receivables | 2,187 | 2,501 |
| Other receivables, deposits and prepayments | 114 | 102 |
| Contract assets | 2,217 | 2,028 |
| Current tax assets | 1,011 | 835 |
| Short-term funds | 5,351 | 5,800 |
| Cash and bank balances | 1,510 | 250 |
| | <u>12,390</u> | <u>11,516</u> |
| TOTAL ASSETS | 12,602 | 11,804 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | |
| Share capital | 7,985 | 7,985 |
| Retained earnings | 1,972 | 1,878 |
| Non-controlling interest | - | - |
| | <u>9,957</u> | <u>9,863</u> |
| CURRENT LIABILITIES | | |
| Trade payables | 8 | 59 |
| Other payables and accruals | 2,231 | 1,651 |
| Lease liabilities | - | 64 |
| Contract liabilities | 327 | 122 |
| | <u>2,566</u> | <u>1,896</u> |
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | 79 | 45 |
| TOTAL LIABILITIES | 2,645 | 1,941 |
| TOTAL EQUITY AND LIABILITIES | 12,602 | 11,804 |
| NET ASSETS PER SHARE (RM)⁽¹⁾ | 0.067 | 0.066 |

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 2021**

| | Share Capital RM'000 | Retained Earnings RM'000 | Non- controlling Interest RM'000 | Total Equity RM'000 |
|---|----------------------------|--------------------------------|---|------------------------|
| Opening balance at 1 January 2021 | 7,985 | 1,878 | - | 9,863 |
| Total comprehensive profit for the period | - | 94 | - | 94 |
| Closing balance at 30 June 2021 | <u>7,985</u> | <u>1,972</u> | <u>-</u> | <u>9,957</u> |
| Opening balance at 1 January 2020 | 7,985 | 2,527 | 73 | 10,585 |
| Total comprehensive loss for the period | - | (649) | (81) | (730) |
| Acquisition on non-controlling interest | - | - | 8 | 8 |
| Closing balance at 31 December 2020 | <u>7,985</u> | <u>1,878</u> | <u>-</u> | <u>9,863</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 2021**

| | Unaudited 6 months ended 30 June | |
|---|-------------------------------------|----------------|
| | 2021 RM'000 | 2020 RM'000 |
| Operating activities | | |
| Profit / (Loss) before tax | 94 | (895) |
| Adjustments for: | | |
| Depreciation | 53 | 49 |
| Amortisation | 31 | 31 |
| Interest income | - | - |
| Unit Trust Dividend | (52) | (89) |
| Unrealized gain on foreign exchange | (45) | (20) |
| Interest expenses | 5 | (7) |
| Reversal of Impairment losses on receivables | (40) | - |
| Operating profit / (loss) before working capital changes | 46 | (931) |
| Change in trade and other receivables | 315 | (69) |
| Change in contract assets/liabilities | 15 | 1,326 |
| Change in trade and other payables | 530 | (216) |
| Cash generated from operations | 906 | 110 |
| Tax paid | (175) | (578) |
| Interest expenses | (5) | 7 |
| Net Cash flows generated from operating activities | 726 | (461) |
| Investing activities | | |
| Investment measured at fair value through profit or loss: | | |
| Unit Trust Dividend | 52 | 89 |
| Interest Income | - | - |
| Purchase of property, plant and equipment | (8) | (38) |
| Net cash used in investing activities | 44 | 51 |
| Financing activities | | |
| Dividend paid | - | (298) |
| Repayment of lease liabilities | (31) | (29) |
| Net cash from financing activities | (31) | (327) |
| Net (decrease)/increase in cash and cash equivalents | 739 | (737) |
| Effect of foreign exchange rate changes | 72 | (12) |
| Cash and cash equivalents at beginning of period | 6,050 | 7,224 |
| Cash and cash equivalents at the end of period | 6,861 | 6,475 |
| <u>Analysis of cash and cash equivalents:</u> | | |
| Deposit with licensed banks | 5,351 | 5,744 |
| Cash and bank balances | 1,510 | 731 |
| Cash and cash equivalents at the end of period | 6,861 | 6,475 |

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 2021

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 2020 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 2020 except the adoption of standards and amendments to standards and interpretations that are mandatory for the Group for the financial year beginning 1 January 2021:

| | |
|--|---|
| Amendments to References to the Conceptual Framework in MFRS Standards | |
| Amendments to MFRS 4 | Insurance Contracts |
| Amendments to MFRS 7 & 9 | Financial Instruments |
| Amendments to MFRS 16 | Leases |
| Amendments to MFRS 139 | Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform Phase 2 |

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 operations 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 Malaysia Government further extended the movement control order ("MCO") enforcement from 10 June 2020 until 31 March 2021 as Recovery MCO ("RMCO"). Under the RMCO, new and revised Standard Operating Procedures ("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 in certain areas across nation, Conditional MCO was reinstated starting from beginning of April 2021 in selected areas with stricter SOP.

On 28 May 2021, the Malaysia Government officially announcing the implementation of Total Lockdown ("FMCO") starting from 1 June 2021 to 14 June 2021 which was later extended to 30 June 2021. Under this FMCO, all economic sectors are not allowed to operate with the exception of essential economic and service sectors.

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 2021.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2021 (CONT'D)

A4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates for the financial period ended 30 June 2021.

A5 DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 30 June 2021.

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 | |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Design | 1,366 | 373 | 1,366 | 373 |
| Post Design | 247 | 147 | 247 | 147 |
| EPCC ⁽¹⁾ | 297 | - | 297 | - |
| Other Support ⁽²⁾ | 917 | 892 | 917 | 892 |
| Total | 2,827 | 1,412 | 2,827 | 1,412 |

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 30 June | | 6 months ended 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Pharmaceutical | 779 | 468 | 779 | 468 |
| Biotechnology | 1,577 | 662 | 1,577 | 662 |
| Others ⁽¹⁾ | 471 | 282 | 471 | 282 |
| Total | 2,827 | 1,412 | 2,827 | 1,412 |

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 | |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 1,737 | 777 | 1,737 | 777 |
| Taiwan | 292 | 447 | 292 | 447 |
| Thailand | 798 | 19 | 798 | 19 |
| Vietnam | - | 169 | - | 169 |
| Total | 2,827 | 1,412 | 2,827 | 1,412 |

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2021 (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 2021 ("1H21"), the Group recorded a revenue of RM2.83 million which were mainly contributed by Malaysia, Thailand and Taiwan market with revenue contributions of 61.44%, 28.23% and 10.33% respectively.

The higher growth of revenue contributed by Malaysia market in 1H21 compared to the half year ended 30 June 2020 ("1H20") are mainly due to the relaxation of SOP under RMCO for 1H21, where the Malaysia Government slowly reopened the state border as well as all the business sectors that improved the completion rate on the delayed work scheduled in 2020.

The Group also secured a new Biotechnology project in Thailand, which directly attributed to the higher revenue contribution from Thailand market and Biotechnology industry in 1H21.

However, as a result of the worsening situation of COVID-19 pandemic in Taiwan, Taiwan's Central Epidemic Command Center has introduced a system of COVID-19 alerts that have caused the delay of the scheduled progress works which directly resulted in lower revenue contribution from Taiwan market towards mid 1H21.

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 in 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

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

1H21 compared with 1H20

The Group's revenue in 1H21 was RM2.83 million, an increase of approximately RM1.42 million or approximately 100.00% as compared to 1H20, which was mainly due to higher contribution from local pharmaceutical projects, overseas biotechnology projects and the local maintenance works and other engineering services works carried out by NHS for advanced technology facilities.

The higher Group's gross profit for the 1H21 of RM1.10 million as compared to 1H20 of RM0.35 million was mainly due to higher gross profit margin contribution from a local project in relation to production of COVID-19 vaccine and overseas' biotechnology projects.

The Group's profit before tax for 1H21 was RM0.09 million as compared to the loss before tax 1H20 of RM0.90 million was mainly due to:

- (1) higher revenue recognised in local projects due to the higher project activities as a result of the relaxation of SOP under RMCO by Malaysian Government;
- (2) higher contribution from a newly secured overseas Biotechnology project in Thailand;
- (3) recovery of previously recognised bad debts of RM0.04 million during 1H21; and
- (4) lower staff cost incurred in 1H21 as compared to 1H20 due to staff reorganisation.

B2 PROSPECTS

The current financial year is expected to be challenging for the Group in view of the various measures imposed by the Malaysian Government to curb the COVID-19 infections.

The imposition of the FMCO – a total lockdown nationwide in the month of June 2021 and subsequent imposition of the Enhanced MCO (“**EMCO**”) during first half of July 2021 in most of Selangor and various areas in Kuala Lumpur, has resulted in disruption of the operations for most of the Group's customers due to reduction of workforce capacity. Although the EMCO was lifted in second half of July 2021, the daily reported COVID-19 cases still remained high causing a widespread slowdown in the economic activities. Further, the recent imposition of stricter lockdown and border control by Taiwan and Thailand, has also affected the Group's work progress for most of the ongoing projects located in these countries.

Overall, the COVID-19 pandemic has caused major setbacks and disrupted the scheduled deliveries of the Group's services and thus, revenue recognition.

The Group will continue to take all proactive measures to ensure the existing business remains sustainable, resilient and focused on delivering and completing all unfulfilled orders on hand within the agreed timeline with its customers.

As of 27 August 2021, our order book stood at approximately RM6.48 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 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.

On 24 February 2021, the Company has filed a winding-up petition against OMSB as a result of OMSB's failure to settle the sum of RM561,007.80 within twenty-one (21) days of receiving the Statutory Notice issued under Sections 465 and 466 of the Companies Act 2016 dated 21 January 2021.

High Court Judicial Commissioner had on 28 April 2021, upon the OMSB request for time to settle the debt, ordered the OMSB to settle the debt due and owing to the Company in full or if both parties have come to a settlement of the debt on or by 22 June 2021, failing which the Winding Up Order shall be made against OMSB on 22 June 2021 automatically.

On 8 July 2021, the winding up order made against OMSB automatically has been sealed by the High Court of Malaya as a result of OMSB's failure to settle the sum on or by 22 June 2021. Pursuant to the winding up order, OMSB was ordered to be wound up by the court under the provisions of the Companies Act 2016 and the Official Receiver be appointed as the liquidator of OMSB.

C OTHER INFORMATION (CONT'D)

C4 DIVIDENDS

The directors do not recommend any final dividend for the financial year ended 31 December 2020.

No dividend has been proposed or declared during the financial period ended 30 June 2021.

C5 EARNINGS/(LOSS) PER SHARE

| | INDIVIDUAL 6 months ended 30 June | | CUMULATIVE 6 months ended 30 June | |
|--|---|---------|---|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit / (Loss) attributable to owners of the Company (RM'000) | 94 | (782) | 94 | (782) |
| Weighted average number of shares at end of period ('000) | 149,010 | 149,010 | 149,010 | 149,010 |
| Earnings / (Loss) per ordinary share (Sen) | 0.06 | (0.52) | 0.06 | (0.52) |

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.