

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 2022**

**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 2022

	UNAUDITED INDIVIDUAL		UNAUDITED CUMULATIVE	
	6 months ended		Financial year ended	
	31 December		31 December	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	3,574	3,452	7,245	6,279
Cost of sales	(1,808)	(1,421)	(3,224)	(3,149)
Gross profit	1,766	2,031	4,021	3,130
Other operating income	67	82	116	140
Operating expenses	(1,510)	(1,661)	(2,694)	(2,724)
Profit from operating activities	323	452	1,443	546
Finance costs	-	-	-	-
Profit before tax	323	452	1,443	546
Tax expenses	(66)	(64)	(276)	(64)
Profit for the financial year	257	388	1,167	482
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the financial year	257	388	1,167	482
Profit for the financial year attributable to:				
Owners of the Company	257	388	1,167	482
Non-controlling interest	-	-	-	-
	257	388	1,167	482
Total comprehensive income for the financial year attributable to:				
Owners of the Company	257	388	1,167	482
Non-controlling interest	-	-	-	-
	257	388	1,167	482
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic (Sen)	0.17	0.26	0.78	0.32
Diluted (Sen)	N/A	N/A	N/A	N/A

Note:

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Unaudited as at 31.12.2022 RM'000	Audited as at 31.12.2021 RM'000
NON-CURRENT ASSETS		
Right-of-use Asset	153	42
Property, plant and equipment	170	94
	<u>323</u>	<u>136</u>
CURRENT ASSETS		
Trade receivables	2,830	2,311
Other receivables, deposits and prepayments	171	168
Contract assets	1,487	1,832
Current tax assets	1,486	1,048
Short-term funds	5,613	5,146
Fixed deposit with a licensed bank	550	550
Cash and bank balances	1,747	2,017
	<u>13,884</u>	<u>13,072</u>
TOTAL ASSETS	14,207	13,208
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	7,985	7,985
Retained earnings	3,156	2,361
Non-controlling interest	-	-
	<u>11,141</u>	<u>10,346</u>
CURRENT LIABILITIES		
Trade payables	384	164
Other payables and accruals	2,479	1,480
Lease liabilities	154	45
Contract liabilities	39	1,173
	<u>3,056</u>	<u>2,862</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	10	-
TOTAL LIABILITIES	3,066	2,862
TOTAL EQUITY AND LIABILITIES	14,207	13,208
NET ASSETS PER SHARE (RM)⁽¹⁾	0.075	0.069

Notes:

The above Condensed Consolidated Statement of Financial Position be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Share Capital RM'000	Retained Earnings RM'000	Non- controlling Interest RM'000	Total Equity RM'000
Opening balance at 1 January 2022	7,985	2,361	-	10,346
Total comprehensive profit for the period	-	1,167	-	1,167
Interim single-tier dividend declared for the financial year ended 31 December 2022	-	(372)	-	(372)
Closing balance at 31 December 2022	7,985	3,156	-	11,141
Opening balance at 1 January 2021	7,985	1,879	-	9,864
Total comprehensive loss for the period	-	482	-	482
Closing balance at 31 December 2021	7,985	2,361	-	10,346

Note:

The above Condensed Statement of Changes in Equity be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Unaudited	
	Financial year ended 31 December	
	2022	2021
	RM'000	RM'000
Operating activities		
Profit before tax	1,443	546
Adjustments for:		
Depreciation	105	97
Amortisation	96	63
Impairment loss on trade receivables	519	565
Investment measured at fair value through profit or loss		
- Unit Trust Dividend	(8)	(97)
- Fair value adjustment	(102)	1
Unrealized gain on foreign exchange	(85)	(55)
Interest expenses	2	15
Reversal of Impairment losses on receivables	(170)	(64)
Operating profit before working capital changes	1,800	1,071
Change in trade and other receivables	(787)	(356)
Change in contract assets/liabilities	(791)	1,247
Change in trade and other payables	1,220	(65)
Cash generated from operations	1,442	1,897
Tax paid	(702)	(278)
Interest expenses	(2)	(15)
Net Cash flows generated from operating activities	738	1,604
Investing activities		
Investment measured at fair value through profit or loss		
- Unit Trust Dividend	8	97
- Fair value adjustment	102	(1)
Purchase of property, plant and equipment	(181)	(8)
Net cash used in / (generated from) investing activities	(71)	88
Financing activities		
Dividend paid	(372)	-
Fixed deposits pledged as securities	-	(550)
Repayment of lease liabilities	(98)	(64)
Net cash used in financing activities	(470)	(614)
Net increase in cash and cash equivalents	197	1,078
Effect of foreign exchange rate changes	-	(35)
Cash and cash equivalents at beginning of financial year	7,163	6,050
Cash and cash equivalents at the end of financial year	7,360	7,163
<u>Analysis of cash and cash equivalents:</u>		
Deposit with licensed banks	5,613	5,146
Cash and bank balances	1,747	2,017
Cash and cash equivalents at the end of financial year	7,360	7,163

Note:

The above Condensed Statement of Cash Flows be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2021 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 2022 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.

As at the date of authorisation of these condensed consolidated interim financial statements, the following amendments to MFRSs which were in issue but not yet effective and have not been early adopted by the Group:

Amendments to MFRSs		Effective for annual periods beginning on or after
MFRS 17	Insurance contracts	1 January 2023
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9	1 January 2023
Amendments to MFRS 17	Insurance contracts	1 January 2023
Amendments to MFRS 17	Initial application of MFRS9 and MFRS 17 Comparative Information	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Disclosure of Accounting Estimates	1 January 2023

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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
Amendments to MFRSs		
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between on Investor and Its Associate or Joint Venture	Yet to be confirmed

The adoption of these amendments to MFRSs are not expected to have any material financial impact on the financial statements of the Group in the period of initial application.

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

On 8 March 2022, Malaysia's Prime Minister announced that Malaysia will begin the transition to the endemic phase starting on 1 April 2022 while waiting for the official endemic declaration by the World Health Organisation. During this phase, all activities have been permitted with no restriction on the usage of space capacity and operating hours. Subsequently, the government also announced the re-opening of international borders for all countries as well.

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 2022.

A4 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates for the financial year ended 31 December 2022.

A5 DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial year ended 31 December 2022.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT'D)

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Design	2,810	2,782	5,250	4,148
Post Design	174	241	431	488
EPCC⁽¹⁾	-	24	-	321
Other Support⁽²⁾	590	405	1,564	1,322
Total	3,574	3,452	7,245	6,279

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Pharmaceutical	1,906	241	2,204	1,020
Biotechnology	1,603	3,059	4,937	4,636
Others⁽¹⁾	65	152	104	623
Total	3,574	3,452	7,245	6,279

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,990	457	2,356	2,194
Taiwan	717	1,356	1,936	1,648
Thailand	778	1,639	2,530	2,437
Indonesia	89	-	423	-
Total	3,574	3,452	7,245	6,279

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 2022 ("**2H22**") and financial year ended 31 December 2022 ("**FY22**"), the Group recorded a revenue of RM3.57 million and 7.25 million respectively, an increase of 3.5% and 15.38% compared to the previous half year ended 31 December 2021 ("**2H21**") and financial year ended 31 December 2021 ("**FY21**"). The higher revenue recorded in 2H22 and FY22 mainly contributed by Malaysia market.

The higher revenue contributed by local market during 2H22 and FY22 mainly due to a newly secured pharmaceutical project that involving in design and setting up of a pharma excipients facility by a Multi-National Company from United States of America.

The Group recorded lower revenue from Taiwan and Thailand markets for 2H22 due to certain existing projects have reached the tail end stages of their contractual works. The higher revenue contribution from Taiwan and Thailand markets for FY22 was mainly due to higher work completion rate and relaxation of COVID-19 measures during 1H22.

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

2H22 compared with 2H21

The Group's revenue in 2H22 was RM3.57 million, an increase of RM0.12 million or 3.5% as compared to 2H21, which was mainly due to higher contribution from Malaysia pharmaceutical projects offset by lower contribution from overseas biotechnology projects.

The lower Group's gross profit for the 2H22 of RM1.77 million as compared to 2H21 of RM2.03 million was mainly due to Malaysia pharmaceutical projects carrying lower gross profit margin.

The Group's profit before tax for 2H22 was RM0.32 million as compared to the profit before tax 2H21 of RM0.45 million. The profit before tax was lower mainly due to lower gross profit margin contribution from pharmaceutical facilities projects secured locally.

FY22 compared with FY21

The Group's revenue in FY22 was RM7.25 million, an increase of approximately RM0.97 million or 15.38% as compared to FY21, which was mainly due to the higher contribution from a newly secured pharmaceutical project from Malaysia.

The Group's profit before tax for FY22 was RM1.44 million as compared to the profit before tax for FY21 of RM0.55 million was mainly due to higher revenue recognised during FY22.

B2 PROSPECTS

According to the Budget 2023 tabled in October 2022, the Malaysian economy is estimated to grow by 6.5% to 7% in 2022 and 4% to 5% in 2023. While the economy is supported by the recovery of the service sector in 2022, the 2023 outlook seems less certain primarily due to the prolonged Russian Ukrainian conflict and China's economic slowdown.

While the economic growth is likely to slow in 2023, the Group remained cautiously optimistic to sustain its business performance as the market demand for the Group's services continues to remain firm.

As of 20 February 2023, our order book stood at approximately RM5.11 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

There were no pending material litigation as at the date of this interim financial report.

C4 DIVIDENDS

On 23 August 2022, the Company declared an interim single tier dividend of 0.25 sen per ordinary share in respect of FY22 which was paid on 12 September 2022.

The directors do not recommend any final dividend for the financial year ended 31 December 2022.

C5 TAXATION

	INDIVIDUAL		CUMULATIVE	
	6 months ended 31 December		financial year ended 31 December	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Current income tax charge	83	64	293	64
Under / (over) prior years	(27)	-	(27)	-
Deferred taxation	10	-	10	-
	66	64	276	64

Reference is made to the announcement dated 26 November 2019 in relation to the Company's Pioneer (Tax Incentive) status. During the financial period under review, Company received notification from Malaysia Digital Economy Corporation Sdn Bhd ("MDEC") that the Pioneer Status extension of Tax Incentives was approved, and Malaysian Investment Development Authority ("MIDA") has issued the Pioneer Status Approval Letter ("Approval Letter") to the Company up to 30 June 2021.

The Company responded to MDEC and accepted the Approval Letter from MIDA on 19 July 2022.

The effective tax rate for FY22 was lower than the statutory income tax rate mainly due to lower non tax-deductible expenses.

C OTHER INFORMATION (CONT'D)

C6 EARNINGS PER SHARE

	INDIVIDUAL 6 months ended 31 December		CUMULATIVE financial year ended 31 December	
	2022	2021	2022	2021
Profit attributable to owners of the Company (RM'000)	257	388	1,167	482
Weighted average number of shares at end of period (‘000)	149,010	149,010	149,010	149,010
Earnings per ordinary share (Sen)	0.17	0.26	0.78	0.32

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.