

nova pharma solutions

Designing for Healthier Future

NOVA PHARMA SOLUTIONS BERHAD

(Company No: 34608-K)

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Unaudited	
	As at 30 September	
	2016 RM'000	2017 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	236	154
CURRENT ASSETS		
Trade receivables	1,723	1,290
Other receivables, deposit and prepayments	63	166
Amount owing by contract customers	972	1,562
Current tax assets	206	40
Fixed deposits with licensed bank	519	1,051
Cash and bank balances	2,591	3,664
Total current assets	6,074	7,773
TOTAL ASSETS	6,310	7,927
EQUITY		
Share capital	1,000	1,000
Retained earnings	2,078	4,348
TOTAL EQUITY	3,078	5,348
LIABILITIES		
CURRENT LIABILITIES		
Trade payables	174	80
Other payables and accruals	1,369	1,867
Amount owing to contract customers	1,689	632
Total current liabilities	3,232	2,579
TOTAL EQUITY AND LIABILITIES	6,310	7,927

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UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 SEPTEMBER 2017

	Unaudited	
	9-month period ended 30 September 2016 RM'000	9-month period ended 30 September 2017 RM'000
Revenue	5,473	5,549
Cost of sales	(2,635)	(2,054)
Gross profit	2,838	3,495
Other income	44	34
Administrative and distribution expenses	(1,051)	(1,396)
Other operating expenses	-	-
Profit from operation	1,831	2,133
Finance costs	-	-
Profit before taxation	1,831	2,133
Taxation	(5)	(7)
Profit after taxation	1,826	2,126

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UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 SEPTEMBER 2017

	Equity attributable to owners of the Company		
	Share Capital RM'000	Retained Earnings RM'000	Total Equity RM'000
As at 1.1.2016	1,000	752	1,752
Total income for the period	-	1,826	1,826
Dividend declared	-	(500)	(500)
As at 30.9.2016	<u>1,000</u>	<u>2,078</u>	<u>3,078</u>
As at 1.1.2017	1,000	2,471	3,471
Total income for the period	-	2,127	2,127
Dividends declared	-	(250)	(250)
As at 30.9.2017	<u>1,000</u>	<u>4,348</u>	<u>5,348</u>

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UNAUDITED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 SEPTEMBER 2017

	Unaudited	
	9-month period ended 30 September 2016	9-month period ended 30 September 2017
	RM'000	RM'000
Net cash generated from operating activities	2,438	2,026
Net cash (used in) investing activities	(26)	(16)
Net cash (used in) financing activities	(500)	(850)
Net increase in cash and cash equivalents	1,912	1,160
Effect of foreign exchange rate changes	27	(128)
Cash and cash equivalents at beginning of the financial period	1,171	3,683
Cash and cash equivalents at the end of the financial period	3,110	4,715

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EXPLANATORY NOTES

1. Basis of preparation

The unaudited interim financial statements of Nova Pharma Solutions Berhad (“**Nova Pharma**” or “**Company**”) for the 9-month period ended 30 September 2017 have been prepared in accordance with Malaysian Financial Reporting Standard (“**MFRS**”) 134 Interim Financial Reporting.

2. Seasonal or cyclical factors

We do not experience any material seasonality in our business, as our business operations are relatively stable throughout the year.

3. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity or cash flow during the period ended 30 September 2017.

4. Material changes in accounting estimates

There were no material changes in accounting estimates.

5. Changes in the composition of our Company

There were no changes in the composition of our Company.

6. Segment Information

(i) Analysis of revenue by business activities

	9-month period ended 30 September			
	2016		2017	
	RM'000	%	RM'000	%
Design fee	4,716	86.17	4,240	76.41
Post design fee	735	13.43	1,093	19.70
Other support fee	22	0.40	216	3.89
Total	5,473	100.00	5,549	100.00

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(ii) Analysis of revenue by industry

	9-month period ended 30 September			
	2016		2017	
	RM'000	%	RM'000	%
Pharmaceutical	3,109	56.81	2,260	40.73
Biotechnology	2,364	43.19	3,289	59.27
Total	5,473	100.00	5,549	100.00

(iii) Analysis of revenue by geographical location

	9-month period ended 30 September			
	2016		2017	
	RM'000	%	RM'000	%
Malaysia	2,970	54.27	2,492	44.91
Taiwan	2,358	43.08	2,839	51.16
Indonesia	145	2.65	-	-
Thailand	-	-	218	3.93
Total	5,473	100.00	5,549	100.00

7. Income tax expense

	9-month period ended 30 September	
	2016	2017
	RM	RM
Tax expense for the period	4,923	8,152
Over provision in prior year	-	(1,327)
	<u>4,923</u>	<u>6,825</u>

8. Acquisition and disposals of property, plant and equipment

There were no material acquisition and disposal.

9. Debt and equity securities

Save for the following, there were no issuances of debt and equity securities:

- (i) Bonus issue of 2,000,000 ordinary shares in Nova Pharma (“**Shares**”) on the basis of 2 bonus shares for every 1 existing Share held which was completed on 8 November 2017; and

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(ii) Issuance of 16,709,507 Shares to the following investors:

Investors	No. of Shares	Subscription price (RM)
Hermansen Holding 2016 Aps	2,625,000	525,000
JcbNext Berhad	14,084,507	2,000,000

10. Interest bearing loans and borrowings

Our Company does not have any interest bearing borrowing.

11. Capital commitments

There are no material commitments.

12. Changes in contingent liabilities and assets

There were no material changes in contingent liabilities and assets.

13. Events after reporting date

Save as disclosed in Note 9 above, there were no material events after the reporting date except for events in relation to the proposed listing exercise as stated in the Information Memorandum dated 2 February 2018 (“**Information Memorandum**”).

14. Review of performance and comparison with preceding quarter's results

Our revenue increased marginally by approximately RM0.08 million or 1.46% from RM5.47 million in the 9-month period ended 30 September 2016 to RM5.55 million in the 9-month period ended 30 September 2017 mainly due to higher contribution from an existing biotechnology project in Taiwan and a new biotechnology project in Thailand.

Our cost of sales decreased by approximately RM0.59 million or 22.35% from RM2.64 million in the 9-month period ended 30 September 2016 to RM2.05 million in the 9-month period ended 30 September 2017 mainly due to lower consultancy fee in the 9-month period ended 30 September 2017 of RM1.36 million (9-month period ended 30 September 2016: RM1.86 million) as a result of discontinuation of the recruitment of foreign expertise from NNE Pharmaplan A/S (“**NNE**”) for new projects undertaken subsequent to the management buyout of the entire equity interests in our Company by Khoo Boo Wie and Ter Leong Tah (“**MBO**”). As part of the on-going projects in the 9-month period ended 30 September 2016 were secured prior to the MBO, the consultancy fees for the 9-month period ended 30 September 2016 consist of engineering consultancy fees to NNE. Subsequent to the MBO, we manage to engage other foreign experts which are more cost competitive.

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Our profit after taxation increased by approximately RM0.30 million or 16.39% from RM1.83 million in the 9-month period ended 30 September 2016 to RM2.13 million in the 9-month period ended 30 September 2017 mainly due to higher revenue and gross profit from the biotechnology projects as well as lower cost of sales as explained above.

15. Prospects and factors likely to influence our Group's prospects

We have been involved in the provision of engineering solutions for the pharmaceutical and biotechnology industries for more than 10 years, led by an experienced key management team. We offered wide spectrum of engineering solutions, ranging from pre-design to post-design stage to customers mainly located in Malaysia, Indonesia and Taiwan for the past 2 FYEs 31 December 2015 and 31 December 2016 as well as for the 9-month period ended 30 September 2017.

Moving forward, our Group's future plans will focus on new office establishment in overseas to increase awareness of our range of services. The barriers to entry in the overseas markets for the pharmaceutical and biotechnology industries include established track records of incumbent market players, technical knowledge as well as understanding of relevant laws, regulations and government policies of overseas markets. We have to compete with established overseas market players who have established track records, offering wide range of engineering solutions, and are familiar with the laws and regulations in the overseas markets.

As track record is essential for us in securing projects in the overseas market, our credential from our past successful completed projects in various countries in South East Asia and Taiwan implies our creditability in managing the projects in overseas markets, including complying with the local laws, regulations and government policies. These track records have enabled us to generate business opportunities through recurring business and recommendations to other prospective customers. In order to enhance our working relationships with our customers and facilitate our overseas expansion plan, we intend to set-up offices in countries where we have executed notable projects in the past. We continue to keep abreast with the latest development in biotechnology and pharmaceutical industries, as well as complying with relevant laws, regulations and government policies in order to offer competitive engineering solutions.

We also intend to venture into provision of turnkey projects in order to have better control of project implementation from pre-design to commissioning of the plants.

According to the independent market research report on the strategic analysis of the engineering solutions market that targets pharmaceuticals and biotechnology industries dated 16 January 2018 prepared by Protégé Associates Sdn Bhd, the engineering solutions market that targets the pharmaceutical and biotechnology industries in Malaysia and Taiwan are expected to reap benefits from the continuing investments made for setting up and upgrading of pharmaceutical and biotechnology plants. The pharmaceutical and biotechnology industries in Malaysia are projected to expand from RM10.18 billion in 2016 to RM16.62 billion in 2021, representing a CAGR of 10.3 % during the period. On the other hand, the biotechnology industry in Taiwan (including the pharmaceutical, applied biotechnology and medical devices sectors) is projected to expand from NTD315.00 billion in 2016 to NTD424.5 billion in 2021, representing a CAGR of 6.1 % during the period.

We believe that the projected growth in the aforementioned countries bodes well for our future plans of expanding in the segments and markets, given the competitive strengths and future plans which provide us the platform to grow and sustain our business amidst the positive outlook of the engineering solutions market targeting the pharmaceutical and biotechnology industries.