

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2020

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 30 Jun 2020 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30 Jun 2019 (Unaudited) RM'000	Current Year To-Date 30 Jun 2020 (Unaudited) RM'000	Preceding Year Corresponding Period 30 Jun 2019 (Unaudited) RM'000
Revenue	3,470	5,179	6,921	8,797
Cost of sale	(2,239)	(3,191)	(4,618)	(5,897)
Gross profit	1,231	1,988	2,303	2,900
Other Operating Income	B10	508	154	230
Administrative and distribution expenses		(1,016)	(2,187)	(2,880)
Other Operating Expenses	B10	(587)	(943)	(522)
Share of net (loss)/ profit from an associate		(21)	(53)	(61)
Profit/(loss) before tax		115	(254)	(333)
Income tax expense	B5	-	-	-
Profit/(loss) after tax		115	(254)	(333)
Attributable to :				
Equity holders of the parent		64	(332)	(418)
Non-controlling Interest		51	78	85
		115	(254)	(333)
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13	0.021	(0.108)	(0.136)
Diluted (sen)	B13	0.035	(0.182)	(0.226)
EBITDA ⁽¹⁾		293	224	765

Note:-

⁽¹⁾ Profit before interest income, finance cost, tax, depreciation, amortisation and allowances.

(The unaudited Condensed Consolidated Income Statements should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

(The figures have not been audited)

	Unaudited 30 Jun 2020 RM'000	Audited 31 Dec 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	11,436	11,463
Investment in an associated company	453	507
Intangible assets	64	56
Right-of-use assets	2,879	3,117
Goodwill	8	8
	<u>14,840</u>	<u>15,151</u>
Current Assets		
Inventories	1,953	1,662
Trade receivables	4,484	4,406
Other receivables	943	2,834
Contract Assets	7,409	5,210
Amount due from an associate	591	670
Tax recoverable	450	508
Other short term investments	2,848	2,494
Deposit, cash and bank balances	14,815	16,636
	<u>33,493</u>	<u>34,420</u>
TOTAL ASSETS	<u>48,333</u>	<u>49,571</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	31,089	31,089
Reserves	6,152	6,550
	<u>37,241</u>	<u>37,639</u>
Non-controlling interest	<u>1,325</u>	<u>1,197</u>
Total equity	<u>38,566</u>	<u>38,836</u>
Non-Current Liabilities		
Term Loan	B7 6,057	6,276
Lease liabilities	B7 287	337
Deferred taxation	2	2
	<u>6,346</u>	<u>6,615</u>
Current Liabilities		
Trade payables	1,466	1,999
Other payable & accruals	871	798
Amount due to directors	2	11
Contract Liabilities	324	522
Term Loan	B7 363	299
Lease liabilities	B7 395	321
Taxation	-	170
	<u>3,421</u>	<u>4,120</u>
Total liabilities	<u>9,767</u>	<u>10,735</u>
TOTAL EQUITY AND LIABILITIES	<u>48,333</u>	<u>49,571</u>
Number of ordinary shares in issue ('000)	306,455	306,455
Net assets value per share (RM)	<u>0.1215</u>	<u>0.1228</u>

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020
(The figures have not been audited)

	6 months Ended 30 Jun 2020 (Unaudited) RM'000	6 months Ended 30 Jun 2019 (Unaudited) RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(254)	(333)
Adjustment for :		
Depreciation of property, plant and equipment	752	333
Amortisation of intangible assets	7	18
Gain on disposal of short term investment	(193)	(118)
Dividend income from short term investments	(33)	(1)
Impairment losses on trade receivables and contract assets	-	126
Interest income	(116)	(119)
Fair value (gain)/loss on short terms investments	135	(71)
Loss on disposal of investment	-	30
Interest expense	(97)	46
Loss on disposal of property, plant and equipment	6	-
Reversal of interest expense on lease	(261)	-
Reversal of impairment losses on trade receivables	(89)	-
Share of loss/ (profit) in an associate	53	61
Operating profit/(loss) before working capital changes	<u>(90)</u>	<u>(28)</u>
Working capital changes :		
(Increase)/ Decrease in inventories	(291)	(11)
(Increase)/ Decrease in contract assets	(2,199)	(536)
(Increase)/ Decrease in trade and other receivables	2,059	436
(Increase)/ Decrease in amount due from associate	79	282
Increase in contract liabilities	198	-
(Decrease)/ Increase in trade and other payables	(469)	(889)
Cash (used in)/generated from operating activities	<u>(713)</u>	<u>(746)</u>
Interest paid	97	(46)
Tax refunded	-	82
Tax paid	(112)	(298)
Net cash (used in)/generated from operating activities	<u>(728)</u>	<u>(1,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of treasury shares	(66)	-
Acquisition of additional shares in a subsidiary	(450)	-
Interest received	116	119
Net withdrawal/(placements) of short term investments	(725)	(395)
Purchase of property, plant and equipment	(49)	(171)
Proceeds from disposal of property, plant and equipment	6	-
Net cash generated from/(used in) investing activities	<u>(1,168)</u>	<u>(447)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net drawdown/ (repayment) of borrowings	(153)	368
Net repayment of hire purchase	-	(94)
Lease liabilities	201	-
Net cash (used in)/ generated from financing activities	<u>48</u>	<u>274</u>
Net (decrease)/increase in cash and cash equivalents	(1,848)	(1,181)
Currency translation difference	-	1
Cash and cash equivalents at beginning period	9,133	9,285
Cash and cash equivalents at end of period	<u>7,285</u>	<u>8,105</u>
Cash and cash equivalents as at 30 Jun 2020 and 30 Jun 2019 comprise the following :		
	2020	2019
	RM'000	RM'000
Deposits with a money market fund	-	-
Cash and bank balances	7,285	8,105
	<u>7,285</u>	<u>8,105</u>
	2020	2019
	RM'000	RM'000
Deposits with a money market fund	-	-
Fixed deposits with licensed banks	7,530	7,281
Cash and bank balances	7,285	8,105
	<u>7,285</u>	<u>8,105</u>
Deposit, cash and bank balances	14,815	15,386
Less: Fixed deposits with licensed banks (pledged with bank for banking)	(7,530)	(7,281)
Cash and cash equivalents	<u>7,285</u>	<u>8,105</u>

(The unaudited Condensed Consolidated Cashflow Statements should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2020
(The figures have not been audited)

	Attributable to Equity Holders of the SGB						
	<-----Non-distributable----->			Distributable			
	Share Capital RM'000	Option Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total RM'000
As at 1 January 2019 (audited)	31,089	212	-	7,239	38,540	1,111	39,651
Loss for the financial year and total comprehensive loss for the financial year	-	-	-	(418)	(418)	85	(333)
Purchase of treasury shares			(13)		(13)		(13)
Effect of changes of equity interest in a subsidiary				40	40		40
At 30 Jun 2019 (unaudited)	31,089	212	(13)	6,861	38,149	1,196	39,345
As at 1 January 2020 (audited)	31,089	212	(13)	6,351	37,639	1,197	38,836
ESOS forfeited		(25)		25	-		
Loss for the financial year and total comprehensive loss for the financial year	-	-	-	(332)	(332)	78	(254)
Arising from additional investment						50	50
Purchase of treasury shares	-	-	(66)	-	(66)	-	(66)
At 30 Jun 2020 (unaudited)	31,089	187	(79)	6,044	37,241	1,325	38,566

¹ Effective from 31st January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purpose set out in Section 618 (3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any members as a result of this transition.

(The unaudited Condensed Consolidated Changes In Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2020

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report of the Company and its subsidiaries ("Group") is unaudited and is prepared in accordance with MFRS 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market and should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

A2. Changes in accounting policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted for the audited financial statements of the Group for the financial year ended 31 December 2019. During the financial period, the Group has adopted the following standards, amendments and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB"), which became effective for annual period beginning on or after 1 January 2020.

MFRSs/ Amendments/ Interpretations

Amendments to MFRS 3, Business Combinations (Definition of a Business)
Amendments to MFRS 7, Financial Instruments (Disclosure - Interest Rate Benchmark Reform)
Amendments to MFRS 9, Financial Instruments
Amendments to MFRS 101, Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
Amendments to MFRS 139, Financial Instruments (Recognition and Measurement)

The adoption of the above did not have any significant impact on the financial statements of the Group.

The Group have not applied the following standards and amendments that have been issued by the MASB but are not yet effective:

Effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

Effective for annual periods beginning on or after a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

A3. Auditors' report on preceeding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

A4. Seasonality or cyclical factors

The Group's operations were not affected by seasonal or cyclical changes.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items or events affecting assets, liabilities, equity, net income or cash flows of the Group during the quarter ended 30 June 2020.

A6. Material changes in estimates

There were no material changes in estimates that have a material effect in the current quarter results.

A7. Debts and equity securities

There were no other issuance, cancellation, resale, repurchase and repayment of debt and equity securities.

A8. Dividends Paid

There was no dividend paid during the financial period ended 30 June 2020.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTD.)

A9. Segmental information

During the financial period, the Group revenue was contributed mainly from three business segments as follows::

- i) Engineering Equipment Design and development of equipment and software for engineering education, research and technical and vocational training ("TVET") in chemical, mechanical, electrical, civil and control engineering under SOLTEQ brand, including metal fabrication and assembly works.
- ii) Industrial Automation Provision of industrial automation solutions, currently specialising in water works such as remote monitoring system for dams, tidal control system for irrigation and automation system for flood mitigation under SOLWEB brand.
- iii) Industrial Lubricants Production and distribution of industrial lubricants under SOLMAX brand and OEM brand.

Segmental financial information for 6 months period ended 30 June 2020 and 30 June 2019 are as follows:

	2020					
	Engineering Equipment RM'000	Industrial Automation RM'000	Industrial Lubricants RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment revenue						
External	5,142	1,029	582	168	0	6,921
Inter-segment	175	50	9	-	(234)	-
Total revenue	<u>5,317</u>	<u>1,079</u>	<u>591</u>	<u>168</u>	<u>(234)</u>	<u>6,921</u>
Results						
Segment results	238	270	(31)	(581)		(104)
Share of loss in an associate						(53)
Interest expense						(97)
Loss before taxation ("LBT")						<u>(254)</u>
Income tax expense						-
Loss after taxation ("LAT")						<u>(254)</u>
Non-controlling Interest						<u>(78)</u>
Profit attributable to equity holders of the company						<u><u>(332)</u></u>
	2019					
	Engineering Equipment RM'000	Industrial Automation RM'000	Industrial Lubricants RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment revenue						
External	5,963	1,926	725	183		8,797
Inter-segment	796	15	1		(812)	-
Total revenue	<u>6,759</u>	<u>1,941</u>	<u>726</u>	<u>183</u>	<u>(812)</u>	<u>8,797</u>
Results						
Segment results	543	205	(7)	(965)		(224)
Share of loss in an associate						(61)
Interest expense						(48)
Loss before taxation ("LBT")						<u>(333)</u>
Income tax expense						-
Loss after taxation ("LAT")						<u>(333)</u>
Non-controlling Interest						<u>(85)</u>
Profit attributable to equity holders of the company						<u><u>(418)</u></u>

A10. Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the quarter under review.

A11. Material events subsequent to the end of the quarter

There were no material events occurring subsequent to the end of the reporting period to the date of announcement except for the event as disclosed in item A12.

A12. Changes in the composition of the Group

On 17 August 2020, the Group has incorporated a new wholly-owned subsidiary, Solution Biologics Sdn. Bhd. ("SOLBIO"). The issued share capital is RM1.00 divided into 1 ordinary shares of RM1 each. The paid up will be increased to RM1 million within a month. The intended principal activities of SOLBIO are the establishment of a vaccine fill and finish facility, marketing and distribution of any type of biological drugs.

A13. Contingent liabilities

There were no material contingent liabilities as at the date of this announcement.

A14. Capital commitment

There were no material contingent liabilities as at the date of this announcement.

A15. Significant Related Party Transaction

Year-to-date
30 June 2020
RM'000

Income

Sales to an associate

8

The Group had obtained the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature at Fifteenth Annual General Meeting of the Company. For the period ended 30 June 2020, there is no any RRPT transactions.

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD
 LISTING REQUIREMENTS FOR THE ACE MARKET**

B1. Review of Performance

Comparison with corresponding quarter in previous financial year

The Group recorded a revenue of RM3.47 million during the quarter, a decrease of RM1.71 million as compared to the revenue of RM5.18 million in the corresponding quarter in previous financial year. The decrease in revenue was mainly attributable to the Movement Control Order ("MCO") that was announced by the government, which took effect from 18th March 2020 to curb the spread of COVID-19 pandemic. The MCO had affected the progress of the project implementation and delivery.

For the quarter ended 30 June 2020, the Group recorded a profit after tax of RM0.11 million against profit after tax ("PAT") of RM0.21 million reported in the preceding year quarter ended 30 June 2019. The reduction of profit during the quarter was mainly attributed to the MCO which had affected the project completion and delay the delivery.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the quarter under review was RM3.47 million, a slight increase of RM0.02 million, as compared to the revenue of RM3.45 million registered in the preceding quarter.

The Group reported a profit of RM0.11 million during the quarter as compared to a loss of RM0.37 million in the preceding quarter.

B3. Prospects for this financial year ending 31 December 2020

The COVID-19 pandemic had significantly affected the Malaysian and global economies. Although companies are allowed to operate with SOP to prevent the virus from spreading, the recovery of the economy is slow. The Group's businesses are recovering, we are expecting some good orders to come in during the second half of the financial year.

On 3 August 2020, the Group has entered into a Memorandum of Understanding ("MOU") with CanSino Biologics Inc ("CanSinoBIO") to do the fill and finish, marketing and distribution for COVID-19 vaccine in Malaysia. The COVID-19 vaccine, Ad5-nCoV is jointly developed by CanSinoBIO and Beijing Institute of Biotechnology, Academy of Military Medical Sciences.

The Board believes that the supply of vaccines and biologics possesses the potential to contribute positively to future earnings and the financial position of SGB Group due to biologics and vaccines represent one of the fastest growing classes of therapeutic molecules in modern healthcare.

With the collaboration with CanSinoBIO, the Board is optimistic with the Group's future growth.

B4. Profit guarantee

The Group has not issued any profit forecast nor guarantee in respect of any corporate proposal.

B5. Taxation

	Quarter ended		Year-to-date	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Current taxation	-	-	-	-
-Provision for taxation	-	-	-	-
- Over-provision in prior years	-	-	-	-
Deferred taxation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

B6. Profit on sale of unquoted investments and/or properties

There were no disposal of unquoted investment and/or properties for the quarter under review.

B7. Group borrowings and debt securities

Details of the Group's borrowings as at 30 Jun 2020 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase (included in lease liabilities)	89	141	230
Term loan	363	6,057	6,420
Total	<u>452</u>	<u>6,198</u>	<u>6,650</u>

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS FOR THE ACE MARKET (CONTD.)

B8. Status of Corporate Proposals

A) Update on Employees' Share Option Scheme (ESOS) as at 30 Jun 2020

The Company had obtained its shareholders approval for the establishment of the ESOS of up to 30% of the total issued and paid-up share capital for the eligible employees and directors and its subsidiaries at the EGM dated 16 January 2014.

Below show the details of the shares that had been granted and exercised under the ESOS as at 30 Jun 2020:

ESOS Option Grant Date	Expiry Date	Exercise Price	No. of Share Granted	No. of Share Exercised and Listed	No. of Share Lapsed	Status
22 July 2014	29 Jan 2019	RM0.135	11,134,000	11,103,000	31,000	Completed
8 January 2015	29 Jan 2019	RM0.185	6,000,000	6,000,000	-	Completed
28 September 2016	29 Jan 2024	RM0.220	6,000,000	2,463,000	422,000	Ongoing

On 22 January 2019, the Company had announced to extend the existing ESOS of the Company which commenced on 30 January 2014 and expired on 29 January 2019 for another five (5) years until 29 January 2024 in accordance with the terms of the ESOS Bylaws.

During the quarter under review, 70,000 of the ESOS shares that granted on 28 September 2016 has lapsed due to the staff resignation. The total number of shares lapsed is 422,000.

B) Proposed Renewal of Authority for the Company to Purchase Its Own Shares

The Renewal of Authority for Share Buy Back had been approved by shareholders at the sixteenth Annual General Meeting of the Company. As at todate, the total number of treasury shares is 1,462,700, there is no any changes during the financial period.

B9. Realised/ Unrealised Profits

	As at 30 Jun 2020 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	14,843
- unrealised	(136)
	<u>14,707</u>
Total share of accumulated profit of an associate	
- realised	(240)
- unrealised	-
	<u>14,467</u>
Less: Consolidated adjustments	(8,427)
Retained profit as per financial statement	<u>6,040</u>

B10. Profit Before Tax

	Quarter ended 30 Jun 2020 RM'000	Quarter ended 30 Jun 2019 RM'000
Profit before tax is derived after charging:		
Depreciation of property, plant and equipments	490	165
Amortisation of intangible asset	-	9
Interest expense	97	24
Loss on foreign exchange:		
-Realised	79	29
Impairment on trade receivables and contract asset	-	126
Loss on disposal of Property, plant and equipments	13	-
Loss on disposal of investment	-	30
	<u>-</u>	<u>30</u>
and crediting:		
Interest income	(59)	(60)
Dividend income from other investment	(27)	(1)
Gain on disposal of short term investment	(9)	(93)
Reversal of interest expense (lease)	(261)	-
Reversal of impairment loss	(89)	-
Gain on foreign exchange:		
-Realised	(63)	-
	<u>(63)</u>	<u>-</u>

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS FOR THE ACE MARKET (CONTD.)**

B11. Off balance sheet financial instruments

There were no financial instruments with off-balance sheet risk as at the date of this announcement applicable to the Group.

B12. Dividends

The Board of Directors did not recommend other payment of dividend in respect of the current quarter ended 30 Jun 2020.

B13. Earnings per share

	Current Quarter ended 30 Jun 2020	Comparative Quarter ended 30 Jun 2019	Current year to date ended 30 Jun 2020	Preceding year to date ended 30 Jun 2019
Net profit/(loss) for the period attributable to equity holders (RM'000)	64	129	(332)	(418)
Basic				
Weighted average number of ordinary shares in issue ('000)	306,455	306,455	306,455	306,455
Basic EPS (sen)	0.021	0.042	(0.108)	(0.136)
Diluted				
Weighted average number of ordinary shares in issue ('000)	306,455	306,455	306,455	306,455
Effect of dilution: share options and convertible warrants ('000)	(123,983)	(121,776)	(123,983)	(121,776)
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	182,472	184,679	182,472	184,679
Diluted EPS (sen)	0.035	0.070	(0.182)	(0.226)

**BY ORDER OF THE BOARD
SOLUTION GROUP BERHAD**