

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

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 30 Sep 2020 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30 Sep 2019 (Unaudited) RM'000	Current Year To-Date 30 Sep 2020 (Unaudited) RM'000	Preceding Year Corresponding Period 30 Sep 2019 (Unaudited) RM'000
Revenue	5,288	4,873	12,209	13,670
Cost of sale	(2,968)	(3,072)	(7,587)	(8,969)
Gross profit	2,320	1,801	4,622	4,701
Other Operating Income	B10	169	246	476
Administrative and distribution expenses	(1,546)	(1,589)	(3,732)	(4,470)
Other Operating Expenses	B10	(359)	(200)	(722)
Share of net (loss)/ profit from an associate	(7)	(23)	(60)	(83)
Profit/(loss) before tax	577	235	322	(98)
Income tax expense	B5	-	-	74
Profit/(loss) after tax	577	309	322	(24)
Attributable to :				
Equity holders of the parent	416	262	83	(156)
Non-controlling Interest	161	47	239	132
	577	309	322	(24)
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13	0.135	0.085	0.027
Diluted (sen)	B13	0.110	0.144	0.022
EBITDA ⁽¹⁾	847	395	1,295	1,160

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 SEP 2020
(The figures have not been audited)

	Unaudited 30 Sep 2020 RM'000	Audited 31 Dec 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	11,213	11,463
Investment in an associated company	446	507
Intangible assets	62	56
Right-of-use assets	2,837	3,117
Goodwill	8	8
	<u>14,566</u>	<u>15,151</u>
Current Assets		
Inventories	1,692	1,662
Trade receivables	4,611	4,406
Other receivables	830	2,834
Contract Assets	8,871	5,210
Amount due from an associate	1,320	670
Tax recoverable	454	508
Other short term investments	2,886	2,494
Deposit, cash and bank balances	14,011	16,636
	<u>34,675</u>	<u>34,420</u>
TOTAL ASSETS	<u>49,241</u>	<u>49,571</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	31,462	31,089
Reserves	6,808	6,550
	<u>38,270</u>	<u>37,639</u>
Non-controlling interest	1,486	1,197
Total equity	<u>39,756</u>	<u>38,836</u>
Non-Current Liabilities		
Term Loan	B7 6,109	6,276
Lease liabilities	B7 345	337
Deferred taxation	2	2
	<u>6,456</u>	<u>6,615</u>
Current Liabilities		
Trade payables	1,283	1,999
Other payable & accruals	664	798
Amount due to directors	-	11
Contract Liabilities	394	522
Term Loan	B7 361	299
Lease liabilities	B7 327	321
Taxation	-	170
	<u>3,029</u>	<u>4,120</u>
Total liabilities	<u>9,485</u>	<u>10,735</u>
TOTAL EQUITY AND LIABILITIES	<u>49,241</u>	<u>49,571</u>
Number of ordinary shares in issue ('000)	307,760	306,455
Net assets value per share (RM)	<u>0.1244</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 SEP 2020
(The figures have not been audited)

	9 months Ended 30 Sep 2020 (Unaudited) RM'000	9 months Ended 30 Sep 2019 (Unaudited) RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	322	(98)
Adjustment for :		
Depreciation of property, plant and equipment	1,060	501
Amortisation of intangible assets	7	26
Unrealised loss/(gain) on foreign exchange	-	9
Gain on disposal of short term investment	(260)	322
Dividend income from short term investments	(54)	-
Impairment losses on trade receivables and contract as:	-	126
Interest income	(145)	(159)
Fair value (gain)/loss on short terms investments	152	50
Written off of property, plant & equipment	21	-
Interest expense	103	69
Loss on disposal of investment	-	30
Charge out of property, plant & equipment to COS	-	(91)
Loss on disposal of property, plant and equipment	3	-
Share of loss/ (profit) in an associate	60	83
Reversal of impairment losses on trade receivables	(126)	-
Employees Share Option Expense	338	-
Bad debts written off	13	-
Operating profit/(loss) before working capital changes	<u>1,494</u>	<u>868</u>
Working capital changes :		
(Increase)/ Decrease in inventories	(30)	(228)
(Increase)/ Decrease in contract assets	(3,660)	(701)
(Increase)/ Decrease in trade and other receivables	1,799	(377)
(Increase)/ Decrease in amount due from associate	(650)	(40)
Increase in contract liabilities	128	-
(Decrease)/ Increase in trade and other payables	<u>(926)</u>	<u>(1,395)</u>
Cash (used in)/generated from operating activities	<u>(1,845)</u>	<u>(1,873)</u>
Interest paid	(103)	(69)
Tax refunded	-	82
Tax paid	<u>(116)</u>	<u>(454)</u>
Net cash (used in)/generated from operating activities	<u>(2,064)</u>	<u>(2,314)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of treasury shares	(66)	-
Interest received	145	159
Net (placements)/withdrawal of short term investments	(892)	1,487
Purchase of property, plant and equipment	(208)	(184)
Proceeds from disposal of property, plant and equipment	<u>104</u>	<u>-</u>
Net cash (used in)/generated from investing activities	<u>(917)</u>	<u>1,462</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	275	-
Share Application Money	65	-
Net drawdown/ (repayment) of borrowings	(104)	575
Net drawdown/ (repayment) of hire purchase	<u>14</u>	<u>(142)</u>
Net cash generated from financing activities	<u>250</u>	<u>433</u>
Net (decrease)/increase in cash and cash equivalents	(2,731)	(419)
Currency translation difference	-	(9)
Cash and cash equivalents at beginning period	9,133	9,476
Cash and cash equivalents at end of period	<u>6,402</u>	<u>9,048</u>
Cash and cash equivalents as at 30 Sep 2020 and 30 Sep 2019 comprise the following :		
	2020	2019
	RM'000	RM'000
Fixed deposits with licensed banks	7,609	7,392
Cash and bank balances	<u>6,402</u>	<u>9,048</u>
Deposit, cash and bank balances	14,011	16,440
Less: Fixed deposits with licensed banks (pledged with bank)	<u>(7,609)</u>	<u>(7,392)</u>
Cash and cash equivalents	<u>6,402</u>	<u>9,048</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 SEPTEMBER 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	-	-	-	(156)	(156)	132	(24)
Purchase of treasury shares			(13)		(13)		(13)
Effect of changes of equity interest in a subsidiary				40	40	(45)	(5)
At 30 Sep 2019 (unaudited)	31,089	212	(13)	7,123	38,411	1,198	39,609
As at 1 January 2020 (audited)	31,089	212	(13)	6,351	37,639	1,197	38,836
Issuance of ordinary shares pursuant to:- - Exercise of ESOS	275				275		275
ESOS Option Reserve		339			339		339
Transferred to share capital upon exercise of ESOS	98	(98)			-		-
ESOS forfeited		(25)		25	-		-
Profit for the financial year and total comprehensive profit for the financial year	-	-	-	83	83	239	322
Arising from additional investment in subsidiaries						50	50
Purchase of treasury shares	-	-	(66)	-	(66)	-	(66)
At 30 Sep 2020 (unaudited)	31,462	428	(79)	6,459	38,270	1,486	39,756

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 SEPTEMBER 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 cyclicity 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 Sep 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 September 2020.

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 has been increased to RM1 million on 5 September 2020. 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 capital commitment as at the date of this announcement.

A15. Significant Related Party Transaction

Year-to-date
30 Sep 2020
RM'000

Income

Sales to an associate

637

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.

**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 RM5.28 million during the quarter, an increase of RM0.41 million as compared to the revenue of RM4.87 million in the corresponding quarter in previous financial year. The increase in revenue was mainly attributable to more projects had been completed during the quarter, after the Movement Control Order ("MCO") had been uplifted.

For the quarter ended 30 September 2020, the Group recorded a profit after tax ("PAT") of RM0.58 million against PAT of RM0.31 million reported in the preceding year quarter ended 30 September 2019. The increase of profit during the quarter was mainly attributable to increase in revenue.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the quarter under review was RM5.28 million, an increase of RM1.81 million, as compared to the revenue of RM3.47 million registered in the preceding quarter. This is mainly due to MCO during the second quarter had delayed some of the projects completion to the current quarter.

The Group reported a profit of RM0.58 million during the quarter as compared to the profit of RM0.11 million in the preceding quarter. The increase of profit of RM0.47million was mainly attributed to the increase in revenue.

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 23 September 2020, the Group has entered into a Registration, Manufacturing and Commercialisation Agreement ("the Agreement") 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.

Subsequent to the above, on 30 October 2020, the Group has received a Letter of Authorisation ("LOA") from CanSinoBIO to develop the business in Philippines, Vietnam, Thailand, Myanmar, Cambodia, Laos and Brunei for the marketing and distribution of COVID-19 vaccine.

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.

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 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000
Current taxation	-	-	-	-
-Provision for taxation	-	-	-	-
- Over-provision in prior years	-	74	-	74
Deferred taxation	-	-	-	-
	-	74	-	74

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.

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

B7. Group borrowings and debt securities

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

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase (included in lease liabilities)	97	224	321
Term loan	361	6,109	6,470
Total	458	6,333	6,791

B8. Status of Corporate Proposals

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

ESOS Option Grant Date	Expiry Date	Exercise Price	No. of Share			Status
			Granted	Exercised and Listed	Lapsed	
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	1,443,000	422,000	Ongoing
8 August 2020	29 Jan 2024	RM0.175	2,605,000	2,320,000		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

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.

C) Proposed Diversification and Proposed Private Placement

On 5 November 2020, on behalf of the Board of Directors of SGB, M&A Securities Sdn Bhd had announced that the Company proposes to undertake the following:

(i) Proposed diversification of the existing business of SGB and its subsidiaries ("SGB Group" or the "Group") to include the pharmaceutical related business ("Proposed Diversification"); and

(ii) Proposed private placement of up to 30,732,600 new ordinary shares in SGB, representing not more than 10% of the total number of issued shares in SGB ("Proposed Private Placement").

On 12 November 2020, the additional listing application for the Placement Shares to be issued pursuant to the Proposed Private Placement has been submitted to Bursa Securities.

B9. Realised/ Unrealised Profits

	As at 30 Sep 2020 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	15,453
- unrealised	(152)
	<u>15,301</u>
Total share of accumulated loss of an associate	
- realised	(248)
- unrealised	-
	<u>15,053</u>
Less: Consolidated adjustments	(8,594)
Retained profit as per financial statement	<u>6,459</u>

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

B10. Profit Before Tax

	Quarter ended 30 Sep 2020 RM'000	Quarter ended 30 Sep 2019 RM'000
Profit before tax is derived after charging:		
Depreciation of property, plant and equipments	307	167
Amortisation of intangible asset	-	9
Interest expense	52	24
Loss on foreign exchange:		
-Realised	-	7
-Unrealised	-	9
Written off Property, plant and equipments	21	-
Bad debts written off	30	-
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and crediting:		
Interest income	(29)	(40)
Dividend income from other investment	(19)	(1)
Gain on disposal of short term investment	(66)	(205)
Reversal of impairment loss	(54)	-
Gain on foreign exchange:		
-Realised	(1)	-
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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 Sep 2020.

B13. Earnings per share

	Current Quarter ended 30 Sep 2020	Comparative Quarter ended 30 Sep 2019	Current year to date ended 30 Sep 2020	Preceding year to date ended 30 Sep 2019
Net profit/(loss) for the period attributable to equity holders (RM'000)	416	262	83	(156)
Basic				
Weighted average number of ordinary shares in issue ('000)	307,760	306,455	307,760	306,455
Basic EPS (sen)	0.135	0.085	0.027	(0.051)
Diluted				
Weighted average number of ordinary shares in issue ('000)	307,760	306,455	307,760	306,455
Effect of dilution: share options and convertible warrants ('000)	70,521	(123,930)	70,521	(123,930)
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	378,281	182,525	378,281	182,525
Diluted EPS (sen)	0.110	0.144	0.022	(0.085)

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