

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MAR 2021

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 31 Mar 2021 (Unaudited) RM'000	Preceding Year Corresponding Quarter 31 Mar 2020 (Unaudited) RM'000	Current Year To-Date 31 Mar 2021 (Unaudited) RM'000	Preceding Year Corresponding Period 31 Mar 2020 (Unaudited) RM'000
Revenue	5,478	3,452	5,478	3,452
Cost of sale	(4,152)	(2,380)	(4,152)	(2,380)
Gross profit	1,326	1,072	1,326	1,072
Other Operating Income	256	118	256	118
Administrative and distribution expenses	(1,344)	(1,171)	(1,344)	(1,171)
Other Operating Expenses	(1,695)	(356)	(1,695)	(356)
Share of net (loss)/ profit from an associate	(72)	(32)	(72)	(32)
Profit/(loss) before tax	(1,529)	(369)	(1,529)	(369)
Income tax expense	B5	-	-	-
Profit/(loss) after tax	(1,529)	(369)	(1,529)	(369)
Attributable to :				
Equity holders of the parent	(1,656)	(396)	(1,656)	(396)
Non-controlling Interest	127	27	127	27
	(1,529)	(369)	(1,529)	(369)
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13	(0.129)	(0.449)	(0.129)
Diluted (sen)	B13	(0.268)	(0.401)	(0.268)
EBITDA ⁽¹⁾	(1,240)	(70)	(1,240)	(70)

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 31 MAR 2021
(The figures have not been audited)

	Unaudited 31 Mar 2021 RM'000	Audited 31 Dec 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,453	11,072
Investment in an associated company	391	463
Intangible assets	177	136
Right-of-use assets	2,554	2,685
Goodwill	8	8
	<u>18,583</u>	<u>14,364</u>
Current Assets		
Inventories	3,580	1,816
Trade receivables	3,244	3,485
Other receivables	6,319	1,325
Contract Assets	7,638	4,262
Amount due from an associate	3,593	7,739
Tax recoverable	316	286
Other short term investments	29,258	31,341
Deposit, cash and bank balances	16,452	18,640
	<u>70,400</u>	<u>68,894</u>
TOTAL ASSETS	<u>88,983</u>	<u>83,258</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	70,656	65,863
Treasury shares	(79)	(79)
Reserves	4,013	5,694
	<u>74,590</u>	<u>71,478</u>
Share Application Money	571	660
Non-controlling interest	1,506	1,379
Total equity	<u>76,667</u>	<u>73,517</u>
Non-Current Liabilities		
Term Loan	B7 5,847	5,915
Lease liabilities	B7 199	292
	<u>6,046</u>	<u>6,207</u>
Current Liabilities		
Trade payables	4,149	1,133
Other payable & accruals	1,148	1,127
Contract Liabilities	382	583
Term Loan	B7 348	439
Lease liabilities	B7 243	252
	<u>6,270</u>	<u>3,534</u>
Total liabilities	<u>12,316</u>	<u>9,741</u>
TOTAL EQUITY AND LIABILITIES	<u>88,983</u>	<u>83,258</u>
Number of ordinary shares in issue ('000)	368,506	368,506
Net assets value per share (RM)	<u>0.2024</u>	<u>0.1940</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 31 MAR 2021
(The figures have not been audited)

	3 months Ended 31 Mar 2021 (Unaudited) RM'000	3 months Ended 31 Mar 2020 (Unaudited) RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,529)	(369)
Adjustment for :		
Depreciation of property, plant and equipment	195	263
Depreciation of right-of-use assets	111	-
Amortisation of intangible assets	5	6
Gain on disposal of short term investment	19	(49)
Dividend income from short term investments	(184)	-
Interest income	(35)	(57)
Net (reversal of)/impairment losses on trade receivables	-	(83)
Interest expense - others	13	87
Net loss/(gain) on changes in fair value of short term investments	1,366	208
Gain on disposal of property, plant and equipment	-	(6)
Share of loss/ (profit) in an associate	72	31
Operating profit/(loss) before working capital changes	<u>33</u>	<u>31</u>
Working capital changes :		
(Increase)/ Decrease in inventories	(1,763)	(94)
(Increase)/ Decrease in contract assets	(3,376)	(790)
Increase in Right-of-use assets	-	376
(Increase)/ Decrease in trade and other receivables	(4,753)	1,178
(Increase)/ Decrease in amount due from associate	4,146	(663)
Increase in contract liabilities	(200)	(87)
(Decrease)/ Increase in trade and other payables	3,034	(369)
Cash (used in)/generated from operating activities	<u>(2,879)</u>	<u>(418)</u>
Interest paid	(13)	(87)
Tax paid	(30)	(78)
Net cash (used in)/generated from operating activities	<u>(2,922)</u>	<u>(583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (placements)/withdrawal of short term investments	356	457
Interest received	35	57
Proceeds from disposal of property, plant and equipment	-	6
Purchase of property, plant and equipment (include PPE WIP)	(4,602)	(17)
Net cash (used in)/generated from investing activities	<u>(4,211)</u>	<u>503</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	4,768	-
Payments received for exercise of share options and warrants, pending allotment	437	-
Proceeds from/(repayment of) term loan	(158)	(153)
Repayments of principal portion of lease liabilities	(102)	(78)
Purchase of treasury share	-	(66)
Net cash generated from financing activities	<u>4,945</u>	<u>(297)</u>
Net Increase/(decrease) in cash and cash equivalents	(2,188)	(377)
Cash and cash equivalents at beginning period	10,909	9,133
Cash and cash equivalents at end of period	<u>8,721</u>	<u>8,756</u>
Cash and cash equivalents as at 31 Mar 2021 and 31 Mar 2020 comprise the following :		
	2021 RM'000	2020 RM'000
Deposit, cash and bank balances	16,452	16,260
Less: Fixed deposits with licensed banks (pledged with bank for banking facilities)	<u>(7,731)</u>	<u>7,504</u>
Cash and cash equivalents	<u>8,721</u>	<u>8,756</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 31 MARCH 2021
(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	Share Application Money RM'000	Non-controlling Interests RM'000	Total RM'000
As at 1 January 2020 (audited)	31,089	212	(13)	6,351	37,639	-	1,197	38,836
Loss for the financial year and total comprehensive loss for the financial year	-	-	-	(396)	(396)	-	27	(369)
ESOS forfeited	-	(21)	-	21	-	-	-	-
Purchase of treasury shares	-	-	(66)	-	(66)	-	-	(66)
At 31 March 2020 (unaudited)	31,089	191	(79)	5,976	37,177	-	1,224	38,401
As at 1 January 2021 (audited)	65,863	243	(79)	5,451	71,478	660	1,379	73,517
Issuance of ordinary shares pursuant to:-								
- Exercise of ESOS	41	-	-	-	41	(38)	-	3
- Private placement	-	-	-	-	-	-	-	-
- Exercise of Warrants	4,727	-	-	-	4,727	(622)	-	4,105
Payments received for exercise of share options and warrants, pending allotment	-	-	-	-	-	571	-	571
Transferred to share capital upon exercise of ESOS	25	(25)	-	-	-	-	-	-
Loss for the financial year and total comprehensive loss for the financial year	-	-	-	(1,656)	(1,656)	-	127	(1,529)
At 31 March 2021 (unaudited)	70,656	218	(79)	3,795	74,590	571	1,506	76,667

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 31 MARCH 2021

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 2020.

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 2020. 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)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 Jun 2020
Amendments to MFRS 16, Leases – Covid-19-Related Rent Concessions

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 which 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 2020 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 under review.

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 quarter under review.

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 the following business segments:

- 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
- ii) Industrial Fabrication and Assembly Metal fabrication and assembly works.
- iii) 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.
- iv) Solar Business Promoting all types of businesses relating to green and renewal energy.
- v) Biotechnology Undertakes all types and kinds of biotechnology business.
- vi) Industrial Lubricants Production and distribution of industrial lubricants under SOLMAX brand and OEM brand.

Segmental financial information for 3 months period ended 31 Mar 2021 and 31 Mar 2020 are as follows:

	2021								
	Engineering Equipment	Industrial Fabrication and Assembly	Industrial Automation	Industrial Lubricants	Biotechnology	Solar Business	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue									
External	1,631	426	911	315	34	2,136	25	-	5,478
Inter-segment	2	299	34	-	-	-	-	(335)	-
Total revenue	1,633	725	945	315	34	2,136	25	(335)	5,478

Results

Segment results	(3)	(13)	27	(34)	(49)	435	(1,934)		(1,444)
Share of loss in an associate									(72)
Interest expense									(13)
Loss before taxation ("LBT")									(1,529)
Income tax expense									-
Loss after taxation ("LAT")									(1,529)
Non-controlling Interest									(127)
Profit attributable to equity holders of the company									(1,656)

	2020								
	Engineering Equipment	Industrial Fabrication and Assembly	Industrial Automation	Industrial Lubricants	Biotechnology	Solar Business	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue									
External	1,616	550	605	356	7	122	195	-	3,451
Inter-segment	2	172	1	9	-	-	-	(184)	-
Total revenue	1,618	722	606	365	7	122	195	(184)	3,451

Results

Segment results	(121)	58	111	21	13	8	(340)		(250)
Share of loss in an associate									(32)
Interest expense									(87)
Loss before taxation ("LBT")									(369)
Income tax expense									-
Loss after taxation ("LAT")									(369)
Non-controlling Interest									(27)
Profit attributable to equity holders of the company									(396)

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

There were no changes in the composition of the Group for the quarter under review.

A13. Contingent liabilities

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

A14. Capital commitment

As at the quarter ended, the Group's wholly-owned subsidiary Solution Biologics Sdn. Bhd has committed RM9.8 mil for establishing a Fill & Finish facility for COVID-19 vaccine at Technology Park Malaysia.

A15. Significant Related Party Transaction

Year-to-date
31 Mar 2021
RM'000

Income

Sales to an associate

26

The Group had obtained the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature at Sixteenth 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 RM5.48 million during the quarter, an increase of RM2.02 million as compared to the revenue of RM3.45 million in the corresponding quarter in previous financial year. The increase in revenue was mainly attributable to more projects progress had been made during the quarter.

For the quarter ended 31 March 2021, the Group recorded a loss after tax ("LAT") of RM1.53 million against LAT of RM0.37 million reported in the preceding year quarter ended 31 March 2020. The higher loss during the quarter was mainly attributable to the RM1.37 mil of the unrealised loss on the fair value of the short term investment during the quarter.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the quarter under review was RM5.48 million, a decrease of RM0.39 million, as compared to the revenue of RM5.87 million registered in the preceding quarter. The slight decrease is mainly due to the lower sales being recognised during the quarter.

The Group reported a loss of RM1.53 million during the quarter, as compared to the loss of RM1.13 million in the preceding quarter. The loss reported in this quarter was mainly attributed to the unrealised loss on fair value of the short term investment.

B3. Prospects for this financial year ending 31 December 2021

The environment remains challenging due to the COVID-19 pandemic. Our government has announced MCO 3.0 due the rapid increase of the COVID-19 cases in Malaysia and globally which has badly affected the world economy. On the other hand, the pandemic has accelerated the development and growth of some of the industries, i.e. glove manufacturing, pharmaceutical, internet tools and technology.

The Group's wholly-owned subsidiary, Solution Biologics Sdn Bhd had on 23 September 2020, signed 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.

On 1 April 2021, Ministry of Health of Malaysia had signed a supply contract with Solution Biologics Sdn Bhd for the later to supply 3.5 million doses of the COVID-19 vaccines to the government.

The Board expects Solution Biologics Sdn Bhd will contribute positively to the Group revenue for the financial year end..

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	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000
Current taxation				
-Provision for taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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 31 Mar 2021 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase (included in lease liabilities)	243	199	442
Term loan	348	5,847	6,195
Total	591	6,046	6,637

B8. Status of Corporate Proposals

A) Update on Employees' Share Option Scheme (ESOS) as at 31 Mar 2021

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 31 Mar 2021:

ESOS Option Grant Date	Expiry Date	Exercise Price	No. of Share			Status
			No. of Share Granted	Exercised and Listed	No. of Share 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	3,823,000	422,000	Ongoing
8 August 2020	29 Jan 2024	RM0.175	2,605,000	1,741,000		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.

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 quarter.

C) Proposed Diversification of the Existing Business of SGB and its Subsidiaries to Include the Pharmaceutical Related Business ("Proposed

On 15 January 2021, the Company had announced that the Proposed Diversification had been approved by its shareholders during the Extraordinary General Meeting on 15 January 2021.

B9. Realised/ Unrealised Profits

	As at 31 Mar 2021 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	14,124
- unrealised	(1,366)
	<u>12,758</u>
Total share of accumulated loss of an associate	
- realised	(369)
	<u>12,389</u>
Less: Consolidated adjustments	(8,594)
Retained profit as per financial statement	<u>3,795</u>

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

B10. Profit Before Tax

	Quarter ended 31 Mar 2021 RM'000	Quarter ended 31 Mar 2020 RM'000
Profit before tax is derived after charging:		
Depreciation of PPE & ROU	306	263
Amortisation of intangible asset	5	6
Interest expense	13	87
Loss on foreign exchange: -Realised	30	-
and crediting:		
Interest income	(35)	(57)
Dividend income from other investment	(184)	-
Gain on disposal of short term investment	-	(49)
Gain on foreign exchange: -Realised	-	(12)

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 any payment of dividend in respect of the quarter under review.

B13. Earnings per share

	Current Quarter ended 31 Mar 2021	Comparative Quarter ended 31 Mar 2020	Current year to date ended 31 Mar 2021	Preceding year to date ended 31 Mar 2020
Net profit/(loss) for the period attributable to equity holders (RM'000)	(1,656)	(396)	(1,656)	(396)
Basic				
Weighted average number of ordinary shares in issue ('000)	368,506	306,455	368,506	306,455
Basic EPS (sen)	(0.449)	(0.129)	(0.449)	(0.129)
Diluted				
Weighted average number of ordinary shares in issue ('000)	368,506	306,455	368,506	306,455
Effect of dilution: share options and convertible warrants ('000)	44,015	(158,704)	44,015	(158,704)
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	412,521	147,751	412,521	147,751
Diluted EPS (sen)	(0.401)	(0.268)	(0.401)	(0.268)

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