

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MAR 2022

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 31 Mar 2022 (Unaudited) RM'000	Preceding Year Corresponding Quarter 31 Mar 2021 (Unaudited) RM'000	Current Year To-Date 31 Mar 2022 (Unaudited) RM'000	Preceding Year Corresponding Period 31 Mar 2021 (Unaudited) RM'000
Revenue	7,222	5,478	7,222	5,478
Cost of sale	(5,672)	(4,152)	(5,672)	(4,152)
Gross profit	1,550	1,326	1,550	1,326
Other Operating Income	4,362	256	4,362	256
Administrative and distribution expenses	(7,271)	(1,344)	(7,271)	(1,344)
Other Operating Expenses	(446)	(1,695)	(446)	(1,695)
Share of net profit/(loss) from an associate	5	(72)	5	(72)
Loss before tax	(1,800)	(1,529)	(1,800)	(1,529)
Income tax expense	B5 (172)	-	(172)	-
Loss after tax	(1,972)	(1,529)	(1,972)	(1,529)
Attributable to :				
Equity holders of the parent	(1,985)	(1,656)	(1,985)	(1,656)
Non-controlling Interest	13	127	13	127
	(1,972)	(1,529)	(1,972)	(1,529)
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13 (0.455)	(0.449)	(0.455)	(0.449)
Diluted (sen)	B13 (0.454)	(0.401)	(0.454)	(0.401)
EBITDA ⁽¹⁾	(1,431)	(1,240)	(1,431)	(1,240)

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 2022
(The figures have not been audited)

	Unaudited 31 Mar 2022 RM'000	Audited 31 Dec 2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,568	28,687
Investment in an associated company	(485)	-
Intangible assets	-	-
Right-of-use assets	3,507	4,022
Goodwill	8	8
	<u>31,598</u>	<u>32,717</u>
Current Assets		
Inventories	33,003	30,845
Trade receivables	3,799	32,023
Other receivables	1,414	1,695
Contract Assets	14,787	13,552
Amount due from an associate	4,155	1,816
Tax recoverable	-	388
Other short term investments	310	308
Deposit, cash and bank balances	37,357	53,651
	<u>94,825</u>	<u>134,278</u>
TOTAL ASSETS	<u>126,423</u>	<u>166,995</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80,749	80,551
Treasury shares	(280)	(280)
Reserves	28,556	37,622
	<u>109,025</u>	<u>117,893</u>
Non-controlling interest	<u>1,995</u>	<u>1,972</u>
Total equity	<u>111,020</u>	<u>119,865</u>
Non-Current Liabilities		
Term Loan	B7 5,273	5,310
Lease liabilities	B7 1,258	1,415
	<u>6,531</u>	<u>6,725</u>
Current Liabilities		
Trade payables	2,006	26,215
Other payable & accruals	1,825	4,111
Amount due to director	-	104
Contract Liabilities	3,143	3,825
Term Loan	B7 311	428
Lease liabilities	B7 203	510
Taxation	1,384	5,212
	<u>8,872</u>	<u>40,405</u>
Total liabilities	<u>15,403</u>	<u>47,130</u>
TOTAL EQUITY AND LIABILITIES	<u>126,423</u>	<u>166,995</u>
Number of ordinary shares in issue ('000)	441,618	441,361
Net assets value per share (RM)	<u>0.2469</u>	<u>0.2671</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 2022
(The figures have not been audited)

	3 months Ended 31 Mar 2022 (Unaudited) RM'000	3 months Ended 31 Mar 2021 (Unaudited) RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,800)	(1,529)
Adjustment for :		
Depreciation of property, plant and equipment	87	195
Depreciation of right-of-use assets	240	111
Amortisation of intangible assets	-	5
Gain/(loss) on disposal of short term investment	-	19
Dividend income from short term investments	-	(184)
Interest income	(33)	(35)
Bad debts written off	1	-
Net loss/(gain) on changes in fair value of short term investments	(2)	1,366
Interest expense - others	74	13
Net reversal of trade receivables and contract assets	(8)	-
(Gain)/loss on termination of lease contracts	3	-
Property, plant and equipment written off	14	-
Share options expenses	1,800	-
Cash in hand written off	3	-
Written off of trade payable	(171)	-
Share of loss/ (profit) in an associate	(5)	72
Unrealised (gain)/loss on foreign exchange	824	-
Operating profit/(loss) before working capital changes	<u>1,027</u>	<u>33</u>
Working capital changes :		
(Increase)/ Decrease in inventories	(2,158)	(1,763)
(Increase)/ Decrease in contract assets	(1,235)	(3,376)
(Increase)/ Decrease in trade and other receivables	28,504	(4,753)
(Increase)/ Decrease in amount due from associate	(2,339)	4,146
Increase/ (Decrease) in contract liabilities	(683)	(200)
Increase/ (Decrease) in trade and other payables	(26,006)	3,034
Increase/ (Decrease) in amount due to director	(103)	-
Cash generated from/(used in) operating activities	<u>(2,993)</u>	<u>(2,879)</u>
Interest paid	(74)	(13)
Tax refunded	12	-
Tax paid	<u>(3,624)</u>	<u>(30)</u>
Net cash generated from/(used in) operating activities	<u>(6,679)</u>	<u>(2,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net withdrawal/(placements) of short term investments	-	356
Interest received	33	35
Purchase of property, plant and equipment (include PPE WIP)	(102)	(4,602)
Net withdrawal/(placement) of deposits under lien	<u>(2)</u>	<u>-</u>
Net cash generated from/(used in) investing activities	<u>(71)</u>	<u>(4,211)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to exercise of share options	121	4,768
Net additional/(repayment of) term loan	(153)	(158)
Share Application Money	-	437
Net additional/(repayments of) principal portion of lease liabilities	(720)	(102)
Payment of dividends	<u>(8,794)</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(9,546)</u>	<u>4,945</u>
Net Increase/(decrease) in cash and cash equivalents	(16,296)	(2,188)
Cash and cash equivalents at beginning period	47,011	10,909
Cash and cash equivalents at end of period	<u>30,715</u>	<u>8,721</u>

Cash and cash equivalents as at 31 Mar 2022 and 31 Mar 2021 comprise the following :

	2022 RM'000	2021 RM'000
Deposit, cash and bank balances	37,357	16,452
Less: Fixed deposits with licensed banks (pledged with bank for banking facilities)	<u>(6,642)</u>	<u>(7,731)</u>
Cash and cash equivalents	<u>30,715</u>	<u>8,721</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 MAR 2022
(The figures have not been audited)

	-----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 2021 (audited)	65,863	243	(79)	5,451	71,478	660	1,378	73,516
Issuance of ordinary shares pursuant to:-								
- Exercise of Share Options	373	(117)	-	-	256	(38)	-	218
- Exercise of Warrants	14,315	-	-	-	14,315	(622)	-	13,693
Profit for the financial year and total comprehensive income for the financial year	-	-	-	32,046	32,046	-	593	32,639
Share repurchased	-	-	(201)	-	(201)	-	-	(201)
At 31 Dec 2021 (audited)	<u>80,551</u>	<u>126</u>	<u>(280)</u>	<u>37,497</u>	<u>117,894</u>	<u>-</u>	<u>1,971</u>	<u>119,865</u>
As at 1 January 2022 (audited)	80,551	126	(280)	37,497	117,894	-	1,971	119,865
Issuance of ordinary shares pursuant to:-								
- Exercise of Share Options	198	(77)	-	-	121	-	-	121
Share Options Granted	-	1,800	-	-	1,800	-	-	1,800
Loss for the financial year and total comprehensive loss for the financial year	-	-	-	(1,985)	(1,985)	-	13	(1,972)
Adjustment on profit allocation of minority interest	-	-	-	-	(11)	-	11	-
Dividend paid	-	-	-	(8,794)	(8,794)	-	-	(8,794)
At 31 Mar 2022 (unaudited)	<u>80,749</u>	<u>1,849</u>	<u>(280)</u>	<u>26,718</u>	<u>109,025</u>	<u>-</u>	<u>1,995</u>	<u>111,020</u>

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 MAR 2022

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 2021.

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 2021. 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 2021 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

An interim dividend of 2.0 sen per share amounting to RM8,793,722 in respect of financial year ended 31 December 2021 was declared on 24 February 2022 and paid on 23 Mar 2022.

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.

A12. Changes in the composition of the Group

On 7 January 2022, the Group has incorporated a 70% owned subsidiary namely Solution Medicinals Sdn. Bhd. ("SOLMED") as a private company limited by shares under the Companies Act 2016 ("Incorporation"). The issued share capital is RM100 divided into 100 ordinary shares of RM1 each. The other 30% of the ordinary shares are held by Bioarc Asia Sdn. Bhd. ("Bioarc").

SOLMED's proposed business activity is to carry on the product registration, manufacturing and commercialization of active plant compounds and products for medical purpose.

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 31 Mar 2022 RM'000
<u>Income</u>	
Sales to an associate	1,270
Rental of office premise to associate	4
	<hr/>
<u>Expenses</u>	
Provision of labour services by associate	54
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The Group had obtained the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature at Seventeenth 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 RM7.22 million during the quarter, an increase of RM1.74 million as compared to the revenue of RM5.48 million in the corresponding quarter in previous financial year. The increase in revenue was mainly attributable to higher sales recognised by the business segments of equipment, industrial automation and solar.

For the quarter ended 31 Mar 2022, the Group recorded a loss after tax ("LAT") of RM1.97 million, an increased loss of RM0.44 million as compared to the loss after tax ("LAT") of RM1.53 million reported in the preceding year quarter ended 31 Mar 2021. During the quarter under review, the Group had incurred RM1.8 million of ESOS expense. The biopharma business segment has recognised RM4.1 million of supplier compensation due to loss from quality control.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the quarter under review was RM7.22 million, a decrease of RM251.14 million, as compared to the revenue of RM258.36 million registered in the preceding quarter. The significant decrease in revenue was mainly due to the drop in the biopharmaceutical sales.

The Group reported a loss after tax of RM1.97 million during the quarter, a significant reduction of profit as compared to the profit of RM30.03 million in the preceding quarter. The loss reported in this quarter was mainly attributed to the drop in the biopharmaceutical sales.

B3. Prospects for this financial year ending 31 December 2022

On 19 May 2022, the World Health Organization ("WHO") has granted Emergency Use Listing ("EUL") for Convidecia™, CanSinoBio's Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector) for individuals aged 18 years and above, and may be used as a booster dose for any other COVID-19 vaccine in the WHO EUL. In addition to shortening the vaccination cycle by leveraging the advantages of its single-dose regimen, Convidecia™ can be stably transported and stored between 2°C and 8°C, making it more accessible to developing countries with insufficient storage facilities and medical resources, reducing the burden placed on healthcare systems and medical workers, and contributing to building broad immune protection globally.

The WHO approval for CanSino will open up new opportunities for SOLBIO to supply finished products to the international market. Our Fill & Finish facility is also suitable for other vaccines and biologics products and SOLBIO is in discussions to be a CMO for some international companies.

SOLBIO and CanSinoBio are seeking the approval from the Ethics Committee to conduct a clinical trial in Malaysia for Convidecia™ for inhalation use. Convidecia™ for inhalation stimulates humoral immunity effectively and produces high levels of IgA and neutralizing antibodies with lower dosage.

Convidecia™ for inhalation, no injection is required which avoid the risk of needle-stick. After vaccinating with Convidecia™ intramuscular, immunity was achieved again at D28 when vaccinated with Convidecia™ for inhalation, indicating more excellent immunogenicity and can prevent infection effectively.

SOLBIO has signed a Memorandum of Understanding ("MoU") with National Institutes of Biotechnology Malaysia (NIBM) and CanSino Biologics Inc ("CanSinoBio") for the collaboration on research and development of human vaccines namely Meningococcal, Dengue, Human Papillomavirus, Hand Foot & Mouth and Zika.

The MoU formalises the mutual interaction and strengthens the existing relationship between NIBM, SOLBIO and CanSinoBio at the strategic and working level, focusing on joint research programs on the development of selected human vaccines, exchange of researchers and technical experts, technology, and knowledge transfer, biomanufacturing, and commercialization of vaccine products for Malaysia and international markets. This MoU provides for continued strengthening of future cooperation between the 3 parties in achieving common goals in providing effective, safe and affordable human vaccines in line with the aspiration of the Malaysian Vaccine roadmap. This MOU will enhance the SOLBIO capability in vaccine research and manufacturing and in the future will contribute to the Malaysian bio-based economy.

CanSino has about 13 types of vaccines in their product development pipelines. SOLBIO will collaborate closely with CanSinoBio in commercialising the products in Malaysia and also ASEAN.

The Group is focused in developing its biopharmaceutical business, with the good development of CansinoBio vaccines and the MOU signed with NIBM and CanSinoBio, the Group believes the biopharmaceutical business will contribute positively again to the Group's financial performance. With the improving economy, the Group is also expecting its other business segments to recover and contribute to the Group financial performance.

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 2022 RM'000	31 Mar 2021 RM'000	31 Mar 2022 RM'000	31 Mar 2021 RM'000
Current taxation				
-Provision for taxation	(172)	-	(172)	-
Deferred taxation	-	-	-	-
	<u>(172)</u>	<u>-</u>	<u>(172)</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 31 Mar 2022 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase (included in lease liabilities)	203	1,258	1,461
Term loan	311	5,273	5,584
Total	<u>514</u>	<u>6,531</u>	<u>7,045</u>

B8. Status of Corporate Proposals

A) Update on Employees' Share Option Scheme (ESOS) as at 31 Mar 2022

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 are the details of the shares that had been granted and exercised under the ESOS as at 31 Mar 2022:

ESOS Option Grant Date	Expiry Date	Exercise Price	No. of Share Granted	No. of Share		Status
				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	4,473,000	422,000	Ongoing
8 August 2020	29 Jan 2024	RM0.175	2,605,000	2,150,000		Ongoing
9 February 2022	29 Jan 2024	RM0.470	6,000,000	257,000		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 Seventeenth Annual General Meeting of the Company. As at today, the total number of treasury shares is 1,932,700.

B9. Realised/ Unrealised Profits

	As at 31 Mar 2022 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	31,150
- unrealised	<u>(824)</u>
	30,326
Total share of accumulated loss of an associate	
- realised	<u>(485)</u>
	29,841
Less: Consolidated adjustments	<u>(3,133)</u>
Retained profit as per financial statement	<u>26,708</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 2022	Quarter ended 31 Mar 2021
	RM'000	RM'000
Profit before tax is derived after charging:		
Depreciation of property, plant & equipment	87	194
Depreciation of right-of-use assets	240	112
Amortisation of intangible asset	-	5
Interest expense	74	13
Loss on foreign exchange:		
-Realised	17	30
-Unrealised	824	-
Bad debts written off	1	-
Property, plant & equipment written off	14	-
and crediting:		
Interest income	(33)	(35)
Dividend income from other investment	-	(184)
Reversal of impairment on trade receivables and contract asset	(8)	-
Gain on foreign exchange:		
-Realised	713	-

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

Other than the dividend paid as disclosed in note A7, the Board of Directors did not recommend other payment of dividend in respect of the current quarter ended 31 March 2022.

B13. Earnings per share

	Current Quarter ended 31 Mar 2022	Comparative Quarter ended 31 Mar 2021	Current year to date ended 31 Mar 2022	Preceding year to date ended 31 Mar 2021
Net profit/(loss) for the period attributable to equity holders (RM'000)	(1,985)	(1,656)	(1,985)	(1,656)
Basic				
Weighted average number of ordinary shares in issue ('000)	436,053	368,506	436,053	368,506
Basic EPS (sen)	(0.455)	(0.449)	(0.455)	(0.449)
Diluted				
Weighted average number of ordinary shares in issue ('000)	436,053	368,506	436,053	368,506
Effect of dilution: share options and convertible warrants ('000)	1,375	44,015	1,375	44,015
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	437,428	412,521	437,428	412,521
Diluted EPS (sen)	(0.454)	(0.401)	(0.454)	(0.401)

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