

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2023

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 30 June 2023 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30 June 2022 (Unaudited) RM'000	Current Year To-Date 30 June 2023 (Unaudited) RM'000	Preceding Year Corresponding Period 30 June 2022 (Unaudited) RM'000
Revenue	27,893	5,842	56,686	13,064
Cost of sale	(24,762)	(5,095)	(50,641)	(10,767)
Gross profit	3,131	747	6,045	2,297
Other Operating Income	166	456	540	4,818
Administrative and distribution expenses	(1,815)	(3,095)	(3,668)	(10,365)
Other Operating Expenses	(893)	(571)	(1,837)	(1,017)
Share of loss from an associate	-	(29)	-	(24)
Profit/(loss) before tax	589	(2,492)	1,080	(4,291)
Income tax expense	B5 (397)	5	(1,076)	(167)
Profit/(loss) after tax	192	(2,487)	4	(4,458)
Attributable to :				
Equity holders of the parent	(398)	(2,497)	(1,236)	(4,481)
Non-controlling Interest	590	10	1,240	23
	192	(2,487)	4	(4,458)
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13 (0.091)	(0.573)	(0.281)	(1.027)
Diluted (sen)	B13 (0.090)	(0.571)	(0.281)	(1.025)
EBITDA ⁽¹⁾	568	(2,163)	1,069	(3,594)

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 2023
(The figures have not been audited)

	Unaudited 30 June 2023 RM'000	Audited 31 Dec 2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	27,316	28,571
Right-of-use assets	3,860	4,114
Goodwill	8	8
Other receivables	-	96
	31,184	32,789
Current Assets		
Inventories	3,649	3,867
Trade receivables	7,035	9,533
Other receivables	4,383	2,396
Contract Assets	36,903	21,389
Tax recoverable	4,611	3,743
Other short term investments	-	36
Deposit, cash and bank balances	12,877	14,507
	69,458	55,471
TOTAL ASSETS	100,642	88,260
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80,749	80,749
Treasury shares	(280)	(280)
Reserves	(10,412)	(9,176)
	70,057	71,293
Non-controlling interest	3,584	2,344
Total equity	73,641	73,637
Non-Current Liabilities		
Term Loan	B7 4,527	4,695
Lease liabilities	B7 1,227	1,422
Deferred taxation	25	25
	5,779	6,142
Current Liabilities		
Trade payables	10,598	3,358
Other payable & accruals	1,245	1,010
Contract Liabilities	3,087	3,050
Bills payable	4,531	-
Term Loan	B7 444	501
Lease liabilities	B7 545	562
Taxation	772	-
	21,222	8,481
Total liabilities	27,001	14,623
TOTAL EQUITY AND LIABILITIES	100,642	88,260
Number of ordinary shares in issue ('000)	441,619	441,619
Net assets value per share (RM)	0.1586	0.1614

(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 2023
(The figures have not been audited)

	6 months Ended 30 June 2023 (Unaudited) RM'000	6 months Ended 30 June 2022 (Unaudited) RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	1,080	(4,291)
Adjustment for :		
Depreciation of property, plant and equipment	1,289	377
Depreciation of right-of-use assets	332	301
Interest income	(130)	(66)
Bad debts written off	18	187
Net (gain)/loss on changes in fair value of short term investments	-	(3)
Gain on disposal of property, plant & equipment	-	(8)
Interest expense - others	119	87
Net increase in impairment losses on trade receivables and contract ass	-	(337)
Reversal of impairment loss on trade receivables and contract assets	(237)	-
Property, plant and equipment written off	-	14
Share options expenses	-	1,800
Share of loss in an associate	-	24
Operating profit/(loss) before working capital changes	<u>2,471</u>	<u>(1,915)</u>
Working capital changes :		
(Increase)/ Decrease in inventories	218	(2,379)
(Increase)/ Decrease in contract assets	(15,514)	(4,807)
(Increase)/ Decrease in trade and other receivables	827	30,952
(Increase)/ Decrease in amount due from associate	-	(2,269)
Increase/ (Decrease) in contract liabilities	37	(628)
Increase/ (Decrease) in trade and other payables	7,474	(26,987)
Increase/ (Decrease) in amount due to director	-	(103)
Cash used in operating activities	<u>(4,487)</u>	<u>(8,136)</u>
Interest paid	(119)	(87)
Tax refunded	2	12
Tax paid	<u>(1,171)</u>	<u>(5,605)</u>
Net cash used in operating activities	<u>(5,775)</u>	<u>(13,816)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net withdrawal/(placements) of short term investments	36	(5,071)
Interest received	130	66
Proceeds from disposal of property, plant and equipment	6	8
Purchase of right of use assets	(79)	-
Purchase of property, plant and equipment (include PPE WIP)	(41)	(564)
Net (placement)/withdrawal of deposits under lien	<u>(455)</u>	<u>(71)</u>
Net cash used in investing activities	<u>(403)</u>	<u>(5,632)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to exercise of share options	-	121
Net repayment of term loan	(225)	(306)
Net addition/(repayments) of bill payables	4,530	-
Net addition/(repayments) of principal portion of lease liabilities	(212)	(251)
Payment of dividends	-	(8,794)
Net cash generated from/(used in) financing activities	<u>4,093</u>	<u>(9,230)</u>
Net decrease in cash and cash equivalents	(2,085)	(28,678)
Cash and cash equivalents at beginning period	6,153	47,011
Cash and cash equivalents at end of period	<u>4,068</u>	<u>18,333</u>

Cash and cash equivalents as at 30 June 2023 and 30 June 2022 comprise the following :

	2023 RM'000	2022 RM'000
Deposit, cash and bank balances	12,877	25,044
Less: Fixed deposits with licensed banks (pledged with bank for banking faci	<u>(8,809)</u>	<u>(6,711)</u>
Cash and cash equivalents	<u>4,068</u>	<u>18,333</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 2023
 (The figures have not been audited)

	-----Non-distributable-----			Distributable Retained Earnings/ (Accumulated Losses) RM'000	Total RM'000	Non-controlling Interests RM'000	Total RM'000
	Share Capital RM'000	Option Reserve RM'000	Treasury Shares RM'000				
As at 1 January 2022 (audited)	80,551	125	(280)	37,498	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	-	-	-	(4,481)	(4,481)	23	(4,458)
Adjustment on profit allocation of minority interest				(10)	(10)	10	-
Dividend paid	-	-	-	(8,794)	(8,794)	-	(8,794)
At 30 June 2022 (unaudited)	80,749	1,848	(280)	24,213	106,530	2,004	108,534
As at 1 January 2023	80,749	1,848	(280)	(11,024)	71,293	2,344	73,637
Loss for the financial year and total comprehensive loss for the financial year	-	-	-	(1,236)	(1,236)	1,240	4
At 30 June 2023 (unaudited)	80,749	1,848	(280)	(12,260)	70,057	3,584	73,641

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 2023

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 2022.

A2. Changes in accounting policies

At the beginning of the current financial year, the Group and the Company adopted new amendments and improvements to MFRSs which are mandatory for the financial years beginning on or after 1 January 2022.

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

Standards issued but Not Yet Effective

The Group and the Company have not early adopted the following new MFRS and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective :-

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 and Amendments to MFRS 17 - Insurance Contracts
Amendments to MFRS 17 - Insurance Contracts: Initial Application of MFRS 17 and MFRS 9-Comparative Information
Amendments to MFRS 101 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to MFRS 101 - Presentation of Financial Statements: Disclosure of Accounting Policies
Amendments to MFRS 108 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to MFRS 112 - Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 - Leases: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101 - Presentation of Financial Statements: Non-current Liabilities with Covenants

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

Amendments to MFRS 10 and MFRS 128 - Consolidated Financial Statements and Investments in Associates and Joint Ventures
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will apply the above new MFRS and amendments to MFRSs that are applicable once they become effective. The initial application of the new MFRS and amendments to MFRSs is not expected to have any significant impact on the Group's and the Company's financial statements.

A3. Auditors' report on preceeding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2022 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.)

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

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

There were no material capital commitment as at the date of this announcement.

A15. Significant Related Party Transaction

There was no significant related party transaction as at the date of this announcement.

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

During the quarter, the Group achieved a revenue of RM27.89 million, showcasing a substantial increase of RM22.05 million when compared to the RM5.84 million revenue from the corresponding quarter in the previous fiscal year. This remarkable surge in revenue was predominantly propelled by heightened sales within the plant construction business segment, which accounted for 90% of the total revenue for the reviewed quarter.

For the quarter ended 30 June 2023, the Group registered a profit after tax ("PAT") of RM0.19 million. In contrast, during the same period in the prior year, ended 30 June 2022, the Group had reported a loss after tax ("LAT") of RM2.49 million. The attainment of profit in the current quarter can be attributed to the augmented revenue; however, it was mitigated by higher operating expenses in the biopharma business segment.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the reviewed quarter amounted to RM27.89 million, indicating a slight decrease of RM0.9 million compared to the revenue of RM28.79 million reported in the preceding quarter.

During the quarter, the Group achieved a profit after tax of RM0.19 million. This was mainly contributed by the higher sales in the plant construction business segment.

B3. Prospects for the financial year 2023

The Group is still applying product registration for inhaled vaccine Convidecia Air™ with National Pharmaceutical Regulatory Agency, expect to obtain the approval by end of the year.

On 25 May 2022, SOLBIO, National Institute of Biotechnology Malaysia ("NIBM") and CanSino had signed a MOU on the collaboration of human vaccine R&D. As at todate, there is no material development on the MOU as the parties are still in the stage of finalizing a definitive agreement.

The Group's plant construction business continues to excel, emerging as the primary driver behind the Group's revenue. Notably, the other business segments within the Group are also displaying signs of recovery, having successfully secured significant orders throughout the quarter. Moreover, the Group has extended invitations to strategic investors, urging their participation in subscribing to the Proposed Private Placement shares, a strategic move aimed at advancing its pharmaceutical business.

On 25 August 2023, SGB had entered into a conditional subscription agreement with CanSino Biologics (Hong Kong) Limited ("CanSino" or "Investor") in relation to the subscription by CanSino of up to 43,968,600 new ordinary shares in SGB through the Proposed Private Placement, representing approximately 10.0% of SGB's total number of issued Shares

A portion of the funds raised through the Proposed Private Placement will be allocated to partially support the research and development (R&D) endeavors related to human vaccines, specifically targeting Dengue and Malaria, utilizing mRNA technology. This collaborative effort involves SGB, CanSino, and the National Institute of Biomedical Innovation ("NIBM"). Together, these three entities will establish a dedicated mRNA R&D facility within the MGVI building. SOLBIO will undertake the responsibility of commercializing the product resulting from the human vaccine R&D project, both within Malaysia and on the international stage.

Evidently, the Group is adopting a proactive stance in its pursuit of expanding and diversifying its business operations. This forward-looking approach holds the potential to yield substantial success and enhanced long-term stability.

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 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
Current taxation				
-Provision for taxation	(397)	5	(1,076)	(167)
Deferred taxation	-	-	-	-
	<u>(397)</u>	<u>5</u>	<u>(1,076)</u>	<u>(167)</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 June 2023 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase (included in lease liabilities)	159	631	790
Term loan	444	4,527	4,971
Total	603	5,158	5,761

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 June 2023

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 30 June 2023:

ESOS Option Grant Date	Expiry Date	Exercise Price	No. of Share		No. of Share Lapsed	Status
			Granted	Exercised and Listed		
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 todate, the total number of treasury shares is 1,932,700.

C) Proposed Private Placement of Up To 10% of the Total Issued Shares of SGB

On 25 August 2023, on behalf of the Board of Directors of SGB, M&A Securities Sdn Bhd had announced that the Company proposes to undertake a private placement of up to 43,968,600 new ordinary shares in SGB, representing not more than 10% of the total number of issued shares in SGB.

B9. Realised/ Unrealised Profits

	As at 30 June 2023 RM'000
Total accumulated losses of the Company and its subsidiaries	
- realised	(6,521)
- unrealised	28
	<u>(6,493)</u>
Less: Consolidated adjustments	(5,767)
Accumulated losses as per financial statement	<u>(12,260)</u>

B10. Profit Before Tax

	Quarter ended 30 June 2023 RM'000	Quarter ended 30 June 2022 RM'000
Profit before tax is derived after charging:		
Depreciation of property, plant & equipment	644	290
Depreciation of right-of-use assets	167	61
Interest expense	56	14
Bad debts written off	-	187
	<u> </u>	<u> </u>
and crediting:		
Interest income	(76)	(34)
Gain on changes in fair value of short term investment	-	(3)
Gain on disposal of property, plant & equipment	-	(8)
Reversal of impairment on trade receivables and contract asset	(101)	(329)
Gain on foreign exchange:		
-Realised	(6)	(836)
-Unrealised	(12)	(44)
	<u>(118)</u>	<u>(1227)</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 quarter under review.

B13. Earnings per share

	Current Quarter ended 30 June 2023	Comparative Quarter ended 30 June 2022	Current year to date ended 30 June 2023	Preceding year to date ended 30 June 2022
Net profit/(loss) for the period attributable to equity holders (RM'000)	(398)	(2,497)	(1,236)	(4,481)
Basic				
Weighted average number of ordinary shares in issue ('000)	439,643	436,118	439,643	436,118
Basic EPS (sen)	(0.091)	(0.573)	(0.281)	(1.027)
Diluted				
Weighted average number of ordinary shares in issue ('000)	439,643	436,118	439,643	436,118
Effect of dilution: share options and convertible warrants ('000)	370	850	370	850
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	440,013	436,968	440,013	436,968
Diluted EPS (sen)	(0.090)	(0.571)	(0.281)	(1.025)

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