

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

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 30 Sep 2023 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30 Sep 2022 (Unaudited) RM'000	Current Year To-Date 30 Sep 2023 (Unaudited) RM'000	Preceding Year Corresponding Period 30 Sep 2022 (Unaudited) RM'000
Revenue	29,557	6,024	86,242	19,088
Cost of sale	(25,778)	(4,540)	(76,419)	(15,308)
Gross profit	3,779	1,484	9,823	3,780
Other Operating Income	163	349	703	5,167
Administrative and distribution expenses	(1,904)	(4,062)	(5,571)	(14,428)
Other Operating Expenses	(890)	(409)	(2,727)	(1,426)
Share of loss from an associate	-	(2)	-	(26)
Profit/(loss) before tax	1,148	(2,640)	2,228	(6,933)
Income tax expense	B5 (747)	(405)	(1,823)	(571)
Profit/(loss) after tax	401	(3,045)	405	(7,504)
Attributable to :				
Equity holders of the parent	(160)	(3,065)	(1,396)	(7,547)
Non-controlling Interest	561	20	1,801	43
	401	(3,045)	405	(7,504)
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13 (0.037)	(0.703)	(0.319)	(1.730)
Diluted (sen)	B13 (0.037)	(0.703)	(0.319)	(1.731)
EBITDA ⁽¹⁾	1,923	(2,227)	4,612	(5,883)

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 SEPTEMBER 2023
(The figures have not been audited)

	Unaudited 30 Sep 2023 RM'000	Audited 31 Dec 2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	26,679	28,571
Right-of-use assets	3,693	4,114
Goodwill	33	8
Other receivables	-	96
	<u>30,405</u>	<u>32,789</u>
Current Assets		
Inventories	3,761	3,867
Trade receivables	10,957	9,533
Other receivables	4,728	2,396
Contract Assets	39,857	21,389
Tax recoverable	4,622	3,743
Other short term investments	-	36
Deposit, cash and bank balances	12,588	14,507
	<u>76,513</u>	<u>55,471</u>
TOTAL ASSETS	106,918	88,260
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80,749	80,749
Treasury shares	(280)	(280)
Reserves	(10,572)	(9,176)
	<u>69,897</u>	<u>71,293</u>
Non-controlling interest	<u>4,145</u>	<u>2,344</u>
Total equity	74,042	73,637
Non-Current Liabilities		
Term Loan	B7 4,428	4,695
Lease liabilities	B7 1,100	1,422
Deferred taxation	25	25
	<u>5,553</u>	<u>6,142</u>
Current Liabilities		
Trade payables	10,374	3,358
Other payable & accruals	5,596	1,010
Contract Liabilities	4,268	3,050
Bills payable	4,383	-
Term Loan	B7 434	501
Lease liabilities	B7 524	562
Taxation	1,744	-
	<u>27,323</u>	<u>8,481</u>
Total liabilities	32,876	14,623
TOTAL EQUITY AND LIABILITIES	106,918	88,260
Number of ordinary shares in issue ('000)	441,619	441,619
Net assets value per share (RM)	<u>0.1677</u>	<u>0.1667</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 SEPTEMBER 2023
(The figures have not been audited)

	9 months Ended 30 Sep 2023 (Unaudited) RM'000	9 months Ended 30 Sep 2022 (Unaudited) RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	2,228	(6,933)
Adjustment for :		
Depreciation of property, plant and equipment	1,931	557
Depreciation of right-of-use assets	499	460
Interest income	(225)	(142)
Bad debts written off	18	187
Net (gain)/loss on changes in fair value of short term investments	-	(4)
Gain on disposal of property, plant & equipment	-	(24)
Interest expense - others	179	129
Net increase in impairment losses on trade receivables and contract assets	-	(460)
Reversal of impairment loss on trade receivables and contract assets	(277)	-
Property, plant and equipment written off	-	14
Share options expenses	-	1,800
Share of loss in an associate	-	26
Operating profit/(loss) before working capital changes	<u>4,353</u>	<u>(4,390)</u>
Working capital changes :		
(Increase)/ Decrease in inventories	106	(3,255)
(Increase)/ Decrease in contract assets	(18,468)	(4,917)
(Increase)/ Decrease in trade and other receivables	(3,401)	26,667
Increase/ (Decrease) in contract liabilities	1,218	(905)
Increase/ (Decrease) in trade and other payables	11,586	(26,671)
Increase/ (Decrease) in amount due to director	<u>16</u>	<u>(103)</u>
Cash used in operating activities	<u>(4,590)</u>	<u>(13,574)</u>
Interest paid	(179)	(129)
Tax refunded	380	12
Tax paid	<u>(1,338)</u>	<u>(9,115)</u>
Net cash used in operating activities	<u>(5,727)</u>	<u>(22,806)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net withdrawal/(placements) of short term investments	36	(5,100)
Interest received	225	142
Addition of goodwill arising from the acquisition of a subsidiary	(25)	-
Proceeds from disposal of property, plant and equipment	6	41
Purchase of right of use assets	(79)	(326)
Purchase of property, plant and equipment (include PPE WIP)	(46)	(680)
Net (placement)/withdrawal of deposits under lien	<u>(784)</u>	<u>-</u>
Net cash used in investing activities	<u>(667)</u>	<u>(5,923)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to exercise of share options	-	121
Net repayment of term loan	(334)	(434)
Net addition/(repayments) of bill payables	4,383	-
Net repayments of principal portion of lease liabilities	(360)	(382)
Payment of dividends	-	(8,794)
Net cash generated from/(used in) financing activities	<u>3,689</u>	<u>(9,489)</u>
Net decrease in cash and cash equivalents	(2,705)	(38,218)
Cash and cash equivalents at beginning period	<u>6,153</u>	<u>47,011</u>
Cash and cash equivalents at end of period	<u>3,448</u>	<u>8,793</u>

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

	2023 RM'000	2022 RM'000
Deposit, cash and bank balances	12,588	17,139
Less: Fixed deposits with licensed banks (pledged with bank for banking facilities)	<u>(9,140)</u>	<u>(8,346)</u>
Cash and cash equivalents	<u>3,448</u>	<u>8,793</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 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	-	-	-	(7,547)	(7,547)	43	(7,504)
Adjustment on profit allocation of minority interest				(10)	(10)	10	-
Reversal on share of loss of associates				517	517		517
Dividend paid	-	-	-	(8,794)	(8,794)	-	(8,794)
At 30 Sep 2022 (unaudited)	80,749	1,848	(280)	21,664	103,981	2,024	106,005
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	-	-	-	(1,396)	(1,396)	1,801	405
At 30 Sep 2023 (unaudited)	80,749	1,848	(280)	(12,420)	69,897	4,145	74,042

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 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 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 preceding 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 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 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

Solution Biologics Sdn. Bhd., a wholly-owned subsidiary of SGB, acquired one hundred percent (100%) stake in Solution BioResearch Sdn Bhd. on 17 July 2023, for a consideration of RM1. The issued share capital of Solution BioResearch Sdn Bhd. is RM1, divided into 1 ordinary shares of RM1 each. The principal activities include conducting research and development in the field of biological drugs and vaccines.

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 substantial revenue of RM29.56 million, marking a noteworthy increase of RM23.53 million compared to the RM6.02 million revenue from the corresponding quarter in the previous fiscal year. This significant surge in revenue was primarily driven by heightened sales within the industrial automation and plant construction business segment.

For the quarter ended 30 Sep 2023, the Group recorded a profit after tax ("PAT") of RM0.40 million. In contrast, during the same period in the prior year, ended 30 Sep 2022, the Group had reported a loss after tax ("LAT") of RM3.04 million. The achievement 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 quarter under review totaled RM29.56 million, reflecting a modest increase of RM1.67 million compared to the RM27.89 million reported in the preceding quarter.

During the quarter, the Group realized a profit after tax of RM0.40 million, primarily attributed to increased sales within the industrial automation and plant construction business segment.

B3. Prospects for the financial year 2023

The product registration application for the inhaled vaccine Convidecia Air™ with National Pharmaceutical Regulatory Agency was not approved due to the regulatory changes post pandemic.

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 of today, the parties are still in the stage of finalizing a definitive agreement.

On 3 October 2023, the Group has completed the Private Placement exercise, issuing 43,968,600 new ordinary shares to CanSino Biologics Inc. This represents approximately 10.0% of the Group's total issued shares and is a strategic move aimed at advancing its pharmaceutical business.

A portion of the funds raised through the Proposed Private Placement will be allocated to support research and development (R&D) efforts related to human vaccines, utilizing mRNA technology. This collaborative effort involves SGB, CanSino, and NIBM. Together, these entities will establish a dedicated mRNA R&D facility within the MGVI building. SOLBIO will be responsible for commercializing the product resulting from the human vaccine R&D project, both within Malaysia and internationally.

Clearly, the Group is taking a proactive stance in expanding its business operations. This forward-looking approach holds the potential for substantial success and enhanced long-term stability.

The Group's industrial automation and plant construction business continues to excel, serving as the primary driver behind the Group's revenue. Other business segments within the Group are also improving, having successfully secured significant orders throughout the quarter.

In addition, the Group is exploring mergers and acquisitions as a means of expanding its business areas, aiming for greater success and stability in the long run.

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 2023 RM'000	30 Sep 2022 RM'000	30 Sep 2023 RM'000	30 Sep 2022 RM'000
Current taxation				
-Provision for taxation	(747)	(405)	(1,823)	(571)
Deferred taxation	-	-	-	-
	<u>(747)</u>	<u>(405)</u>	<u>(1,823)</u>	<u>(571)</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 Sep 2023 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase (included in lease liabilities)	156	593	749
Term loan	434	4,428	4,862
Total	590	5,021	5,611

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 Sep 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 Sep 2023:

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	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 3 October 2023, M&A Securities, on behalf of the Board, formally announced the successful completion of the Private Placement. The listing of 43,968,600 Placement Shares on the ACE Market of Bursa Malaysia Securities Berhad resulted in total proceeds amounting to RM8,573,877. Subsequently, the Subscription Agreement was duly completed on the same date.

B9. Realised/ Unrealised Profits

	As at 30 Sep 2023 RM'000
Total accumulated losses of the Company and its subsidiaries	
- realised	(6,138)
- unrealised	21
	<u>(6,117)</u>
Less: Consolidated adjustments	(6,304)
Accumulated losses as per financial statement	<u>(12,421)</u>

B10. Profit Before Tax

	Quarter ended 30 Sep 2023 RM'000	Quarter ended 30 Sep 2022 RM'000
Profit before tax is derived after charging:		
Depreciation of property, plant & equipment	642	181
Depreciation of right-of-use assets	167	158
Interest expense	60	43
Loss on foreign exchange:		
-Realised	5	-
-Unrealised	7	-
	<u>7</u>	<u>-</u>
and crediting:		
Interest income	(95)	(75)
Dividend income from other investment	-	(105)
Gain on changes in fair value of short term investment	-	(2)
Gain on disposal of property, plant & equipment	-	(16)
Reversal of impairment on trade receivables and contract asset	(40)	(124)
Gain on foreign exchange:		
-Realised	-	(12)
	<u>-</u>	<u>(12)</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 Sep 2023	Comparative Quarter ended 30 Sep 2022	Current year to date ended 30 Sep 2023	Preceding year to date ended 30 Sep 2022
Net profit/(loss) for the period attributable to equity holders (RM'000)	(160)	(3,065)	(1,396)	(7,547)
Basic				
Weighted average number of ordinary shares in issue ('000)	437,710	436,182	437,710	436,182
Basic EPS (sen)	(0.037)	(0.703)	(0.319)	(1.730)
Diluted				
Weighted average number of ordinary shares in issue ('000)	437,710	436,182	437,710	436,182
Effect of dilution: share options and convertible warrants ('000)	279	(69)	279	(69)
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	437,989	436,113	437,989	436,113
Diluted EPS (sen)	(0.037)	(0.703)	(0.319)	(1.731)

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