

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2015

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Oct 15 to 31 Dec 15	1 Oct 14 to 31 Dec 14	1 Jan 15 to 31 Dec 15	1 Jan 14 to 31 Dec 14
	Current Quarter RM'000	Preceding Year Corresponding Quarter RM'000	Current Year To-Date RM'000	Preceding Year Corresponding To-Date RM'000
Revenue	8,229	15,995	28,994	35,897
Cost of sale	(4,065)	(11,797)	(14,115)	(24,279)
Gross profit	4,164	4,198	14,879	11,618
Interest income	97	80	192	280
Other income	577	(31)	970	9
Depreciation & amortisation	(217)	(166)	(771)	(739)
Forex Gain	120	62	561	109
Finance cost	(55)	(29)	(97)	(62)
Administrative and distribution expenses	(2,678)	(1,963)	(7,303)	(5,834)
Share of net profit/(loss) from associated company	(42)	(34)	37	17
Profit before tax	1,966	2,117	8,468	5,398
Income tax expense	B5 (741)	(551)	(2,725)	(1,535)
Profit for the period	1,225	1,566	5,743	3,863
Attributable to :				
Equity holders of the parent	1,201	1,414	5,447	3,661
Minority Interest	24	152	296	202
	1,225	1,566	5,743	3,863
Earnings per share attributable to equity holders of parent :				
Basic, for (loss)/profit for the period (sen)	B12 0.601	0.720	2.726	1.864
EBITDA ⁽¹⁾	2,141	2,232	9,144	5,919

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)

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No: 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DEC 2015

(The figures have not been audited)

	Unaudited 31-Dec-15 RM'000	Audited 31 Dec 2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,005	4,125
Investment in an associated company	1,200	1,180
Intangible assets	142	176
	<u>5,347</u>	<u>5,481</u>
Current Assets		
Inventories	1,149	1,037
Trade receivables	17,201	18,838
Other receivables	1,016	1,032
Deposits, cash and bank balances	16,257	16,413
	<u>35,623</u>	<u>37,320</u>
TOTAL ASSETS	<u>40,970</u>	<u>42,801</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	19,982	19,637
Share premium	4,105	3,431
Other Reserve	B9 343	19
Other Component Of Equity	(1,876)	(1,880)
Retained earnings	9,113	5,664
	<u>31,667</u>	<u>26,871</u>
Minority interest	656	397
Total equity	<u>32,323</u>	<u>27,268</u>
Non-Current Liabilities		
Hire purchase creditors	B7 517	377
Term Loan	B7 432	598
	<u>949</u>	<u>975</u>
Current Liabilities		
Hire purchase creditors	B7 211	133
Term Loan	B7 135	119
Trade payables	4,377	6,552
Other payable & accruals	2,205	7,130
Provision for taxation	770	624
	<u>7,698</u>	<u>14,558</u>
Total liabilities	<u>8,647</u>	<u>15,533</u>
TOTAL EQUITY AND LIABILITIES	<u>40,970</u>	<u>42,801</u>
Number of ordinary shares in issue ('000)	199,815	196,374
Net assets value per share (RM)	<u>0.1585</u>	<u>0.1368</u>

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

SOLUTION ENGINEERING HOLDINGS BERHAD(Company No: 654575-P)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED CASHFLOW STATEMENTS AS AT 31 DEC 2015**

(The figures have not been audited)

	12 months Ended 31 Dec 2015 RM'000	12 months Ended 31 Dec 2014 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,468	5,398
Adjustment for :		
Gain on disposal of property, plant and equipment	1	(9)
Option reserve	720	668
Depreciation of property, plant and equipment	372	647
Amortisation of prepaid lease payments	34	34
Amortisation of development expenditure	365	58
Gain on investment	(212)	-
Interest expense	97	62
Interest income	(192)	(252)
Share of net profit from an associate company	(37)	(17)
Operating expenses before working capital changes	<u>9,616</u>	<u>6,589</u>
Working capital changes :		
Increase in inventories	(112)	(203)
Decrease / (Increase) in receivables	4,069	(11,005)
Increase in inter-companies	(1,204)	(43)
(Decrease) / Increase in payables	<u>(6,997)</u>	<u>10,820</u>
Cash generated from operating activities	5,372	6,158
Interest paid	(97)	(62)
Tax paid	(2,705)	(1,100)
Tax refund	4	213
Net cash (used in) / generated from operating activities	<u>2,574</u>	<u>5,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(617)	(101)
Proceeds from disposal of property, plant and equipment	-	9
Interest income	<u>192</u>	<u>252</u>
Net cash (used in)/generated from investing activities	<u>(425)</u>	<u>160</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	68	(296)
Dividend paid	(1,998)	(1,964)
Proceeds from issuance of shares	-	1,460
Proceeds from exercise of ESOS option	345	-
Expense of ESOS option granted	(720)	-
Net cash (used in) financing activities	<u>(2,305)</u>	<u>(800)</u>
Net (decrease) / increase in cash and cash equivalents	(156)	4,569
Cash and cash equivalents at beginning of financial year	<u>16,413</u>	<u>11,844</u>
Cash and cash equivalents at end of financial year	<u><u>16,257</u></u>	<u><u>16,413</u></u>

Cash and cash equivalents as at 31 December comprise the following :

	2015 RM'000	2014 RM'000
Deposits with licensed banks	3,901	3,723
Deposits with a money market fund	3,545	5,831
Deposits with financial institutions	2,371	1,440
Cash at bank	<u>6,440</u>	<u>5,419</u>
	<u><u>16,257</u></u>	<u><u>16,413</u></u>

(The unaudited Condensed Consolidated Cashflow Statements should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.)

SOLUTION ENGINEERING HOLDINGS BERHAD(Company No: 654575-P)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DEC 2015**

(The figures have not been audited)

	Attributable to Equity Holders of the SEHB					Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	<-----Non-distributable----->		Other Component of Equity RM'000	Distributable Retained Earnings RM'000			
	Share Premium RM'000	Capital Reserve RM'000			Total RM'000			
As at 1 January 2014 (audited)	18,556	2,403	-	(1,880)	3,967	23,046	195	23,241
Share options granted under ESOS	-	-	19	-	-	19	-	19
Exercise of employee share option	1,081	1,028	-	-	-	2,109	-	2,109
Dividend paid	-	-	-	-	(1,964)	(1,964)	-	(1,964)
Profit for the year	-	-	-	-	3,661	3,661	202	3,863
At 31 Dec 2014 (audited)	<u>19,637</u>	<u>3,431</u>	<u>19</u>	<u>(1,880)</u>	<u>5,664</u>	<u>26,871</u>	<u>397</u>	<u>27,268</u>
As at 1 January 2015 (audited)	19,637	3,431	19	(1,880)	5,664	26,871	397	27,268
Share options granted under ESOS	-	-	720	-	-	720	-	720
Exercise of employee share option	345	674	(396)	4	-	627	-	627
Dividend paid	-	-	-	-	(1,998)	(1,998)	-	(1,998)
Profit for the year	-	-	-	-	5,447	5,447	296	5,743
Non controlling interest							(37)	(37)
At 31 Dec 2015 (unaudited)	<u>19,982</u>	<u>4,105</u>	<u>343</u>	<u>(1,876)</u>	<u>9,113</u>	<u>31,667</u>	<u>656</u>	<u>32,323</u>

(The unaudited Condensed Consolidated Changes In Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.)

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134 INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and is prepared in accordance with FRS 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 Company and its subsidiaries ("Group") for the financial year ending 31 December 2015.

A2. Changes in accounting policies

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 in Malaysia and Malaysian Financial Reporting Standards requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported financial year. Although these estimates are based on the directors' best knowledge of current events and actions, actual results could differ from those estimates.

A2.1 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ("IC") Interpretations

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101 *Presentation of Items of other Comprehensive Income*
Income

Effective for financial periods beginning on or after 1 January 2013

MRFS 2 *Share-based Payment*
MFRS 3 *Business Combinations*
MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 119 *Employee Benefits (revised)*
MFRS 127 *Consolidated and Separate Financial Statements (revised)*
Amendments to MFRS 1 *First-time Adoption of MFRS - Government Loans*

Amendments to MFRS 7 *Financial Instruments: Disclosures – Offsetting*
Financial Assets and Financial Liabilities
Amendments to MFRS 10 *Consolidated Financial Statements: Transition*
Guidance
Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*
Disclosure of Interests in Other Entities: Transition

Annual Improvements to IC Interpretations and MFRSs 2009 - 2012 Cycle

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132 *Financial Instruments:*
Presentation - Offsetting Financial Assets and
Financial Liabilities

Effective for financial periods beginning on or after 1 January 2016

Amendments to MFRS 116 *Property, Plant and Equipment -*
and MFRS 138 *Clarification of Acceptable Methods of*
Depreciation and Amortisation

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 15 *Revenue from Contracts with Customers*

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 9 *Financial Instruments*

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant effect to the financial statements of the Group upon their initial application.

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

A. EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING (CONTD.)**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 financial quarter ended 31 December 2015.

A6. Material changes in estimates

There were no material changes in estimates that have had material effect in the current quarter results.

A7. Debts and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter ended 31 December 2015.

A8. Dividends Paid

There was no dividend paid during the current quarter

A9. Segmental information

Segmental information for cumulative 12 months period ended 31 December 2015 and 31 December 2014 are as follows:

	Malaysia		Overseas		Consolidated	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	26,560	30,660	2,434	5,237	28,994	35,897
Gross profit	13,917	9,679	962	1,939	14,879	11,618
Other income					1,162	289
Administrative and distribution expenses and finance cost					(7,610)	(6,526)
Share of net profit from associated company					37	17
Profit before taxation ("PBT")					8,468	5,398
Taxation					(2,725)	(1,535)
Profit for the year					5,743	3,863

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 subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter.

A13. Contingent liabilities

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

A14. Capital commitment

The capital commitment of the Group relates to a factory being constructed, by one of its subsidiary, amounting to RM2,324,500.

A15. Significant Related Party Transaction

Global Plus Solutions Sdn Bhd (GPS)

Sales from GPS for the year ended 31.12.2015

RM'000

8,927

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

B1. Review of performance

The Group recorded a lower revenue and PBT during the current quarter amounting to RM8.229 million and RM1.996 million as compared to RM15.995 million and RM2.117 million respectively in the same quarter prior year. The Group's full financial year revenue was lower in 2015, with its revenue of RM28.994million as compared to RM35.897million in 2014. However, overall, the Group's achieved a better financial performance for the year 2015, as it achieved a better PBT of RM8.468million in 2015, as compared to RM5.398 million in 2014, due to projects with better margin.

B2. Material Change in PBT compared with the immediate preceding quarter

The Group's revenue for the current quarter increased by RM2.277 million to RM8.229 million. The significant increase in revenue was due to higher sales of SOLTEQ equipment during the current quarter. The Group recorded PBT of RM1.966 million as compared to RM2.115 million in the immediate preceding quarter, due to its higher administrative and operational expenses.

B3. Prospects for the financial year ending 31 December 2016

The Group has shown improved financial performance in 2015. With a strong order book and potential contracts in the pipeline, the Management is optimistic that the Group will perform better in 2016.

B4. Profit guarantee

There was no profit forecast or profit guarantee issued by the Group.

B5. Taxation

	Quarter ended		Year- to-date	
	31.12.15	31.12.14	31.12.15	31.12.14
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	741	551	2,725	1,535
	<u>741</u>	<u>551</u>	<u>2,725</u>	<u>1,535</u>

B6. Profit on sale of unquoted investments and/or properties

There were no disposal of unquoted investment and/or properties for the financial year to date.

B7. Group borrowings and debt securities

Details of the Group's borrowings as at 31 December 2015 are as follows :

	Short-Term	Long-Term	Total
	RM'000	RM'000	RM'000
Secured :			
Term loan	135	432	567
Hire purchase	211	517	728
Total	<u>346</u>	<u>949</u>	<u>1,295</u>

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 31 December 2015

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.

On 6 Feb 2014, the Company had announced that the effective date of implementation of the ESOS is on 30 January 2014.

Below show the details of the shares that had been granted under the ESOS:

<i>ESOS Option Grant Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>	<i>No. of Share Granted</i>	<i>No. of Share Exercised and Listed</i>
22 July 2014	29 Jan 2019	RM0.135	11,134,000	11,093,000
8 January 2015	29 Jan 2019	RM0.185	6,000,000	3,166,000

B) With reference to the announcement made on 15 May 2015, the Company had obtained its shareholders approval for the renewal of Authority for Share Buy Back at the Tenth Annual General Meeting ("AGM") of the Company. As at 31 December 2015, no share buy back has been done.

B9. Other Reserve

	Quarter ended		Year- to-date	
	31.12.15	31.12.14	31.12.15	31.12.14
	RM'000	RM'000	RM'000	RM'000
Capital Reserve				
- recognised in profit & loss	-	19	720	19
Capital Reserve	(6)	-	(377)	-
	<u>(6)</u>	<u>19</u>	<u>343</u>	<u>19</u>

B10. 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.

B11. Dividends

There were no dividend declared during the quarter under review.

B12. Earnings per share

	Current Quarter ended	Comparative Quarter ended	Current year to date ended	Preceding year to date ended
	31.12.15	31.12.14	31.12.15	31.12.14
Net profit/(loss) for the period attributable to equity holders (RM'000)	1,201	1,414	5,447	3,661
No. of ordinary shares in issue ('000)	199,815	196,374	199,815	196,374
Basic EPS (sen)	<u>0.601</u>	<u>0.720</u>	<u>2.726</u>	<u>1.864</u>

**BY ORDER OF THE BOARD
SOLUTION ENGINEERING HOLDINGS BERHAD**