

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 MARCH 2016

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|------------------------------|------------------------------|-----------------------------------|-----------------------------------|
| | 1 JAN 16 to 31 MAR 16 | 1 Jan 15 to 31 Mar 15 | 1 JAN 16 to 31 MAR 16 | 1 Jan 15 to 31 Mar 15 |
| | Current Quarter RM'000 | Current Quarter RM'000 | Current Year To-Date RM'000 | Current Year To-Date RM'000 |
| Revenue | 6,341 | 8,975 | 6,341 | 8,975 |
| Cost of sale | (2,671) | (4,438) | (2,671) | (4,438) |
| Gross profit | 3,670 | 4,537 | 3,670 | 4,537 |
| Interest income | 39 | (23) | 39 | (23) |
| Other income | 403 | 140 | 403 | 140 |
| Depreciation & amortisation | (186) | (191) | (186) | (191) |
| Forex Gain | 18 | 284 | 18 | 284 |
| Finance cost | (26) | (21) | (26) | (21) |
| Administrative and distribution expenses | (1,472) | (2,532) | (1,472) | (2,532) |
| Share of net profit/(loss) from associated company | 45 | 21 | 45 | 21 |
| Profit before tax | 2,491 | 2,215 | 2,491 | 2,215 |
| Income tax expense | B5 (572) | (801) | (572) | (801) |
| Profit for the period | 1,919 | 1,414 | 1,919 | 1,414 |
| Attributable to : | | | | |
| Equity holders of the parent | 1,849 | 1,253 | 1,849 | 1,253 |
| Minority Interest | 70 | 161 | 70 | 161 |
| | 1,919 | 1,414 | 1,919 | 1,414 |
| Earnings per share attributable to equity holders of parent : | | | | |
| Basic, for (loss)/profit for the period (sen) | B12 0.925 | 0.638 | 0.925 | 0.638 |
| EBITDA ⁽¹⁾ | 2,664 | 2,450 | 2,664 | 2,450 |

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 MAR 2016

(The figures have not been audited)

| | Unaudited 31-Mar-16 RM'000 | Audited 31 Dec 2015 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 3,826 | 4,005 |
| Investment in an associated company | 1,251 | 1,206 |
| Intangible assets | 132 | 141 |
| | <u>5,209</u> | <u>5,352</u> |
| Current Assets | | |
| Inventories | 1,090 | 1,125 |
| Trade receivables | 18,484 | 15,749 |
| Other receivables | 2,170 | 2,507 |
| Deposits, cash and bank balances | 13,275 | 16,257 |
| | <u>35,019</u> | <u>35,638</u> |
| TOTAL ASSETS | <u>40,228</u> | <u>40,990</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 19,982 | 19,982 |
| Share premium | 4,106 | 4,106 |
| Other Reserve | B9 343 | 343 |
| Other Component Of Equity | (1,880) | (1,880) |
| Retained earnings | 10,931 | 9,083 |
| | <u>33,482</u> | <u>31,634</u> |
| Minority interest | 781 | 712 |
| Total equity | <u>34,263</u> | <u>32,346</u> |
| Non-Current Liabilities | | |
| Hire purchase creditors | B7 517 | 517 |
| Term Loan | B7 411 | 432 |
| Deferred taxation | 52 | 190 |
| | <u>980</u> | <u>1,139</u> |
| Current Liabilities | | |
| Hire purchase creditors | B7 158 | 211 |
| Term Loan | B7 119 | 135 |
| Trade payables | 4,175 | 6,575 |
| Other payable & accruals | - | - |
| Provision for taxation | 533 | 584 |
| | <u>4,985</u> | <u>7,505</u> |
| Total liabilities | <u>5,965</u> | <u>8,644</u> |
| TOTAL EQUITY AND LIABILITIES | <u>40,228</u> | <u>40,990</u> |
| Number of ordinary shares in issue ('000) | 199,815 | 199,815 |
| Net assets value per share (RM) | <u>0.1676</u> | <u>0.1583</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 MARCH 2016****(The figures have not been audited)**

| | 3 months Ended 31 Mar 2016 RM'000 | 3 months Ended 31 Mar 2015 RM'000 |
|---|--|--|
| CASHFLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 2,491 | 2,215 |
| Adjustment for : | | |
| Depreciation of property, plant and equipment | 168 | 100 |
| Amortisation of prepaid lease payments | 9 | 9 |
| Esos Expenses | - | 720 |
| Amortisation of development expenditure | 9 | 82 |
| Loss on disposal of PPE | 3 | - |
| Written off of Development cost | - | 176 |
| Interest expense | 26 | 21 |
| Interest income | (39) | 22 |
| Dividend Income | - | (30) |
| Tax payable | (489) | - |
| Unrealised Gain from Short Term Investment | - | (31) |
| Share of net profit from an associate company | (45) | (21) |
| Operating expenses before working capital changes | 2,133 | 3,263 |
| Working capital changes : | | |
| Increase in inventories | 61 | 113 |
| (Increase) in receivables | (3,393) | (894) |
| (Decrease) in payables | (1,199) | (702) |
| Cash generated from/(used in) operating activities | (2,398) | 1,780 |
| Interest paid | (26) | (21) |
| Tax paid | (545) | (211) |
| Net cash generated from/(used in) operating activities | (2,969) | 1,548 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | - | (586) |
| Interest income | 39 | (23) |
| Net cash (used in)/generated from investing activities | 39 | (609) |
| CASHFLOWS FROM FINANCING ACTIVITIES | | |
| Net of borrowings | (52) | 336 |
| Placement of Short Term Investment | - | (500) |
| Net cash generated from/(used in) financing activities | (52) | (164) |
| Net increase / (Decrease) in cash and cash equivalents | (2,982) | 775 |
| Cash and cash equivalents at beginning of financial year | 16,257 | 16,926 |
| Cash and cash equivalents at end of financial year | 13,275 | 17,701 |

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

| | 2016 RM'000 | 2015 RM'000 |
|--------------------------------------|------------------------|------------------------|
| Deposits with licensed banks | 5,856 | 3,700 |
| Deposits with a money market fund | 2,848 | 2,994 |
| Deposits with financial institutions | 731 | 6,455 |
| Cash at bank | 3,840 | 4,552 |
| | 13,275 | 17,701 |

(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 QUARTER ENDED 31 MARCH 2016**
(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-----> | | | Distributable Retained Earnings RM'000 | | | |
| | | Share Premium RM'000 | Capital Reserve RM'000 | Other Component of Equity RM'000 | | | | |
| As at 1 January 2015 (audited) | 19,637 | 3,431 | 19 | (1,880) | 5,664 | 26,871 | 397 | 27,268 |
| Pre-acquisition loss b/f | | | | | | 0 | | 0 |
| Share options granted under ESOS | | | 720 | | | 720 | | 720 |
| Exercise of employee share option | | | | | | 0 | | 0 |
| Dividend paid | | | | | | 0 | | 0 |
| Profit for the period | | | | | 1,253 | 1,253 | 161 | 1,414 |
| At 31 March 2015 (unaudited) | <u>19,637</u> | <u>3,431</u> | <u>739</u> | <u>(1,880)</u> | <u>6,917</u> | <u>28,844</u> | <u>558</u> | <u>29,402</u> |
| As at 1 January 2016 (audited) | 19,982 | 4,106 | 343 | (1,880) | 9,082 | 31,633 | 711 | 32,344 |
| Pre-acquisition loss b/f | | | | | | 0 | | 0 |
| Share options granted under ESOS | | | | | | 0 | | 0 |
| Exercise of employee share option | | | | | | 0 | | 0 |
| Dividend paid | | | | | | 0 | | 0 |
| Profit for the period | | | | | 1,849 | 1,849 | 70 | 1,919 |
| At 31 March 2016 (unaudited) | <u>19,982</u> | <u>4,106</u> | <u>343</u> | <u>(1,880)</u> | <u>10,931</u> | <u>33,482</u> | <u>781</u> | <u>34,263</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")

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 | <i>Share-based Payment</i> |
| MRFS 3 | <i>Business Combinations</i> |
| MFRS 10 | <i>Consolidated Financial Statements</i> |
| MFRS 11 | <i>Joint Arrangements</i> |
| MFRS 12 | <i>Disclosure of Interests in Other Entities</i> |
| MFRS 13 | <i>Fair Value Measurement</i> |
| MFRS 119 | <i>Employee Benefits (revised)</i> |
| MFRS 127 | <i>Consolidated and Separate Financial Statements (revised)</i> |
| Amendments to MFRS 1 | <i>First-time Adoption of MFRS - Government Loans</i> |
| Amendments to MFRS 7 | <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> |
| Amendments to MFRS 10 | <i>Consolidated Financial Statements: Transition Guidance</i> |
| Amendments to MFRS 11 | <i>Joint Arrangements: Transition Guidance Disclosure of Interests in Other Entities: Transition</i> |

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 March 2016

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 March 2016.

A8. Dividends Paid

There was no dividend paid during the current quarter.

A9. Segmental information

Segmental information for cumulative 3 months period ended 31 March 2016 and 31 March 2015 are as follows:

| | Malaysia | | Overseas | | Consolidated | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Revenue | 6,244 | 6,713 | 97 | 2,262 | 6,341 | 8,975 |
| Gross profit | 3,612 | 3,180 | 58 | 1,357 | 3,670 | 4,537 |
| Other income | | | | | 460 | 117 |
| Administrative and distribution expenses and finance cost | | | | | (1,684) | (2,460) |
| Share of net profit from associated company | | | | | 45 | 21 |
| Profit before taxation ("PBT") | | | | | 2,491 | 2,215 |
| Taxation | | | | | (572) | (801) |
| Profit for the year | | | | | 1,919 | 1,414 |

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

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

A15. Significant Related Party Transaction

| | |
|--|--------|
| <u>Global Plus Solutions Sdn Bhd (GPS)</u> | RM'000 |
| Sales from GPS for the year ended 31.03.2016 | 276 |

**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 of RM6.341 million as compared to RM8.975 million in the same quarter prior year, but higher PBT of RM2.491 million as compared to RM2.215 million in the same quarter prior year. The higher PBT is attributable to better margin and effective cost management.

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

The Group posted a PBT of RM2.491 million as compared to RM1.966 million in the immediate preceding quarter, due to better margin and effective cost management.

B3. Prospects for the financial year ending 31 December 2016

The group has continued to show a positive financial performance in the first quarter of 2016. With a strong order book and potential contracts in the pipeline, the Board is optimistic that the Group will show good financial performance in 2016.

B4. Profit guarantee

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

B5. Taxation

| | Quarter ended | | Year- to-date | |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31.03.16 RM'000 | 31.03.15 RM'000 | 31.03.16 RM'000 | 31.03.15 RM'000 |
| Current taxation | | | | |
| Estimate for the period | 572 | 801 | 572 | 801 |
| | <u>572</u> | <u>801</u> | <u>572</u> | <u>801</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 March 2016 are as follows :

| | Short-Term | Long-Term | Total |
|------------------|------------|------------|--------------|
| | RM'000 | RM'000 | RM'000 |
| Secured : | | | |
| Term loan | 119 | 411 | 530 |
| Hire purchase | 158 | 517 | 675 |
| Total | <u>277</u> | <u>928</u> | <u>1,205</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 March 2016

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 12 May 2014, 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 March 2016, no share buy back has been done.

C) There were no new corporate proposals announced but not completed as at the date of this report, except for the following:

Proposed Bonus Issue of Shares with Warrants

On 17 April 2016, M&A Securities Sdn Bhd ("M&A Securities") on behalf of the Board of Directors announced that Solution Engineering Holdings Berhad ("SEHB") is proposing to undertake the proposed bonus issue of up to 101,345,000 new ordinary shares of RM0.10 each ("Bonus Shares") in SEHB to be credited as fully paid-up, together with up to 101,345,000 Warrants, on the basis of one (1) Bonus Share together with one (1) Warrant for every two (2) existing ordinary shares of RM0.10 each (hereinafter refer to as "the Proposal").

The Proposals are subject to approvals being obtained from the following:

(I) Bursa Malaysia Securities Berhad ("Bursa Securities") the listing of and quotation for the Bonus Shares, Warrants and the new SEHB shares to be issued arising from the exercise of the Warrants; which was obtained vide its letter dated 17 May 2016, subject amongst others, the following conditions:

- (a) SEHB and M&A Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposal;
- (b) SEHB and M&A Securities to inform Bursa Securities upon the completion of the Proposal;
- (c) SEHB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once approved; and
- (d) SEHB to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of Warrants at the end of each quarter together with a detailed computation of listing fees payables

(II) The shareholders of SEHB at the forthcoming EGM to be convened on 1 June 2016

B9. Other Reserve

| | Quarter ended | | Year- to-date | |
|-------------------------------|----------------------|-----------------|----------------------|-----------------|
| | 31.03.16 | 31.03.15 | 31.03.16 | 31.03.15 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Capital Reserve | | | | |
| - recognised in profit & loss | - | 739 | - | 739 |
| Share Application Money | - | - | - | - |
| | - | 739 | - | 739 |

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 31.03.16 | Comparative Quarter ended 31.03.15 | Current year to date ended 31.03.16 | Preceding year to date ended 31.03.15 |
|---|---|---|--|--|
| Net profit /(loss) for the period attributable to equity holders (RM'000) | 1,849 | 1,253 | 1,849 | 1,253 |
| No. of ordinary shares in issue ('000) | 199,815 | 196,374 | 199,815 | 196,374 |
| Basic EPS (sen) | 0.925 | 0.638 | 0.925 | 0.638 |

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