

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2016
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Jul 2016 to 30 Sept 2016 Current Year Quarter RM'000	1 Jul 2015 to 30 Sept 2015 Preceding Year Corresponding Quarter RM'000	1 Jan 2016 to 30 Sept 2016 Current Year To-Date RM'000	1 Jan 2015 to 30 Sept 2015 Preceding Year Corresponding Period RM'000
Revenue	10,162	5,952	26,179	20,765
Cost of sale	(5,397)	(2,798)	(13,576)	(10,050)
Gross profit	4,765	3,154	12,603	10,715
Interest income	89	31	128	95
Other income	66	154	595	393
Depreciation & amortisation	(147)	(181)	(518)	(554)
Property, plant and equipment written off	(38)	-	(38)	-
Interest Expense	(6)	(10)	(38)	(42)
Administrative and distribution expenses	(1,786)	(1,088)	(4,993)	(4,625)
Share of net profit from associated company	49	50	105	79
Profit before tax	2,992	2,110	7,844	6,061
Income tax expense	B5 (740)	(569)	(1,922)	(1,984)
Profit for the period	2,252	1,541	5,922	4,077
Foreign exchange gain	11	5	341	441
Total comprehensive income for the period	2,263	1,546	6,263	4,518
Attributable to :				
Equity holders of the parent	2,083	1,473	5,966	4,246
Minority Interest	180	73	297	272
	2,263	1,546	6,263	4,518
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B12 0.711	0.737	2.583	2.158
Diluted (sen)	B12 0.521	0.735	1.764	2.127
EBITDA ⁽¹⁾	3,067	2,275	8,613	7,003

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 STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2016

(The figures have not been audited)

	Unaudited 30 Sept 2016 RM'000	Audited 31 Dec 2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,717	4,005
Investment in an associated company	1,310	1,206
Intangible assets	116	141
Goodwill	8	-
	<u>3,151</u>	<u>5,352</u>
Current Assets		
Inventories	1,021	1,125
Trade receivables	19,060	15,749
Other receivables	2,302	2,507
Deposits, cash and bank balances	19,752	16,257
Non-current asset held for sale	1,890	-
	<u>44,025</u>	<u>35,638</u>
TOTAL ASSETS	<u>47,176</u>	<u>40,990</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	30,399	19,982
Share premium	-	4,106
Other Reserve	360	343
Other Component Of Equity	(1,880)	(1,880)
Retained earnings	B9 9,604	9,083
	<u>38,483</u>	<u>31,634</u>
Minority interest	1,245	712
Total equity	<u>39,728</u>	<u>32,346</u>
Non-Current Liabilities		
Hire purchase creditors	B7 370	517
Term Loan	B7 -	432
Deferred taxation	190	190
	<u>560</u>	<u>1,139</u>
Current Liabilities		
Hire purchase creditors	B7 200	211
Term Loan	B7 453	135
Trade payables	3,877	4,381
Other payable & accruals	1,816	2,194
Provision for taxation	542	584
	<u>6,888</u>	<u>7,505</u>
Total liabilities	<u>7,448</u>	<u>8,644</u>
TOTAL EQUITY AND LIABILITIES	<u>47,176</u>	<u>40,990</u>
Number of ordinary shares in issue ('000)	303,991	199,815
Net assets value per share (RM)	<u>0.1266</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)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPT 2016
(The figures have not been audited)

	9 months Ended 30 Sept 2016 RM'000	9 months Ended 30 Sept 2015 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,185	6,502
Adjustment for :		
Depreciation of property, plant and equipment	471	289
Amortisation of prepaid lease payments	20	27
Changes in capital reserve	358	720
Amortisation of development expenditure	27	246
Loss on disposal of property, plant and equipment	3	-
Written off of Development cost	-	176
Written off of property, plant and equipment	38	-
Interest expense	38	30
Interest income	(128)	(95)
Dividend Income	-	(30)
Unrealised Gain from Short Term Investment	-	(31)
Share of net profit from an associate company	(105)	(21)
Operating expenses before working capital changes	<u>8,907</u>	<u>7,813</u>
Working capital changes :		
Decrease/ (Increase) in inventories	133	(123)
(Increase)/ Decrease in receivables	(3,906)	3,025
Increase/(Decrease) in payables	<u>277</u>	<u>(6,210)</u>
Cash generated from operating activities	5,411	4,505
Interest paid	(38)	(30)
Tax paid	<u>(2,202)</u>	<u>(3,124)</u>
Net cash generated from operating activities	<u>3,171</u>	<u>1,351</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(104)	(664)
Acquisition of a subsidiary, net of cash acquired	7	-
Interest income	<u>128</u>	<u>95</u>
Net cash generated from/ (used in) investing activities	<u>31</u>	<u>(569)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	(234)	159
Placement of Short Term Investment	-	1,818
Proceed from issuance of shares	527	618
Dividend paid	-	(1,997)
Net cash generated from financing activities	<u>293</u>	<u>598</u>
Net (Decrease)/ Increase in cash and cash equivalents	3,495	1,380
Cash and cash equivalents at beginning period	<u>16,257</u>	<u>16,926</u>
Cash and cash equivalents at end of period	<u>19,752</u>	<u>18,306</u>

Cash and cash equivalents as at 30 Sept 2016 comprise the following :

	2016 RM'000	2015 RM'000
Deposits with licensed banks	3,536	3,821
Deposits with a money market fund	12,581	4,515
Deposits with financial institutions	-	2,368
Cash at bank	<u>3,635</u>	<u>7,602</u>
	<u>19,752</u>	<u>18,306</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 STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 SEPT 2016

(The figures have not been audited)

	Attributable to Equity Holders of the SEHB					Total	Minority Interest	Total Equity
	Share Capital	Share Premium	Capital Reserve	Other Component of Equity	Distributable Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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			709			709		709
Exercise of employee share option	339	632				971		971
Share application money			(347)			(347)		(347)
Dividend paid					(1,997)	(1,997)		(1,997)
Total comprehensive income for the period					4,246	4,246	271	4,517
At 30 Sept 2015 (unaudited)	19,976	4,063	381	(1,880)	7,913	30,453	668	31,121
As at 1 January 2016 (audited)	19,982	4,106	343	(1,880)	9,083	31,634	712	32,346
Share options granted under ESOS			360			360		360
Exercise of employee share option	284	242				526		526
Transferred to share premium upon ESOS exercised		341	(341)			-		-
ESOS lapsed			(2)			(2)		(2)
Dividend paid						-		-
Acquisition of subsidiary				-		-	236	236
Bonus Issue	10,133	(4,689)			(5,445)	(1)		(1)
Exercise of warrants	0	0				0		0
Total comprehensive income for the period					5,966	5,966	297	6,263
At 30 Sept 2016 (unaudited)	30,399	0	360	(1,880)	9,604	38,483	1,245	39,728

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPT 2016

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 ending 31 December 2015.

A2. Changes in accounting policies

The accounting policies adopted by the Group are consistent with those adopted for the audited financial statements of the Group for the financial year ended 31 December 2015 except for the following new MFRS, amendments to MFRS and IC Interpretations that have been issued by the MASB but are not yet effective for the Group:

MFRS and IC Interpretations (Including the Consequential Amendments)

Effective for financial periods beginning on or after 1 January 2016

MFRS 14 Regulatory Deferral Accounts
MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 Presentation of Financial Statement, Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
Amendments to MFRS 127 Equity Method in Separate Financial Statements
Annual Improvements to MFRS 2012-2014 Cycle

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107 Disclosure Initiative
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures
MFRS 16 Leases

Amendments to MFRS (effective date yet to be confirmed):

Amendments to MFRS 10 Consolidated Financial Statements
MFRS 128 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture

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.

A4. Seasonality or cyclicity factors

The Group's operations were not affected by seasonal or cyclical changes.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTD.)**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 ended 30 September 2016

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

On 11 July 2016, Bonus Issue of shares with warrants was completed following the listing of and quotation for 101,329,365 Bonus Shares and 101,329,365 of Warrants on the ACE market of Bursa Malaysia Securities Berhad

As at 30 September 2016, 2,500 warrants have been converted to 2,500 ordinary shares of 10 sen each, at the conversion price of 20 sen for warrant.

	No. of shares	RM
As at 30 June 2016	202,659,000	20,265,900
Ordinary shares issued pursuant to the Bonus Issues	101,329,365	10,132,937
Exercise/ Conversion of warrants into Ordinary Shares	2,500	250
As at 30 September 2016	<u>303,990,865</u>	<u>30,399,087</u>

A8. Dividends Paid

There were no dividend paid during the current quarter.

A9. Segmental information

Segmental information for cumulative 9 months period ended 30 September 2016 and 30 September 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	25,422	19,333	757	1,432	26,179	20,765
Gross profit	12,149	10,637	454	78	12,603	10,715
Other income					1,064	929
Administrative and distribution expenses and finance cost					(5,587)	(5,221)
Share of net profit from associated company					105	79
Profit before taxation ("PBT")					8,185	6,502
Taxation					(1,922)	(1,984)
Profit after Tax (before minority interest)					<u>6,263</u>	<u>4,518</u>

A10. Valuation of Property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the quarter under review.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTD.)**A11. Material events subsequent to the end of the quarter**

On 11 October 2016, the subsidiary of the Company, Solution Engineering Sdn Bhd has entered into a Sales and Purchase Agreement to dispose its leasehold industrial land and two-storey detached factory building bearing postal address at 3, Jalan TPK 2/4, Taman Perindustrian Kinrara, 47100 Puchong, for a cash consideration of RM7,700,000.

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

Capital commitment approved and contracted as at 30 September 2016 was amounting to RM10,952,200.

A15. Significant Related Party Transaction

**Year- to-date
30-Sep-16
RM'000**

With an associated company

Sales

9,778With a director of a subsidiary company

Rental of office premises

29With a company which a director has interest

Purchases

203

Rental of motor vehicles, accomodation

21

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 RM10.16 million during the quarter, an increase of RM3.59 million or 71% as compared to the revenue of RM5.95 million in the corresponding quarter in previous financial year. The higher revenue was mainly due to higher value of jobs completed.

For the quarter ended 30 September 2016, the Group recorded a profit of RM2.08 million as compared to the profit of RM1.47 million reported in the preceding financial period. The higher profit was mainly due to the higher revenue.

Comparison with corresponding financial period in previous financial year

For the financial period ended 30 September 2016, the Group registered a revenue of RM26.18 million, representing an increase of RM5.41 million or 26% as compared to the revenue of RM20.77 million achieved in the corresponding period. The higher revenue was mainly due to the higher value of jobs accomplished.

The Group recorded a profit of RM5.97 million as compared to the profit of RM4.25 million reported in the preceding financial period. The higher profit achieved in current period under review mainly attributable to the increase in revenue.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the quarter under review was RM10.16 million, an increase of RM0.48 million, as compared to the revenue of RM9.68 million registered in preceding quarter.

The Group reported a profit of RM2.08 million during the quarter, representing an increase of RM0.04 million, as compared to the profit of RM2.04 million in the preceding quarter. The increase was mainly due to higher gross profit but softened by lower other income.

The administrative and distribution expenses was inclusive of the non-cash employee benefit cost of RM0.360 million for the current quarter, arising from the fair value accounting adopted for shares option granted pursuant to an Employees' Share Option Scheme ("ESOS").

B3. Prospects for the financial year ending 31 December 2016

The Group continued to show a positive financial performance in the third quarter of 2016. With a strong order book and potential contracts in the pipeline, the directors anticipate that the Group will have good financial performance in 2016.

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-16 RM'000	30-Sep-15 RM'000	30-Sep-16 RM'000	30-Sep-15 RM'000
Current taxation				
Provision for taxation	740	569	1,922	1,984
	<u>740</u>	<u>569</u>	<u>1,922</u>	<u>1,984</u>

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE ACE MARKET (CONTD.)**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 Sept 2016 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Term loan	453	-	453
Hire purchase	200	370	570
Total	653	370	1,023

B8. Status of Corporate Proposals**A) Update on Employees' Share Option Scheme (ESOS) as at 30 Sept 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.

Below show the details of the shares that had been granted and exercised under the ESOS as at 30 September 2016:

ESOS Option Grant Date	Expiry Date	Exercise Price	No. of Share Granted	No. of Share	
				Exercised and Listed	No. of Share Lapsed
22 July 2014	29 Jan 2019	RM0.135	11,134,000	11,103,000	31,000
8 January 2015	29 Jan 2019	RM0.185	6,000,000	6,000,000	-
28 September 2016	29 Jan 2019	RM0.220	6,000,000	-	-

B) Proposed Renewal of Authority for the Company to Purchase Its Own Shares

Shareholders of the Company have approved for the Renewal of Authority for Share Buy Back at the Twelfth Annual General Meeting of the Company. As at 30 September 2016, there were no shares being bought back.

C) Proposed Bonus Issue of Shares with Warrants

The company had obtained its shareholders' approval at the EGM held on 1 June 2016 for the Bonus Issue up to 101,345,000 new ordinary shares of RM0.10 each in SEHB's share(s) to be credited as fully paid-up, together with up to 101,329,365 free detachable warrant(s) on the basis of one bonus share together with one warrant for every two existing SEHB shares held by the entitled shareholders.

On 11 July 2016, Bonus Issue of shares with warrants was completed following the listing of and quotation for 101,329,365 Bonus Shares and 101,329,365 of Warrants on the ACE market of Bursa Malaysia Securities Berhad.

As at 30 September 2016, 2,500 warrants have been converted to 2,500 ordinary shares of 10 sen each, at the conversion price of 20 sen for warrant.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE ACE MARKET (CONTD.)**B9. Realised/ Unrealised Profits**

	As at 30 September 2016
	RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	18,000
- unrealised	(86)
	<u>17,914</u>
Total share of accumulated profit of an associate	
- realised	316
- unrealised	-
	<u>18,231</u>
Less: Consolidated adjustments	(8,627)
Retained profit as per financial statement	<u>9,604</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

The Board is pleased to declare a 10% interim dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 2016. The date of entitlement and payment date will be announced later.

B12. Earnings per share

	Current Quarter ended 30.09.16	Comparative Quarter ended 30.09.15	Current year to date ended 30.09.16	Preceding year to date ended 30.09.15
Net profit for the period attributable to equity holders (RM'000)	2,083	1,473	5,966	4,246
Basic				
Weighted average number of ordinary shares in issue ('000)	292,854	197,349	230,969	196,712
Basic EPS (sen)	0.711	0.746	2.583	2.158
Diluted				
Weighted average number of ordinary shares in issue ('000)	292,854	197,349	230,969	196,712
Effect of dilution: share options and convertible warrants ('000)	107,327	2,930	107,327	2,930
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	400,181	200,279	338,296	199,642
Diluted EPS (sen)	0.521	0.735	1.764	2.127

For comparative purpose, the number of ordinary shares issued as at 30 September 2015 had been adjusted to reflect the share options (ESOS) granted to employees