

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2016**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 31-Dec-16 (Unaudited) RM'000	Preceding Year Corresponding Quarter 31-Dec-15 (Unaudited) RM'000	Current Year To-Date 31-Dec-16 (Unaudited) RM'000	Preceding Year Corresponding Period 31-Dec-15 (Audited) RM'000
Revenue	9,209	8,229	35,388	29,073
Cost of sale	(4,473)	(4,065)	(18,049)	(14,120)
Gross profit	4,736	4,164	17,339	14,953
Other Operating Income	B10 206	674	929	1,010
Administrative and distribution expenses	(1,669)	(2,678)	(6,662)	(7,380)
Other Operating Expenses	B10 (390)	(152)	(643)	(159)
Share of net profit/ (loss) from associated company	(89)	(42)	16	26
Profit before tax	2,794	1,966	10,979	8,450
Income tax expense	B5 (1,048)	(741)	(2,970)	(2,720)
Total comprehensive income for the period	1,746	1,225	8,009	5,730
Attributable to :				
Equity holders of the parent	1,741	1,201	7,707	5,415
Minority Interest	5	24	302	315
	1,746	1,225	8,009	5,730
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B12 0.572	0.737	3.090	2.742
Diluted (sen)	B12 0.423	0.593	2.163	2.703
EBITDA <sup>(1)</sup>	2,894	2,141	11,507	9,144

Note :-

<sup>(1)</sup> 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 31 DECEMBER 2016**

(The figures have not been audited)

	<b>Unaudited 31 Dec 2016 RM'000</b>	<b>Audited 31 Dec 2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,025	4,005
Investment in an associated company	1,221	1,206
Intangible assets	113	141
Goodwill	8	-
	<u>3,367</u>	<u>5,352</u>
<b>Current Assets</b>		
Inventories	1,246	1,124
Trade receivables	19,782	15,749
Other receivables	1,159	2,507
Deposits, cash and bank balances	18,652	16,257
Non-current asset held for sale	1,890	-
	<u>42,729</u>	<u>35,637</u>
<b>TOTAL ASSETS</b>	<u>46,096</u>	<u>40,989</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	30,433	19,981
Share premium	62	4,106
Other Reserve	339	343
Other Component Of Equity	(1,880)	(1,880)
Retained earnings	8,301	9,081
	<u>37,255</u>	<u>31,631</u>
<b>Minority interest</b>	<u>1,250</u>	<u>712</u>
<b>Total equity</b>	<u>38,505</u>	<u>32,343</u>
<b>Non-Current Liabilities</b>		
Hire purchase creditors	328	517
Term Loan	-	432
Deferred taxation	190	190
	<u>518</u>	<u>1,139</u>
<b>Current Liabilities</b>		
Hire purchase creditors	189	211
Term Loan	430	135
Trade payables	3,376	4,381
Other payable & accruals	2,031	2,196
Provision for taxation	1,047	584
	<u>7,073</u>	<u>7,507</u>
<b>Total liabilities</b>	<u>7,591</u>	<u>8,646</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>46,096</u>	<u>40,989</u>
Number of ordinary shares in issue ('000)	304,336	199,815
Net assets value per share (RM)	<u>0.1224</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 31 DECEMBER 2016**  
**(The figures have not been audited)**

	<b>12 months Ended 31 Dec 2016 (Unaudited) RM'000</b>	<b>12 months Ended 31 Dec 2015 (Audited) RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,979	8,450
Adjustment for :		
Depreciation of property, plant and equipment	632	702
Amortisation of prepaid lease payments	20	34
Changes in capital reserve	358	324
Amortisation of development expenditure	36	35
Loss on disposal of property, plant and equipment	-	1
Property, plant and equipment written off	77	-
Bad Debts written off	105	-
Interest expense	57	98
Interest income	(217)	(192)
Gain from Investment	(117)	(212)
Share of net profit from an associate company	(16)	(26)
Operating expenses before working capital changes	<u>11,914</u>	<u>9,214</u>
Working capital changes :		
Decrease/ (Increase) in inventories	(92)	(87)
(Increase)/ Decrease in receivables	(3,518)	1,614
Increase/(Decrease) in payables	(13)	(7,104)
Cash generated from operating activities	<u>8,291</u>	<u>3,637</u>
Interest paid	(57)	(98)
Tax paid	<u>(2,814)</u>	<u>(2,358)</u>
Net cash generated from operating activities	<u>5,420</u>	<u>1,181</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(615)	(618)
Acquisition of a subsidiary, net of cash acquired	7	-
Gain from Investment	117	-
Interest income	217	192
Net cash generated from/ (used in) investing activities	<u>(274)</u>	<u>(426)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of borrowings	(310)	68
Placement of Short Term Investment	-	-
Proceed from issuance of shares	602	1,019
Dividend paid	(3,043)	(1,998)
Net cash generated from financing activities	<u>(2,751)</u>	<u>(911)</u>
<b>Net (Decrease)/ Increase in cash and cash equivalents</b>	<u>2,395</u>	<u>(156)</u>
<b>Cash and cash equivalents at beginning period</b>	<u>16,257</u>	<u>16,413</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>18,652</u></u>	<u><u>16,257</u></u>

Cash and cash equivalents as at 31 December 2016 and 31 December 2015 comprise the following :

	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Deposits with licensed banks	3,565	3,901
Deposits with a money market fund	12,945	3,545
Deposits with financial institutions	-	2,371
Cash at bank	<u>2,142</u>	<u>6,440</u>
	<u><u>18,652</u></u>	<u><u>16,257</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 QUARTER ENDED 31 DECEMBER 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
ESOS Option Reserve			720			720		720
Exercise of employee share option	344	279				623		623
Transferred to share premium upon ESOS exercised		396	(396)			0		0
Dividend paid					(1,998)	(1,998)		(1,998)
Total comprehensive income for the period					5,415	5,415	315	5,730
At 31 Dec 2015 (audited)	19,981	4,106	343	(1,880)	9,081	31,631	712	32,343
As at 1 January 2016 (audited)	19,981	4,106	343	(1,880)	9,081	31,631	712	32,343
ESOS Option Reserve			360			360		360
Exercise of employee share option	319	283				602		602
Transferred to share premium upon ESOS exercised		362	(362)			-		-
ESOS lapsed			(2)			(2)		(2)
Dividend paid					(3,043)	(3,043)		(3,043)
Acquisition of subsidiary				-		-	236	236
Bonus Issue	10,133	(4,689)			(5,444)	0		0
Exercise of warrants	0	0				0		0
Total comprehensive income for the period					7,707	7,707	302	8,009
At 31 Dec 2016 (unaudited)	30,433	62	339	(1,880)	8,301	37,255	1,250	38,505

(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 31 DECEMBER 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 MFRS116 and MFRS138 Clarification of Acceptable Methods of Depreciation and Amortisation  
Amendments to MFRS 116 and MFRS141 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.

**SOLUTION ENGINEERING HOLDINGS BERHAD ("Company" or "SEHB")****(Company No: 654575-P)****(Incorporated in Malaysia)****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 31 December 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**

During the quarter ended 31 December 2016, a total of 345,000 new ordinary shares of RM0.10 each were issued and allotted pursuant to the exercise of the share options granted to the entitled employees (ESOS). The details of the issued and paid-up capital of the Company as at 31 December 2016 are as follows:

	No. of shares	RM
As at 30 September 2016	303,990,865	30,399,086.50
Ordinary shares issued pursuant to the share options granted to employees (ESOS)	345,000	34,500.00
As at 31 December 2016	304,335,865	30,433,586.50

**A8. Dividends Paid**

An interim single-tier dividend of 1 sen per share amounting to RM3,043,058.65 in respect of financial year ended 31 December 2016 was declared on 22 November 2016 and paid on 23 December 2016.

**A9. Segmental information**

Segmental information for 12 months period ended 31 December 2016 and 31 December 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	34,342	26,639	1,046	2,434	35,388	29,073
Gross profit	16,712	14,875	627	78	17,339	14,953
Other income					929	1,010
Administrative and distribution expenses and finance cost					(7,305)	(7,539)
Share of net profit from associated company					16	26
Profit before taxation ("PBT")					10,979	8,450
Taxation					(2,970)	(2,720)
Profit after Tax (before minority interest)					8,009	5,730

**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**

There were no material events subsequent to the end of the period that have not been reflected in this financial report.

**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 31 December 2016 was RM11,257,977.

**A15. Significant Related Party Transaction**

**Year- to-date  
31-Dec-16  
RM'000**

With an associated company

Sales

---

10,467With a director of a subsidiary company

Rental of office premises

---

46With a company which a director has interest

Purchases

434

Rental of motor vehicles, accomodation

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44

**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 RM9.2 million during the quarter, an increase of RM0.98 million or 12% as compared to the revenue of RM8.23 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 31 December 2016, the Group recorded a profit of RM1.75 million as compared to the profit of RM1.23 million reported in the preceding year quarter ended 31 December 2015. The higher profit was mainly contributed by the increase in revenue.

**Comparison with corresponding financial period in previous financial year**

For the financial period ended 31 December 2016, the Group registered a revenue of RM35.39 million, representing an increase of RM6.32 million or 22% as compared to the revenue of RM29.07 million achieved in the corresponding period. The higher revenue was mainly due to the higher value of jobs for projects.

The Group recorded a profit of RM8.01 million as compared to the profit of RM5.73 million reported in the preceding financial period. The higher profit achieved in current period under review was mainly attributable to the increase in revenue and lower administrative expenses.

**B2. Comparison with Preceding Quarter's Results**

The Group's revenue for the quarter under review was RM9.21 million, a decrease of RM0.95 million, as compared to the revenue of RM10.16 million registered in preceding quarter.

The Group reported a profit of RM1.75 million during the quarter, representing decrease of RM0.51 million, as compared to the profit of RM2.26 million in the preceding quarter. The decrease was mainly due to lower in revenue, and sharing of associated company losses.

**B3. Prospects for the financial year ending 31 December 2017**

The Group has shown improved financial performance in 2016. With potential contracts in the pipeline, the Management is optimistic that the Group will perform well in 2017. The Company will continue to monitor its administrative expenses and enhance its

**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	
	31-Dec-16 RM'000	31-Dec-15 RM'000	31-Dec-16 RM'000	31-Dec-15 RM'000
Current taxation				
-Provision for taxation	808	741	2,898	2,894
-Underprovision in prior years	240	-	72	16
Deferred taxation	-	-	-	(190)
	<u>1,048</u>	<u>741</u>	<u>2,970</u>	<u>2,720</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 31 Dec 2016 are as follows :

	<b>Current RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
<b>Secured :</b>			
Term loan	430	-	430
Hire purchase	189	328	517
Total	<u>619</u>	<u>328</u>	<u>947</u>

**B8. Status of Corporate Proposals****A) Update on Employees' Share Option Scheme (ESOS) as at 31 December 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 31 December 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	345,000	-

**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 31 December 2016, there were no shares being bought back.

**B9. Realised/ Unrealised Profits**

	<b>As at 31 Dec 2016 RM'000</b>
Total retained earnings of the Company and its subsidiaries	
- realised	16,999
- unrealised	(35)
	<u>16,964</u>
Total share of accumulated profit of an associate	
- realised	227
- unrealised	-
	<u>17,191</u>
Less: Consolidated adjustments	(8,890)
Retained profit as per financial statement	<u>8,301</u>

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD  
LISTING REQUIREMENTS FOR THE ACE MARKET (CONTD.)****B10. Profit Before Tax**

	Quarter ended 31 Dec 2016 RM'000	Year to-date RM'000
Profit before tax is derived after charging/ (crediting):		
Interest income	(89)	(217)
Gain from Investment	(117)	(596)
Depreciation and amortisation	170	688
Property, plant and equipment written off	39	77
Debts written off	105	105
Interest expense	19	57
Net (Gain)/ Loss on foreign exchange	<u>57</u>	<u>(284)</u>

**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**

Other than the dividend paid as disclosed in Note A8 herein, the Board of directors does not recommend other payment of dividend in respect of the current financial year ended 31 December 2016.

**B13. Earnings per share**

	Current Quarter ended 31-Dec-16	Comparative Quarter ended 31-Dec-15	Current year to date ended 31-Dec-16	Preceding year to date ended 31-Dec-15
Net profit for the period attributable to equity holders (RM'000)	1,741	1,201	7,707	5,415
<b>Basic</b>				
Weighted average number of ordinary shares in issue ('000)	304,068	199,777	249,394	197,486
Basic EPS (sen)	<u>0.572</u>	<u>0.601</u>	<u>3.090</u>	<u>2.742</u>
<b>Diluted</b>				
Weighted average number of ordinary shares in issue ('000)	304,068	199,777	249,394	197,486
Effect of dilution: share options and convertible warrants ('000)	106,982	2,875	106,982	2,875
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	411,050	202,652	356,376	200,361
Diluted EPS (sen)	<u>0.423</u>	<u>0.593</u>	<u>2.163</u>	<u>2.703</u>

For comparative purpose, the number of ordinary shares issued as at 31 December 2015 had been adjusted to reflect the share options (ESOS) granted to employees