

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2017**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 31-Mar-17 (Unaudited) RM'000	Preceding Year Corresponding Quarter 31-Mar-16 (Unaudited) RM'000	Current Year To-Date 31-Mar-17 (Unaudited) RM'000	Preceding Year Corresponding Period 31-Mar-16 (Audited) RM'000
Revenue	7,737	6,341	7,737	6,341
Cost of sale	(4,105)	(2,671)	(4,105)	(2,671)
Gross profit	3,632	3,670	3,632	3,670
Other Operating Income	B10 138	460	138	460
Administrative and distribution expenses	(1,323)	(1,472)	(1,323)	(1,472)
Other Operating Expenses	B10 (117)	(212)	(117)	(212)
Share of net (loss)/ profit from an associate	(3)	45	(3)	45
Profit before tax	2,327	2,491	2,327	2,491
Income tax expense	B5 (587)	(572)	(587)	(572)
Profit after tax	1,740	1,919	1,740	1,919
Attributable to :				
Equity holders of the parent	1,497	1,849	1,497	1,849
Non-controlling Interest	243	70	243	70
	1,740	1,919	1,740	1,919
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B12 0.490	0.614	0.490	0.614
Diluted (sen)	B12 0.433	0.611	0.433	0.611
EBITDA <sup>(1)</sup>	2,399	2,664	2,399	2,664

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)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

(The figures have not been audited)

	<b>Unaudited 31 Mar 2017 RM'000</b>	<b>Audited 31 Dec 2016 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,637	2,025
Investment in an associated company	1,218	1,221
Intangible assets	97	106
Goodwill	8	8
	5,960	3,359
<b>Current Assets</b>		
Inventories	1,306	1,261
Amount due from contract customers	11,038	8,861
Trade receivables	5,539	6,388
Other receivables	701	441
Amount due from an associate	820	5,231
Deposits, cash and bank balances	11,359	8,604
Other short term investments	8,123	10,044
Tax recoverable	75	51
Non-current asset held for sale	1,890	1,890
	40,851	42,771
<b>TOTAL ASSETS</b>	<b>46,811</b>	<b>46,130</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	31,008	30,434
Reserves	8,087	6,762
	39,096	37,196
<b>Non-controlling interest</b>	1,282	1,040
<b>Total equity</b>	<b>40,378</b>	<b>38,235</b>
<b>Non-Current Liabilities</b>		
Hire purchase payables	B7 286	328
Deferred taxation	149	149
	435	477
<b>Current Liabilities</b>		
Amount due to contract customers	-	143
Hire purchase payables	B7 176	189
Term Loan	B7 -	430
Trade payables	1,644	3,277
Other payable & accruals	2,850	2,132
Amount due to associate	1	1
Amount due to directors	200	216
Provision for taxation	1,127	1,030
	5,998	7,418
<b>Total liabilities</b>	<b>6,433</b>	<b>7,895</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>46,811</b>	<b>46,130</b>
Number of ordinary shares in issue ('000)	306,166	304,336
Net assets value per share (RM)	0.1277	0.1222

(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 MARCH 2017**  
**(The figures have not been audited)**

	<b>3 months Ended 31 Mar 2017 (Unaudited) RM'000</b>	<b>3 months Ended 31 Mar 2016 (Unaudited) RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,327	2,491
Adjustment for :		
Amortisation of intangible assets	9	9
Depreciation of property, plant and equipment	77	177
Gain on disposal of short term investment	(49)	-
Interest expense	10	26
Interest income	(25)	(39)
Loss on disposal of property, plant and equipment	0	3
Net gain on fair value change on short term investment	(37)	-
Share of profit in an associate	3	(45)
Unrealised gain on foreign exchange	(5)	
Operating expenses before working capital changes	<u>2,311</u>	<u>2,622</u>
Working capital changes :		
(Increase)/ Decrease in inventories	(44)	61
Decrease/ (Increase) in receivables	588	(3,166)
Decrease in amount due from associate	4,411	-
Increase in amount due from contract customers	(2,320)	(227)
Decrease in payables	<u>(916)</u>	<u>(1,199)</u>
Cash generated from/ (used in) operating activities	4,031	(1,909)
Interest paid	(10)	(26)
Tax paid	<u>(513)</u>	<u>(1,034)</u>
Net cash generated from/ (used in) operating activities	<u>3,507</u>	<u>(2,969)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	25	39
Net withdrawal/ (placement) of other short term investments	2,006	(641)
Proceeds from disposal of property, plant and equipment	0	-
Purchase of property, plant and equipment	<u>(2,690)</u>	<u>-</u>
Net cash used in investing activities	<u>(659)</u>	<u>(602)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(485)	(52)
Net advances from Directors	194	-
Proceed from issuance of shares pursuant to exercise of ESOS	403	-
Dividend to minority interest	<u>(210)</u>	<u>-</u>
Net cash used in financing activities	<u>(98)</u>	<u>(52)</u>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	2,750	(3,623)
<b>Currency translation difference</b>	5	-
<b>Cash and cash equivalents at beginning period</b>	<u>8,604</u>	<u>11,996</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>11,359</b></u>	<u><b>8,373</b></u>

Cash and cash equivalents as at 31 March 2017 and 31 March 2016 comprise the following :

	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Deposits with a money market fund	4,372	-
Fixed deposits with licensed banks	3,589	4,533
Cash and bank balances	3,398	3,840
	<u><b>11,359</b></u>	<u><b>8,373</b></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 MARCH 2017**  
 (The figures have not been audited)

	Attributable to Equity Holders of the SEHB						
	<-----Non-distributable----->			Distributable		Non-controlling Interests RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Option Reserve RM'000	Retained Earnings RM'000	Total RM'000		
As at 1 January 2016 (audited)	19,982	4,106	343	7,202	31,633	711	32,344
Total comprehensive income for the period	-	-	-	1,849	1,849	70	1,919
At 31 Mar 2016 (unaudited)	19,982	4,106	343	9,051	33,482	781	34,263
As at 1 January 2017 (audited)	30,434	62	339	6,360	37,196	1,040	38,235
Total comprehensive income for the period	-	-	-	1,497	1,497	243	1,740
Transfer arising from "no par value" regime <sup>1</sup>	62	(62)	-	-	-	-	-
Exercise of ESOS	512	-	(110)	-	403	-	403
At 31 Mar 2017 (unaudited)	31,008	-	230	7,858	39,096	1,282	40,378

<sup>1</sup> 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.)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2017**

**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 2016.

**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 2016 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 2017**

Amendments to MFRS 107 - Disclosure Initiative  
Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses  
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle" :  
- Amendments to MFRS 12, Disclosure of Interests in Other Entities

**Effective for financial periods beginning on or after 1 January 2018**

MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)  
MFRS 15, Revenue from Contracts with Customers  
Clarifications to MFRS 15, Revenue from Contracts with Customers  
Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions  
Amendments to MFRS 4 - Applying MFRS 9 Financial Instruments with MFRS 4, Insurance Contracts  
Amendments to MFRS 140 - Transfer of Investment Property  
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle"  
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards  
- Amendments to MFRS 128, Investments in Associates and Joint Ventures  
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

**Effective for financial periods beginning on or after 1 January 2019**

MFRS 16 Leases

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

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The Group will apply the above new MFRSs and IC Interpretation and amendments to MFRSs that are applicable once they become effective.

**A3. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

**A4. Seasonality or cyclical 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 31 March 2017.

**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 March 2017, a total of 1,830,000 new ordinary shares 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 March 2017 are as follows:

	No. of shares	RM
As at 31 December 2016	304,335,865	30,495,936.50
Ordinary shares issued pursuant to the share options granted to employees (ESOS)	<u>1,830,000</u>	<u>512,400.00</u>
As at 31 March 2017	<u><u>306,165,865</u></u>	<u><u>31,008,336.50</u></u>

**A8. Dividends Paid**

There was no dividend paid during the financial period ended 31 March 2017.

**A9. Segmental information**

During the financial period, the Group revenue was contributed mainly from three business segments as follows::

- i) Engineering Equipment      Design and development of equipment and software for engineering education, research and technical and vocational training ("TVET") in chemical, mechanical, electrical, civil and control engineering under SOLTEQ brand.
- ii) Industrial Automation      Provision of industrial automation solutions, currently specialising in water works such as remote monitoring system for dams, tidal control system for irrigation and automation system for flood mitigation under SOLWEB brand.
- iii) Industrial Lubricants      Production and distribution of industrial lubricants under SOLMAX brand and OEM brand.

Segmental financial information for 3 months period ended 31 March 2017 and 31 March 2016 are as follows:

	<b>2017</b>					
	<b>Engineering Equipment RM'000</b>	<b>Industrial Automation RM'000</b>	<b>Industrial Lubricants RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Segment revenue</b>						
External	6,909	592	230	7		7,737
Inter-segment	2	12	1		(15)	-
Total revenue	<u>6,911</u>	<u>604</u>	<u>231</u>	<u>7</u>	<u>(15)</u>	<u>7,737</u>
<b>Results</b>						
Segment results	<u>2,317</u>	<u>153</u>	<u>(30)</u>	<u>(189)</u>	<u>89</u>	<u>2,340</u>
Share of loss in an associate						(3)
Interest expense						<u>(10)</u>
Profit before taxation ("PBT")						2,327
Income tax expense						<u>(587)</u>
Profit after taxation ("PAT")						1,740
Non-controlling Interest						<u>(243)</u>
<b>Profit attributable to equity holders of the company</b>						<u><u>1,497</u></u>

**A9. Segmental information (Cont'd)**

	2016					
	Engineering Equipment RM'000	Industrial Automation RM'000	Industrial Lubricants RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>Segment revenue</b>						
External	5,572	628	121	20		6,341
Inter-segment	-	-	-		-	-
Total revenue	5,572	628	121	20	-	6,341
<b>Results</b>						
Segment results	2,262	20	(53)	243	-	2,472
Share of profit in an associate						45
Interest expense						(26)
Profit before taxation ("PBT")						2,491
Income tax expense						(572)
Profit after taxation ("PAT")						1,919
Non-controlling Interest						(70)
<b>Profit attributable to equity holders of the company</b>						<u>1,849</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.

**A11. Material events subsequent to the end of the quarter**

On 11 Oct 2016, the wholly-owned subsidiary of the company, Solution Engineering Sdn Bhd ("SESB") had entered into a sale and purchase agreement with a buyer to dispose its property located at Taman Perindustrian Kinrara, Puchong with a total purchase consideration of RM7.7 million.

Subsequent to the financial period ended 31 March 2017, SESB had concluded the disposal on 17 May 2017.

**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**

Subleased of land, construction of  
office cum production facilities

- Approved and contracted for

**As at 31 March  
2017  
RM'000**

8,775

**A15. Significant Related Party Transaction**

Income

Sales to an associate

1,867

Expenses

With a director of a subsidiary

-Rental of office premises and hostel

17

With a corporation in which a director of a subsidiary has substantial interest

-Purchases

146

-Rental of motor vehicles and hostel

11

**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 RM7.74 million during the quarter, an increase of RM1.40 million or 22% as compared to the revenue of RM6.34 million in the corresponding quarter in previous financial year. The increase in revenue was mainly attributable to higher value of jobs completed during the quarter.

For the quarter ended 31 March 2017, the Group recorded a profit after tax ("PAT") of RM1.74 million against RM1.92 million reported in the preceding year quarter ended 31 March 2016. Lower PAT mainly attributable to higher production cost with the increase in material and labour costs.

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

The Group's revenue for the quarter under review was RM7.74 million, a decrease of RM1.47 million, as compared to RM9.21 million registered in preceding quarter. It was mainly attributable to lower completion of jobs.

The Group reported a better PAT margin of 22.49% for the current quarter as compared to 18.96% in the preceding quarter was mainly due to lower administrative expenses in the quarter.

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

The Group has reported a favourable financial performance in the first quarter of 2017. With potential contracts in the pipeline, the Board is cautiously optimistic that the Group will perform well in 2017. The Company will continue to monitor its administrative expenses and enhance its productivity.

**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-Mar-17 RM'000	31-Mar-16 RM'000	31-Mar-17 RM'000	31-Mar-16 RM'000
Current taxation				
-Provision for taxation	587	572	587	572
-Underprovision in prior years	-	-	-	-
Deferred taxation	-	-	-	-
	<u>587</u>	<u>572</u>	<u>587</u>	<u>572</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 March 2017 are as follows :

	<b>Current RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
<b>Secured :</b>			
Hire purchase	176	286	462
Total	<u>176</u>	<u>286</u>	<u>462</u>

**B8. Status of Corporate Proposals**

**A) Update on Employees' Share Option Scheme (ESOS) as at 31 March 2017**

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 March 2017:

ESOS Option Grant Date	Expiry Date	Exercise Price	No. of Share		
			No. of Share Granted	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	2,175,000	-

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

The Renewal of Authority for Share Buy Back will be tabled at the upcoming Thirteenth Annual General Meeting of the Company. As at 31 March 2017, the company had not purchase any of its own shares.

**C) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Group will be seeking the shareholders' mandate for the Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature in the upcoming Annual General Meeting to be held on 22 June 2017. The related party is an associate which has common directors. The nature of the RRPT is the supply of equipment, performing installation, testing and commissioning of equipment by the group for the customers of the associate. The proposed mandate will be subject to annual renewal and shall continue to be in force until the earliest of the conclusion of the next AGM; the expiration of the period within which the next AGM is required by law to be held; or the authority is revoked or varied by ordinary resolution of the shareholders.

**B9. Realised/ Unrealised Profits**

	<b>As at 31 March 2017 RM'000</b>
Total retained earnings of the Company and its subsidiaries	
- realised	18,295
- unrealised	65
	<u>18,360</u>
Total share of accumulated profit of an associate	
- realised	224
- unrealised	-
	<u>18,585</u>
Less: Consolidated adjustments	<u>(10,727)</u>
Retained profit as per financial statement	<u>7,858</u>

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

**B10. Profit Before Tax**

	<b>Quarter ended 31 Mar 2017 RM'000</b>	<b>Quarter ended 31 Mar 2016 RM'000</b>
Profit before tax is derived after charging:		
Depreciation of property, plant and equipments	77	177
Amortisation of intangible asset	9	9
Loss on disposal of property, plant and equipment	0	-
Interest expense	10	26
Realised loss on foreign exchange	20	-
	<hr/>	<hr/>
and crediting:		
Interest income	(25)	(39)
Income from money market fund	(23)	(4)
Gain on disposal of short term investment	(49)	-
Changes in the fair value of short term investment	(37)	(40)
Gain on foreign exchange:		
-Unrealised	(5)	0
-Realised	-	(18)
	<hr/>	<hr/>

**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 do not recommend any interim dividend for the current quarter ended 31 March 2017.

**B13. Earnings per share**

	<b>Current Quarter ended 31-Mar-17</b>	<b>Comparative Quarter ended 31-Mar-16</b>	<b>Current year to date ended 31-Mar-17</b>	<b>Preceding year to date ended 31-Mar-16</b>
Net profit for the period attributable to equity holders (RM'000)	1,497	1,849	1,497	1,849
<b>Basic</b>				
Weighted average number of ordinary shares in issue ('000)	305,614	301,144	305,614	301,144
Basic EPS (sen)	0.490	0.614	0.490	0.614
<b>Diluted</b>				
Weighted average number of ordinary shares in issue ('000)	305,614	301,144	305,614	301,144
Effect of dilution: share options and convertible warrants ('000)	39,946	1,413	39,946	1,413
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	345,560	302,557	345,560	302,557
Diluted EPS (sen)	0.433	0.611	0.433	0.611

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