

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2018
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 31 Mar 2018 (Unaudited) RM'000	Preceding Year Corresponding Quarter 31 Mar 2017 (Unaudited) RM'000	Current Year To-Date 31 Mar 2018 (Unaudited) RM'000	Preceding Year Corresponding Period 31 Mar 2017 (Unaudited) RM'000
Revenue	2,516	7,737	2,516	7,737
Cost of sale	(2,342)	(4,105)	(2,342)	(4,105)
Gross profit	174	3,632	174	3,632
Other Operating Income	B10 87	138	87	138
Administrative and distribution expenses	(1,327)	(1,323)	(1,327)	(1,323)
Other Operating Expenses	B10 (187)	(117)	(187)	(117)
Share of net (loss)/ profit from an associate	3	(3)	3	(3)
(Loss)/ Profit before tax	(1,250)	2,327	(1,250)	2,327
Income tax expense	B5 -	(587)	-	(587)
(Loss)/ Profit after tax	(1,250)	1,740	(1,250)	1,740
Attributable to :				
Equity holders of the parent	(1,098)	1,497	(1,098)	1,497
Non-controlling Interest	(152)	243	(152)	243
	(1,250)	1,740	(1,250)	1,740
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13 (0.358)	0.490	(0.358)	0.490
Diluted (sen)	B13 (0.352)	0.433	(0.352)	0.433
EBITDA ⁽¹⁾	(1,182)	2,398	(1,182)	2,398

Note:-

⁽¹⁾ Profit before interest income, finance cost, tax, depreciation, amortisation and allowances.

(The unaudited Condensed Consolidated Statement of Comprehensive Income 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 2018

(The figures have not been audited)

	Unaudited 31 Mar 2018 RM'000	Audited 31 Dec 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,365	9,747
Investment in an associated company	1,024	1,020
Intangible assets	62	70
Goodwill	8	8
	<u>13,459</u>	<u>10,845</u>
Current Assets		
Inventories	1,140	1,163
Amount due from contract customers	4,461	8,741
Trade receivables	6,921	7,626
Other receivables	782	673
Amount due from an associate	4,655	2,681
Deposits, cash and bank balances	14,955	15,169
Other short term investments	3,716	3,261
Tax recoverable	236	68
Non-current asset held for sale		-
	<u>36,866</u>	<u>39,382</u>
TOTAL ASSETS	50,325	50,227
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	31,089	31,089
Reserves	10,307	11,405
	<u>41,396</u>	<u>42,494</u>
Non-controlling interest	1,146	1,298
Total equity	42,542	43,792
Non-Current Liabilities		
Hire purchase payables	B7 293	335
Term loan	B7 5,368	2,998
Deferred taxation	50	50
	<u>5,711</u>	<u>3,383</u>
Current Liabilities		
Amount due to contract customers	-	149
Hire purchase payables	B7 177	186
Term loan	B7 68	49
Trade payables	1,048	1,347
Other payable & accruals	686	1,140
Amount due to directors	41	41
Provision for taxation	52	140
	<u>2,072</u>	<u>3,052</u>
Total liabilities	7,783	6,435
TOTAL EQUITY AND LIABILITIES	50,325	50,227
Number of ordinary shares in issue ('000)	306,455	306,455
Net assets value per share (RM)	0.1351	0.1387

(The unaudited Condensed Consolidated Statement of Financial Position 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 2018
(The figures have not been audited)

	3 months Ended 31 Mar 2018 (Unaudited) RM'000	3 months Ended 31 Mar 2017 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(1,250)	2,327
Adjustment for :		
Depreciation of property, plant and equipment	85	77
Amortisation of intangible assets	8	9
Gain on disposal of property, plant and equipment	-	(49)
Interest expense	27	10
Interest income	(53)	(25)
Net gain on fair value change on short term investment	(28)	(37)
Share of (profit)/ loss in an associate	(3)	3
Unrealised loss/(gain) on foreign exchange	66	(5)
Operating (loss)/profit before working capital changes	<u>(1,148)</u>	<u>2,310</u>
Working capital changes :		
Decrease/ (Increase) in inventories	22	(44)
Decrease in receivables	565	588
(Increase)/ Decrease in amount due from associate	(1,974)	4,411
Decrease/ (Increase) in amount due from contract customers	4,132	(2,320)
Decrease in payables	(724)	(915)
Cash generated from operating activities	<u>873</u>	<u>4,030</u>
Interest paid	(27)	(10)
Tax refunded	46	-
Tax paid	(301)	(513)
Net cash generated from operating activities	<u>591</u>	<u>3,507</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	53	25
Net (placement)/ withdrawal of other short term investments	(427)	2,006
Proceeds from disposal of property, plant and equipment	56	-
Purchase of property, plant and equipment	(2,759)	(2,690)
Net cash used in investing activities	<u>(3,077)</u>	<u>(659)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/ (repayment) of borrowings	2,338	(485)
Net advances from directors	-	194
Proceed from issuance of shares pursuant to exercise of ESOS	-	403
Dividend paid	-	(210)
Net cash generated from/ (used in) financing activities	<u>2,338</u>	<u>(98)</u>
Net (decrease)/ increase in cash and cash equivalents	(148)	2,750
Currency translation difference	(66)	5
Cash and cash equivalents at beginning period	<u>15,169</u>	<u>8,604</u>
Cash and cash equivalents at end of period	<u>14,955</u>	<u>11,359</u>

Cash and cash equivalents as at 31 March 2018 and 31 March 2017 comprise the following :

	2018 RM'000	2017 RM'000
Deposits with a money market fund	326	4,372
Fixed deposits with licensed banks	7,140	3,589
Cash and bank balances	7,489	3,398
	<u>14,955</u>	<u>11,359</u>

(The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2018
 (The figures have not been audited)

	Attributable to Equity Holders of the SEHB						Non-controlling Interests RM'000	Total RM'000
	<-----Non-distributable----->			Distributable Retained Earnings RM'000	Total RM'000			
	Share Capital RM'000	Share Premium RM'000	Option Reserve RM'000					
As at 1 January 2017 (audited)	30,434	62	339	6,360	37,195	1,040	38,235	
Total comprehensive income for the period	-	-	-	1,497	1,497	243	1,740	
Effect of transition to no par value shares on 1 January 2017	62	(62)	-	-	-	-	-	
Exercise of ESOS	512	-	(109)	-	403	-	403	
At 31 March 2017 (unaudited)	31,008	-	230	7,857	39,095	1,283	40,378	
As at 1 January 2018 (audited)	31,089	-	212	11,193	42,494	1,298	43,792	
Net loss for the period representing total comprehensive income for the period	-	-	-	(1,098)	(1,098)	(152)	(1,250)	
At 31 March 2018 (unaudited)	31,089	-	212	10,095	41,396	1,146	42,542	

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2018

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 ended 31 December 2017.

A2. Changes in accounting policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted for the audited financial statements of the Group for the financial year ended 31 December 2017. During the financial period, the Group has adopted the following standards, amendments and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB"), which became effective for annual period beginning on or after 1 January 2018.

MFRSs/ Amendments/ Interpretations

MFRS 9, Financial Instruments
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

The adoption of the above did not have any significant impact on the financial statements of the Group.

The Group have not applied the following standards and amendments that have been issued by the MASB but are not yet effective:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases
Amendments to MFRS 9 - Prepayment Features with Negative Compensation
Amendments to MFRS 128 - Long-term Interests in Associates and Joint Ventures
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle":-
- Amendments to MFRS 3, Business Combinations (Previously Held Interest in a Joint Operation)
- Amendments to MFRS 11, Joint Arrangements (Previously Held Interest in a Joint Operation)
- Amendments to MFRS 112, Income Taxes (Income Tax Consequences of Payments on Financial Instruments Classified as Equity)
- Amendments to MFRS 123, Borrowing Costs (Borrowing Costs Eligible for Capitalisation)
IC Interpretation 23, Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

Effective for annual periods beginning on or after a date to be determined by MASB

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

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 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 31 March 2018.

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 2018, there were no new ordinary shares 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 2018 are as follows:

	No. of shares	RM
As at 31 December 2017	306,602,031	31,130,410
Ordinary shares issued pursuant to the share options granted to employees (ESOS)	-	-
As at 31 March 2018	<u>306,602,031</u>	<u>31,130,410</u>

A8. Dividends Paid

There was no dividend paid during the financial period ended 31 March 2018.

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, including metal fabrication and assembly works.
- 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 2018 and 31 March 2017 are as follows:

	2018					
	Engineering Equipment RM'000	Industrial Automation RM'000	Industrial Lubricants RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment revenue						
External	1,705	359	383	68		2,515
Inter-segment	22	-	1	-	(23)	-
Total revenue	<u>1,727</u>	<u>359</u>	<u>384</u>	<u>68</u>	<u>(23)</u>	<u>2,515</u>
Results						
Segment results	(614)	(366)	(9)	(237)	-	(1,226)
Share of profit in an associate						3
Interest expense						(27)
Profit before taxation ("PBT")						(1,250)
Income tax expense						-
Profit after taxation ("PAT")						(1,250)
Non-controlling Interest						152
Profit attributable to equity holders of the company						<u>(1,098)</u>

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTD.)

A9. Segmental information (Cont'd)

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

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 occurring subsequent to the end of the reporting period to the date of announcement.

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

	As at 31 Mar 2018 RM'000
Sublease of land, construction of office cum production facilities - Approved and contracted for	2,223

A15. Significant Related Party Transaction

	Year-to-date 31 Mar 2018 RM'000
<u>Income</u>	
Sales to an associate	2,180
<u>Expenses</u>	
Purchases from a corporation in which a director has substantial interest	61

The Group had obtained the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature at Thirteenth Annual General Meeting of the Company. For the period ended 31 March 2018, the RRPT transactions entered are below the estimated value.

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 RM2.52 million during the quarter, a decrease of RM5.22 million or 67% as compared to the revenue of RM7.74 million in the corresponding quarter in previous financial year. The decrease in revenue was mainly attributable to lower value of jobs completed during the quarter.

For the quarter ended 31 March 2018, the Group recorded a net loss of RM1.25 million against profit of RM1.74 million reported in the preceding quarter ended 31 March 2017. The net loss is mainly attributable to the lower sales value and margin recorded in the current quarter.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the quarter under review was RM2.52 million, a decrease of RM2.92 million, as compared to the revenue of RM5.44 million registered in preceding quarter.

The Group reported a net loss of RM1.25 million during the quarter, representing a decrease of RM1.42 million, as compared to a profit of RM0.17 million in the preceding quarter. The net loss was mainly due to lower revenue recorded for the quarter.

B3. Prospects for the financial year ending 31 December 2018

The Group will continue to actively secure more projects, and at the same time manage its administrative expenses and production cost effectively.

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 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Current taxation				
-Provision for taxation	-	587	-	587
- Over-provision in prior years	-	-	-	-
Deferred taxation	-	-	-	-
	-	587	-	587

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 2018 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase	177	293	470
Term loan	68	5,368	5,436
Total	<u>245</u>	<u>5,661</u>	<u>5,906</u>

B8. Status of Corporate Proposals

A) Update on Employees' Share Option Scheme (ESOS) as at 31 March 2018

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 2018:

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	2,463,000	-

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

The Renewal of Authority for Share Buy Back had been approved by shareholders at the Thirteenth Annual General Meeting of the Company. As at 31 March 2018, the company had not purchase any of its own shares.

B9. Realised/ Unrealised Profits

	As at 31 Mar 2018 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	20,713
- unrealised	(45)
	<u>20,668</u>
Total share of accumulated profit of an associate	
- realised	30
- unrealised	-
	<u>20,698</u>
Less: Consolidated adjustments	(10,603)
Retained profit as per financial statement	<u>10,095</u>

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

B10. Profit Before Tax

	Quarter ended 31 Mar 2018 RM'000	Quarter ended 31 Mar 2017 RM'000
(Loss)/ Profit before tax is derived after charging:		
Depreciation of property, plant and equipments	85	77
Amortisation of intangible asset	9	9
Interest expense	27	10
Loss on foreign exchange:		
-Realised	-	20
-Unrealised	66	-
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and crediting:		
Interest income	(53)	(25)
Income from money market fund	(6)	(23)
Gain on disposal of short term investment	-	(49)
Changes in fair value of short term investment	(28)	(37)
Gain on foreign exchange:		
-Unrealised	-	(5)
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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 2018.

B13. Earnings per share

	Current Quarter ended 31 Mar 2018	Comparative Quarter ended 31 Mar 2017	Current year to date ended 31 Mar 2018	Preceding year to date ended 31 Mar 2017
Net profit for the period attributable to equity holders (RM'000)	(1,098)	1,497	(1,098)	1,497
Basic				
Weighted average number of ordinary shares in issue ('000)	306,455	305,614	306,455	305,614
Basic EPS (sen)	(0.358)	0.490	(0.358)	0.490
Diluted				
Weighted average number of ordinary shares in issue ('000)	306,455	305,614	306,455	305,614
Effect of dilution: share options and convertible warrants ('000)	5,453	39,946	5,453	39,946
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	311,908	345,560	311,908	345,560
Diluted EPS (sen)	(0.352)	0.433	(0.352)	0.433

BY ORDER OF THE BOARD
SOLUTION ENGINEERING HOLDINGS BERHAD