

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 30 JUNE 2018

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER		
	Current Year Quarter ended 30 Jun 2018 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30 Jun 2017 (Unaudited) RM'000	Current Year To-Date 30 Jun 2018 (Unaudited) RM'000	Preceding Year Corresponding Period 30 Jun 2017 (Unaudited) RM'000	
Revenue	3,059	5,062	5,575	12,800	
Cost of sale	(2,457)	(2,829)	(4,798)	(6,935)	
Gross profit	602	2,233	777	5,865	
Other Operating Income	B10	130	5,998	217	6,136
Administrative and distribution expenses		(1,330)	(1,821)	(2,658)	(3,145)
Other Operating Expenses	B10	(121)	(140)	(308)	(257)
Share of net (loss)/ profit from an associate		(20)	(8)	(17)	(11)
(Loss)/ Profit before tax		(739)	6,262	(1,989)	8,589
Income tax expense	B5	-	(259)	-	(846)
(Loss)/ Profit after tax		(739)	6,003	(1,989)	7,743
Attributable to :					
Equity holders of the parent		(768)	5,885	(1,866)	7,382
Non-controlling Interest		29	118	(123)	361
		(739)	6,003	(1,989)	7,743
Earnings per share attributable to equity holders of parent :					
Basic (sen)	B13	(0.251)	1.924	(0.609)	2.413
Diluted (sen)	B13	(0.254)	1.698	(0.618)	2.130
EBITDA ⁽¹⁾		(682)	6,330	(1,864)	8,728

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 30 JUNE 2018

(The figures have not been audited)

	Unaudited 30 Jun 2018 RM'000	Audited 31 Dec 2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	13,441	9,747
Investment in an associated company	1,004	1,020
Intangible assets	53	70
Goodwill	8	8
	<u>14,506</u>	<u>10,845</u>
Current Assets		
Inventories	1,208	1,163
Amount due from contract customers	3,478	8,741
Trade receivables	5,960	7,626
Other receivables	1,124	673
Amount due from an associate	3,011	2,681
Tax recoverable	563	68
Other short term investments	4,699	3,261
Deposits, cash and bank balances	15,740	15,169
	<u>35,783</u>	<u>39,382</u>
TOTAL ASSETS	<u>50,289</u>	<u>50,227</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	31,089	31,089
Reserves	9,539	11,405
	<u>40,628</u>	<u>42,494</u>
Non-controlling interest	<u>1,175</u>	<u>1,298</u>
Total equity	<u>41,803</u>	<u>43,792</u>
Non-Current Liabilities		
Hire purchase payables	B7 254	335
Term loan	B7 5,986	2,998
Deferred taxation	50	50
	<u>6,290</u>	<u>3,383</u>
Current Liabilities		
Amount due to contract customers	-	149
Hire purchase payables	B7 166	186
Term loan	B7 104	49
Trade payables	1,085	1,347
Other payable & accruals	800	1,140
Amount due to directors	41	41
Provision for taxation	-	140
	<u>2,196</u>	<u>3,052</u>
Total liabilities	<u>8,486</u>	<u>6,435</u>
TOTAL EQUITY AND LIABILITIES	<u>50,289</u>	<u>50,227</u>
Number of ordinary shares in issue ('000)	306,455	306,455
Net assets value per share (RM)	<u>0.1326</u>	<u>0.1387</u>

(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 30 JUNE 2018
(The figures have not been audited)

	6 months Ended 30 Jun 2018 (Unaudited) RM'000	6 months Ended 30 Jun 2017 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(1,989)	8,589
Adjustment for :		
Amortisation of intangible assets	18	18
Depreciation of property, plant and equipment	163	157
Gain on disposal of property, plant and equipment	-	(5,810)
Gain on disposal of short term investment	(1)	(64)
Interest expense	52	17
Interest income	(108)	(53)
Net gain on fair value change on short term investment	(61)	(95)
Property, plant and equipment written-off	-	34
Share of loss in an associate	16	11
Unrealised loss on foreign exchange	34	8
Operating (loss)/profit before working capital changes	<u>(1,876)</u>	<u>2,812</u>
Working capital changes :		
Increase in inventories	(45)	(230)
Decrease in receivables	1,184	1,666
(Increase)/ Decrease in amount due from associate	(329)	3,258
Decrease/ (Increase) in amount due from contract customers	5,114	(3,031)
Decrease in payables	<u>(573)</u>	<u>(1,749)</u>
Cash generated from operating activities	3,475	2,726
Interest paid	(52)	(17)
Tax refunded	45	35
Tax paid	<u>(680)</u>	<u>(977)</u>
Net cash generated from operating activities	<u>2,788</u>	<u>1,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	108	53
Net (placement)/ withdrawal of other short term investments	(1,376)	1,431
Proceeds from disposal of property, plant and equipment	57	6,927
Purchase of property, plant and equipment	<u>(3,914)</u>	<u>(4,148)</u>
Net cash used in investing activities	<u>(5,125)</u>	<u>4,263</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/ (repayment) of borrowings	2,942	(535)
Net advances from directors	-	194
Proceed from issuance of shares pursuant to exercise of ESOS	-	424
Dividend paid by a subsidiary to non-controlling interest	-	(210)
Net cash generated from/ (used in) financing activities	<u>2,942</u>	<u>(127)</u>
Net increase in cash and cash equivalents	605	5,903
Currency translation difference	(34)	(8)
Cash and cash equivalents at beginning period	15,169	8,604
Cash and cash equivalents at end of period	<u>15,740</u>	<u>14,499</u>
Cash and cash equivalents as at 30 June 2018 and 30 June 2017 comprise the following :		
	2018 RM'000	2017 RM'000
Deposits with a money market fund	326	7,057
Fixed deposits with licensed banks	7,195	4,396
Cash and bank balances	<u>8,219</u>	<u>3,046</u>
	<u>15,740</u>	<u>14,499</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.)

SOLUTION ENGINEERING HOLDINGS BERHAD
(Company No: 654575-P)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2018
(The figures have not been audited)

	Attributable to Equity Holders of the SEHB						
	<-----Non-distributable----->			Distributable	Total	Non-controlling	Total
Share Capital	Share Premium	Option Reserve	Retained	RM'000			
	RM'000	RM'000	RM'000	Earnings	RM'000	RM'000	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	-	-	-	7,382	7,382	361	7,743
Effect of transition to no par value shares on 1 January 2017	62	(62)	-	-	-	-	-
Exercise of ESOS	540	-	(116)	-	424	-	424
At 30 June 2017 (unaudited)	31,036	-	223	13,742	45,001	1,401	46,402
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	-	-	-	(1,866)	(1,866)	(123)	(1,989)
At 30 June 2018 (unaudited)	31,089	-	212	9,327	40,628	1,175	41,803

(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 30 JUNE 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 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 30 June 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 30 June 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 30 June 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 30 June 2018	306,602,031	31,130,410

A8. Dividends Paid

There was no dividend paid during the financial period ended 30 June 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 6 months period ended 30 June 2018 and 30 June 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	2,903	1,323	774	575		5,575
Inter-segment	442	-	3	-	(445)	-
Total revenue	3,345	1,323	777	575	(445)	5,575
Results						
Segment results	(1,237)	(188)	7	2,998	(3,500)	(1,920)
Share of profit in an associate						(17)
Interest expense						(52)
Profit before taxation ("PBT")						(1,989)
Income tax expense						-
Profit after taxation ("PAT")						(1,989)
Non-controlling Interest						123
Profit attributable to equity holders of the company						(1,866)

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

A9. Segmental information (Cont'd)

	2017					
	Engineering Equipment RM'000	Industrial Automation RM'000	Industrial Lubricants RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment revenue						
External	10,724	1,596	472	8		12,800
Inter-segment	7	4	1	36	(48)	-
Total revenue	10,731	1,600	473	44	(48)	12,800
Results						
Segment results	8,462	592	(74)	(452)	89	8,617
Share of loss in an associate						(11)
Interest expense						(17)
Profit before taxation ("PBT")						8,589
Income tax expense						(846)
Profit after taxation ("PAT")						7,743
Non-controlling Interest						(361)
Profit attributable to equity holders of the company						7,382

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 30 Jun 2018 RM'000
Construction of office cum production facilities - Approved and contracted for	1,529

A15. Significant Related Party Transaction

	Year-to-date 30 Jun 2018 RM'000
<u>Income</u>	
Sales to an associate	3,300
<u>Expenses</u>	
Purchases from a corporation in which a director has substantial interest	81

The Group had obtained the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature at Fourteenth Annual General Meeting of the Company. For the period ended 30 June 2018, the RRPT transactions entered are below the

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 RM3.06 million during the quarter, a decrease of RM2.0 million or 40% as compared to the revenue of RM5.06 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 30 June 2018, the Group recorded a net loss of RM0.7 million against profit of RM6.0 million reported in the preceding quarter ended 30 June 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 RM3.06 million, an increase of RM0.54 million, as compared to the revenue of RM2.52 million registered in preceding quarter.

The Group reported a lower net loss of RM0.7 million during the quarter compared to a loss of RM1.25 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 board is of the view that the operating environment will continue to be challenging, however the Management will pursue various avenue to improve the Group performance.

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 Jun 2018 RM'000	30 Jun 2017 RM'000	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Current taxation				
-Provision for taxation	-	259	-	846
- Over-provision in prior years	-	-	-	-
Deferred taxation	-	-	-	-
	-	259	-	846

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 June 2018 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase	166	254	420
Term loan	104	5,986	6,090
Total	<u>270</u>	<u>6,240</u>	<u>6,510</u>

B8. Status of Corporate Proposals

A) Update on Employees' Share Option Scheme (ESOS) as at 30 June 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 30 June 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 Fourteenth Annual General Meeting of the Company. As at 30 June 2018, the company had not purchase any of its own shares.

B9. Realised/ Unrealised Profits

	As at 30 Jun 2018 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	19,928
- unrealised	<u>21</u>
	19,949
Total share of accumulated profit of an associate	
- realised	10
- unrealised	<u>-</u>
	19,959
Less: Consolidated adjustments	<u>(10,632)</u>
Retained profit as per financial statement	<u>9,327</u>

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

B10. Profit Before Tax

	Quarter ended 30 Jun 2018	Quarter ended 30 Jun 2017
	RM'000	RM'000
(Loss)/ Profit before tax is derived after charging:		
Depreciation of property, plant and equipments	78	80
Amortisation of intangible asset	9	9
Interest expense	25	6
Loss on foreign exchange:		
-Realised	9	2
-Unrealised	-	8
Property, plant and equipment written off	<u> </u>	<u>34</u>
and crediting:		
Interest income	(55)	(28)
Income from money market fund	(9)	(18)
Gain on disposal of property, plant and equipment		(5,810)
Gain on disposal of short term investment	-	(14)
Changes in fair value of short term investment	(34)	(58)
Gain on foreign exchange:		
-Unrealised	<u>(32)</u>	<u>-</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

The Board of Directors do not recommend any interim dividend for the current quarter ended 30 June 2018.

B13. Earnings per share

	Current Quarter ended 30 Jun 2018	Comparative Quarter ended 30 Jun 2017	Current year to date ended 30 Jun 2018	Preceding year to date ended 30 Jun 2017
Net profit for the period attributable to equity holders (RM'000)	(768)	5,885	(1,866)	7,382
Basic				
Weighted average number of ordinary shares in issue ('000)	306,455	305,922	306,455	305,922
Basic EPS (sen)	<u>(0.251)</u>	<u>1.924</u>	<u>(0.609)</u>	<u>2.413</u>
Diluted				
Weighted average number of ordinary shares in issue ('000)	306,455	305,922	306,455	305,922
Effect of dilution: share options and convertible warrants ('000)	(4,322)	40,735	(4,322)	40,735
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	302,133	346,657	302,133	346,657
Diluted EPS (sen)	<u>(0.254)</u>	<u>1.698</u>	<u>(0.618)</u>	<u>2.130</u>