

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ended 30 Jun 2019 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30 Jun 2018 (Unaudited) RM'000	Current Year To-Date 30 Jun 2019 (Unaudited) RM'000	Preceding Year Corresponding Period 30 Jun 2018 (Unaudited) RM'000
Revenue	5,179	3,059	8,797	5,575
Cost of sale	(3,191)	(2,457)	(5,897)	(4,798)
Gross profit	1,988	602	2,900	777
Other Operating Income	B10 154	130	230	217
Administrative and distribution expenses	(1,575)	(1,330)	(2,880)	(2,658)
Other Operating Expenses	B10 (324)	(121)	(522)	(308)
Share of net (loss)/ profit from an associate	(27)	(20)	(61)	(17)
Profit before tax	216	(739)	(333)	(1,989)
Income tax expense	B5 -	-	-	-
Profit after tax	216	(739)	(333)	(1,989)
Attributable to :				
Equity holders of the parent	129	(768)	(418)	(1,866)
Non-controlling Interest	87	29	85	(123)
	216	(739)	(333)	(1,989)
Earnings per share attributable to equity holders of parent :				
Basic (sen)	B13 0.042	(0.251)	(0.136)	(0.609)
Diluted (sen)	B13 0.070	(0.254)	(0.226)	(0.618)
EBITDA ⁽¹⁾	354	(682)	765	(1,864)

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)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 June 2019

(The figures have not been audited)

	Unaudited 30 Jun 2019 RM'000	Audited 31 Dec 2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,548	14,802
Investment in an associated company	548	609
Intangible assets	18	35
Goodwill	18	8
	<u>15,132</u>	<u>15,454</u>
Current Assets		
Inventories	1,249	1,238
Amount due from contract customers	3,675	3,138
Trade receivables	3,759	5,277
Other receivables	2,225	953
Amount due from an associate	1,123	1,407
Deposits, cash and bank balances	15,687	16,868
Other short term investments	5,045	4,697
Tax recoverable	931	715
Non-current asset held for sale	-	-
	<u>33,694</u>	<u>34,293</u>
TOTAL ASSETS	48,826	49,747
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	31,089	31,089
Reserves	7,059	7,450
	<u>38,148</u>	<u>38,539</u>
Non-controlling interest	<u>1,196</u>	<u>1,111</u>
Total equity	39,344	39,650
Non-Current Liabilities		
Hire purchase payables	B7 223	284
Term Loan	B7 6,057	5,688
Deferred taxation	2	2
	<u>6,282</u>	<u>5,974</u>
Current Liabilities		
Amount due to contract customers	-	511
Hire purchase payables	B7 158	191
Term Loan	B7 368	368
Trade payables	1,166	1,759
Other payable & accruals	1,467	1,253
Amount due to associate	-	-
Amount due to directors	41	41
Provision for taxation	-	-
	<u>3,200</u>	<u>4,123</u>
Total liabilities	9,482	10,097
TOTAL EQUITY AND LIABILITIES	48,826	49,747
Number of ordinary shares in issue ('000)	306,455	306,455
Net assets value per share (RM)	<u>0.1245</u>	<u>0.1258</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 JUNE 2019
(The figures have not been audited)

	6 months Ended 30 Jun 2019 (Unaudited) RM'000	6 months Ended 30 Jun 2018 (Unaudited) RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(333)	(1,989)
Adjustment for :		
Depreciation of property, plant and equipment	333	163
Amortisation of intangible assets	18	18
Gain on disposal of short term investment	(118)	(1)
Impairment losses on trade receivables	126	-
Interest expense	46	52
Interest income	(119)	(108)
Fair Value (gain)/Loss on investment	(71)	(61)
Dividend income from short term investments	(1)	-
Loss on disposal of investment	30	-
Share of loss/ (profit) in an associate	61	16
Unrealised loss/(gain) on foreign exchange	-	34
Operating (loss)/profit before working capital changes	<u>(28)</u>	<u>(1,876)</u>
Working capital changes :		
Decrease/ (Increase) in inventories	(11)	(45)
(Increase)/ Decrease in receivables	436	1,184
Decrease/ (Increase) in amount due from associate	282	(329)
Decrease/ (Increase) in amount due from contract customers	(536)	5,114
Decrease in payables	<u>(889)</u>	<u>(573)</u>
Cash (used in)/generated from operating activities:	<u>(746)</u>	<u>3,475</u>
Interest paid	(46)	(52)
Tax refunded	82	45
Tax paid	<u>(298)</u>	<u>(680)</u>
Net cash (used in)/generated from operating activities	<u>(1,008)</u>	<u>2,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net subscription of shares in subsidiaries by non-controlling interest	-	-
Interest income	119	108
Net withdrawal/(placements) of other short term investments	(395)	(1,376)
Proceeds from disposal of property, plant and equipment	-	57
Purchase of property, plant and equipment	<u>(171)</u>	<u>(3,914)</u>
Net cash used in investing activities	<u>(447)</u>	<u>(5,125)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net drawdown/ (repayment) of borrowings	368	2,942
Net repayment of hire purchase	(94)	-
Net proceeds from issuance of shares	-	-
Dividend paid	-	-
Net cash generated from financing activities	<u>274</u>	<u>2,942</u>
Net (decrease)/increase in cash and cash equivalents	(1,181)	605
Currency translation difference	-	(34)
Cash and cash equivalents at beginning period	16,868	15,169
Cash and cash equivalents at end of period	<u>15,687</u>	<u>15,740</u>
Cash and cash equivalents as at 30 Jun 2019 and 30 Jun 2018 comprise the following :		
	2019 RM'000	2018 RM'000
Deposits with a money market fund	301	326
Fixed deposits with licensed banks	7,281	7,195
Cash and bank balances	<u>8,105</u>	<u>8,219</u>
	<u>15,687</u>	<u>15,740</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 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019
(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	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000			
As at 1 January 2018 (audited)	31,089	-	212	-	11,193	42,494	1,298	43,792
Total comprehensive income for the period	-	-	-	-	(1,866)	(1,866)	(123)	(1,989)
At 30 Jun 2018 (unaudited)	31,089	-	212	-	9,327	40,628	1,175	41,803
As at 1 January 2019 (audited)	31,089	-	212	-	7,238	38,539	1,111	39,650
Total comprehensive income for the period	-	-	-	-	(418)	(418)	85	(333)
Purchase of treasury shares	-	-	-	(13)	-	(13)	-	(13)
Effect of changes of equity interest in subsidiaries	-	-	-	-	40	40	-	40
Dividend paid	-	-	-	-	-	-	-	-
At 30 Jun 2019 (unaudited)	31,089	-	212	(13)	6,860	38,148	1,196	39,344

¹ 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.)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019

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 2018.

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 2018. 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 2019.

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

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company except as mentioned below:

MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

- classification and measurement;
- impairment; and
- hedge accounting.

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Group does not have other financial assets other than Contract assets and Trade receivables, for which the Group has applied the standard's simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in.

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 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 2019.

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 2019, the company had repurchased 154,000 shares from the open market at an average price of RM0.087 per share and the total repurchased cost was RM13,359, the shares are held as treasury shares.

Save for the above there were no other issuance, cancellation, resale, repurchase and repayment of debt and equity securities.

A8. Dividends Paid

There was no dividend paid during the financial period ended 30 June 2019.

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 2019 and 30 June 2018 are as follows:

	2019					
	Engineering Equipment RM'000	Industrial Automation RM'000	Industrial Lubricants RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment revenue						
External	5,963	1,926	725	183	0	8,797
Inter-segment	796	15	1	-	(812)	-
Total revenue	<u>6,759</u>	<u>1,941</u>	<u>726</u>	<u>183</u>	<u>(812)</u>	<u>8,797</u>
Results						
Segment results	543	205	(7)	(965)		(224)
Share of loss in an associate						(61)
Interest expense						(48)
Profit before taxation ("PBT")						<u>(333)</u>
Income tax expense						-
Profit after taxation ("PAT")						<u>(333)</u>
Non-controlling Interest						<u>(85)</u>
Profit attributable to equity holders of the company						<u><u>(418)</u></u>

A9. Segmental information (Cont'd)

	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	<u>3,345</u>	<u>1,323</u>	<u>777</u>	<u>575</u>	<u>(445)</u>	<u>5,575</u>
Results						
Segment results	(1,237)	(188)	7	2,998	(3,500)	(1,920)
Share of loss in an associate						(17)
Interest expense						(52)
Profit before taxation ("PBT")						<u>(1,989)</u>
Income tax expense						-
Profit after taxation ("PAT")						<u>(1,989)</u>
Non-controlling Interest						<u>123</u>
Profit attributable to equity holders of the company						<u><u>(1,866)</u></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

There were no material events occurring subsequent to the end of the reporting period to the date of announcement except for the event as disclosed in item A12.

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

There were no material contingent liabilities as at the date of this announcement.

A15. Significant Related Party Transaction

**Year-to-date
30 June 2019
RM'000**

Income

Sales to an associate

76

Expenses

Purchases from a corporation in which a director of a subsidiary has substantial interest

19

The Group had obtained the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature at Fifteenth Annual General Meeting of the Company. For the period ended 30 June 2019, 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 RM5.18 million during the quarter, an increase of RM2.1 million as compared to the revenue of RM3 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 30 June 2019, the Group recorded a profit after tax of RM0.21 million against loss after tax ("PAT") of RM0.7 million reported in the preceding year quarter ended 30 June 2018. The improvement from loss to profit was mainly attributable to the higher sales value in the current quarter.

B2. Comparison with Preceding Quarter's Results

The Group's revenue for the quarter under review was RM5.18 million, an increase of RM1.58 million, as compared to the revenue of RM3.6 million registered in preceding quarter.

The Group reported a profit of RM0.21 million during the quarter as compared to a loss of RM0.55 million in the preceding quarter. The improvement from loss to profit was mainly attributable to the higher sales value in the current quarter.

B3. Prospects for the financial year ending 31 December 2019

The Group will continue to actively secure more projects, and at the same time manage its administrative expenses and production cost effectively. The Management is optimistic that the Group's financial performance will keep increasing in the second half of 2019.

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 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Current taxation				
-Provision for taxation	-	-	-	-
- Over-provision in prior years	-	-	-	-
Deferred taxation	-	-	-	-
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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 2019 are as follows :

	Current RM'000	Non-current RM'000	Total RM'000
Secured :			
Hire purchase	158	223	381
Term loan	368	6,057	6,425
Total	526	6,280	6,806

B8. Status of Corporate Proposals

A) Update on Employees' Share Option Scheme (ESOS) as at 30 June 2019

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 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	-

On 22 January 2019, the Company had announced to extend the existing ESOS of the Company which commenced on 30 January 2014 and expired on 29 January 2019 for another five (5) years until 29 January 2024 in accordance with the terms of the ESOS Bylaws.

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 fifteenth Annual General Meeting of the Company. During the current quarter, the company had purchased 154,000 of its own shares from the open market at an average price of RM0.087 per share and the total repurchased cost was RM13,359, the shares are held as treasury shares.

B9. Realised/ Unrealised Profits

	As at 30 June 2019 RM'000
Total retained earnings of the Company and its subsidiaries	
- realised	17,228
- unrealised	(68)
	<u>17,160</u>
Total share of accumulated profit of an associate	
- realised	(145)
- unrealised	-
	<u>17,015</u>
Less: Consolidated adjustments	(10,155)
Retained profit as per financial statement	<u>6,860</u>

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

B10. Profit Before Tax

	Quarter ended 30 June 2019 RM'000	Quarter ended 30 June 2018 RM'000
Profit before tax is derived after charging:		
Depreciation of property, plant and equipments	165	78
Amortisation of intangible asset	9	9
Amortisation of investment	-	-
Interest expense	24	25
Loss on foreign exchange:		
-Realised	29	9
-Unrealised	-	-
Impairment on trade receivables	126	-
Property, plant and equipments written off	-	-
Loss on disposal of investment	30	-
	<hr/>	<hr/>
and crediting:		
Interest income	(60)	(55)
Income from money market fund	(1)	(9)
Gain on disposal of short term investment	(93)	-
Changes in fair value of short term investment	-	(34)
Gain on foreign exchange:		
-Unrealised	-	(32)
	<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 did not recommend other payment of dividend in respect of the current financial year ended 30 June 2019.

B13. Earnings per share

	Current Quarter ended 30 June 2019	Comparative Quarter ended 30 June 2018	Current year to date ended 30 June 2019	Preceding year to date ended 30 June 2018
Net profit/(loss) for the period attributable to equity holders (RM'000)	129	(768)	(418)	(1,866)
Basic				
Weighted average number of ordinary shares in issue ('000)	306,455	306,455	306,455	306,455
Basic EPS (sen)	0.042	(0.251)	(0.136)	(0.609)
Diluted				
Weighted average number of ordinary shares in issue ('000)	306,455	306,455	306,455	306,455
Effect of dilution: share options and convertible warrants ('000)	(121,776)	(4,322)	(121,776)	(4,322)
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	184,679	302,133	184,679	302,133
Diluted EPS (sen)	0.070	(0.254)	(0.226)	(0.618)

**BY ORDER OF THE BOARD
SOLUTION GROUP BERHAD**