

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2013

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 July 13 to 30 Sep 13	1 July 12 to 30 Sep 12 Preceding Year	1 Jan 13 to 30 Sep 13	1 Jan 12 to 30 Sep 12 Preceding Year
	Current Quarter RM'000	Corresponding Quarter RM'000	Current Year To-Date RM'000	Corresponding To-Date RM'000
Revenue	3,735	1,999	7,980	5,051
Cost of sale	(2,310)	(1,675)	(4,355)	(3,340)
Gross profit	1,425	324	3,625	1,711
Interest income	(9)	22	153	107
Other income	42	14	65	361
Depreciation & amortisation	(182)	(184)	(546)	(547)
Forex Gain	8	47	9	35
Finance cost	(12)	(6)	(24)	(17)
Administrative and distribution expenses	(1,069)	(819)	(2,920)	(2,306)
Share of net loss from associated company	(7)	(52)	(21)	(25)
Profit/(Loss) before tax	196	(654)	341	(681)
Income tax expense	B5 (188)	(10)	(285)	(71)
Profit/(Loss) for the period	8	(664)	56	(752)
Attributable to :				
Equity holders of the parent	42	(487)	71	(551)
Minority Interest	(34)	(177)	(15)	(201)
	8	(664)	56	(752)
Earnings per share attributable to equity holders of parent :				
Basic, for profit/(loss) for the period (sen)	B10 0.023	(0.289)	0.038	(0.327)
EBITDA ⁽¹⁾	399	(486)	758	(224)

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)

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No: 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2013

(The figures have not been audited)

	Unaudited 30-Sep-13 RM'000	Audited 31 Dec 2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,529	4,842
Investment in an associated company	1,065	1,086
Intangible assets	425	495
Goodwill	467	-
	<u>6,486</u>	<u>6,423</u>
Current Assets		
Inventories	701	546
Trade receivables	5,651	4,740
Other receivables	3,421	1,629
Tax prepayment	463	925
Deposits, cash and bank balances	12,054	11,253
	<u>22,290</u>	<u>19,093</u>
TOTAL ASSETS	<u>28,776</u>	<u>25,516</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	18,556	16,870
Share premium	2,403	-
Retained earnings	3,296	3,228
	<u>24,255</u>	<u>20,098</u>
Minority interest	548	695
Total equity	<u>24,803</u>	<u>20,793</u>
Non-Current Liabilities		
Hire purchase creditors	B7 248	225
Term Loan	B7 756	864
Deferred taxation	219	219
	<u>1,223</u>	<u>1,308</u>
Current Liabilities		
Hire purchase creditors	B7 145	137
Term Loan	B7 150	156
Trade payables	1,802	1,801
Other payable & accruals	556	889
Provision for taxation	97	432
	<u>2,750</u>	<u>3,415</u>
Total liabilities	<u>3,973</u>	<u>4,723</u>
TOTAL EQUITY AND LIABILITIES	<u>28,776</u>	<u>25,516</u>
Number of ordinary shares in issue ('000)	185,556	168,696
Net assets value per share (RM)	<u>0.1337</u>	<u>0.1191</u>

(The unaudited Condensed Consolidated Balance Sheet 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 CASHFLOW STATEMENTS AS AT 30 SEPTEMBER 2013**

(The figures have not been audited)

	9 months Ended 30 Sep 2013 RM'000	9 months Ended 30 Sep 2012 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	341	(27)
Adjustment for :		
Depreciation of property, plant and equipment	210	136
Amortisation of prepaid lease payments	26	17
Amortisation of development expenditure	317	101
Transfer to cost of sales	167	-
Gain on disposal of property, plant and equipment	-	(313)
Interest expense	24	17
Interest income	(153)	(85)
Share of net profit from an associate company	21	(27)
Operating expenses before working capital changes	953	(181)
Working capital changes :		
Increase in inventories	(155)	(51)
Decrease in director's account	(5)	-
Decrease in receivables	(2,700)	2,061
Increase/(Decrease) in payables	(332)	1,220
Cash generated from operating activities	(2,239)	3,049
Interest paid	(24)	(17)
Tax paid	(159)	(142)
Net cash (used in)/generated from operating activities	(2,422)	2,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(336)	(348)
Proceed from disposal of Property, Plant and equipment	-	887
Net cash acquisition from subsidiary	-	(700)
Issue of new shares	3,489	-
Development costs incurred	-	(113)
Interest income	153	85
Net cash generated from/(used in) investing activities	3,306	(189)
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	(83)	6
Net cash (used in)/generated from financing activities	(83)	6
Net increase in cash and cash equivalents	801	2,707
Cash and cash equivalents at beginning of financial period	11,253	9,384
Cash and cash equivalents at end of financial period	12,054	12,091

Cash and cash equivalents as at 30 September comprise the following :

	2013 RM'000	2012 RM'000
Deposits with licensed banks	3,566	6,488
Deposits with a money market fund	4,550	1,577
Deposits with financial institutions	1,100	-
Cash at bank	2,838	4,026
	12,054	12,091

(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 YEAR ENDED 30 SEPTEMBER 2013

(The figures have not been audited)

	Attributable to Equity Holders of the SEHB			Minority Interest	Total Equity
	Share Capital	---Non-distributable--- Share Premium	Distributable Retained Earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012 (audited)	16,870	-	5,341	(107)	22,104
Pre-acquisition (loss)/profit b/f	-	-	(6)	298	292
Loss for the year		-	(1,650)	-	(1,650)
At 30 Sep 2012 (unaudited)	16,870	-	3,685	191	20,746
As at 1 January 2013 (unaudited)	16,870	-	3,228	695	20,793
Pre-acquisition (loss)/profit b/f			(3)	-	(3)
New share issued	1,686	2,403		(132)	3,957
Profit for the period			71	(15)	56
At 30 Sep 2013 (unaudited)	18,556	2,403	3,296	548	24,803

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

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134 INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and is prepared in accordance with FRS 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 Company and its subsidiaries ("Group") for the financial year ending 31 December 2013.

A2. Changes in accounting policies

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 in Malaysia and Malaysian Financial Reporting Standards requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported financial year. Although these estimates are based on the directors' best knowledge of current events and actions, actual results could differ from those estimates.

A2.1 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ("IC") Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group:

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101 *Presentation of Items of other Comprehensive Income Income*

Effective for financial periods beginning on or after 1 January 2013

MFRS 3 *Business Combinations*
MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 119 *Employee Benefits (revised)*
MFRS 127 *Consolidated and Separate Financial Statements (revised)*
Amendments to MFRS 1 *First-time Adoption of MFRS - Government Loans*

Amendments to MFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 10 *Consolidated Financial Statements: Transition Guidance*

Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*
Disclosure of Interests in Other Entities: Transition

Annual Improvements to IC Interpretations and MFRSs 2009 - 2012 Cycle

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

Effective for financial periods beginning on or after 1 January 2015

Amendments to MFRS 9 *Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any significant effect to the financial statements of the Group upon their initial application.

A. EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING (CONTD.)**A3. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

A4. Seasonality or cyclical factors

The Group's operations were not affected by seasonal or cyclical changes.

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 financial quarter ended 30 September 2013.

A6. Material changes in estimates

There were no material changes in estimates that have had material effect in the current quarter results.

A7. Debts and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter ended 30 September 2013.

A8. Dividends Paid

There was no dividend paid during the financial quarter ended 30 September 2013.

A9. Segmental information

Segmental information for cumulative 9 months period ended 30 September 2013 and 30 September 2012 are as follows:

	Malaysia		Overseas		Consolidated	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,900	3,639	1,080	1,412	7,980	5,051
Gross profit	3,134	1,233	491	478	3,625	1,711
Other income					218	361
Administrative and distribution expenses and finance cost					(3,481)	(2,728)
Share of net loss from associated company					(21)	(25)
Profit/(Loss) before taxation					341	(681)
Taxation					(285)	(71)
Profit/(Loss) for the year					56	(752)

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 subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter.

A12. Changes in the composition of the Group

The Group had acquired the remaining equity interest of thirty percent (30%), representing three hundred thousand (300,000) ordinary shares of RM1.00 each fully paid-up in Solution Bioforce Sdn Bhd ("BIOFORCE") on 23 August 2013.

BIOFORCE is now a wholly-owned subsidiary of the Group.

A13. Contingent liabilities

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

A14. Capital commitment

There were no material capital commitments as at the date of this announcement.

A15. Significant Related Party Transaction

Global Plus Solutions Sdn Bhd(GPS)
Sales from GPS for quarter ended 30.9.2013

RM'000
1163

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE MESDAQ MARKET

B1. Review of performance

During the current quarter under review, revenue of the Group increased to RM3.735 million as compared to RM1.999 million and profit before tax of RM0.196 million as compared to loss before tax of RM0.654 million in the same quarter prior year. The Group performance has significantly improved due to the market is recovering since the second quarter of the year, especially the education industry. The Group's order book start improving since the second quarter, few subsidiaries have contributed to the Group revenue which lead to higher revenue recognition in the current quarter .

B2. Material Change in profit before tax compared with the immediate preceding quarter

The Group has recorded a revenue and profit before tax of RM3.735 million and RM0.196 million respectively in current quarter. As compare to the immediate preceding quarter the revenue and profit has increased by RM1.485 million and RM0.073 million respectively.

B3. Prospects for the financial year ending 31 December 2013

The Board of Directors is optimistic that the performance of fiscal 2013 will be better than the preceding year. A strong order book has set path for a solid start in the next quarter. The company will continue to enhance its competitiveness, cost effectiveness and productivity in its operations. The Board of Directors will continue to ensure the prospect of the Group's financial performance continue to improve.

B4. Profit guarantee

There was no profit forecast or profit guarantee issued by the Group.

B5. Taxation

	Quarter ended		Year- to-date	
	30.9.13	30.9.12	30.9.13	30.9.12
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	-	-	97	61
Under estimate for prior year	188	-	188	-
Deferred taxation				
Transferred to deferred income tax	-	10	-	10
	<u>188</u>	<u>10</u>	<u>285</u>	<u>71</u>

B6. Profit on sale of unquoted investments and/or properties

There were no disposal of unquoted investment and/or properties for the financial year todate.

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

B7. Group borrowings and debt securities

Details of the Group's borrowings as at 30 September 2013 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	150	756	906
Hire purchase	145	248	393
Total	<u>295</u>	<u>1,004</u>	<u>1,299</u>

B8. Status of corporate proposals announced as at 15 November 2013

- i) The company had announced and completed its new shares issue up to 16,846,000 through private placement in 2 tranches. The first tranche of 8,400,000 shares had been allotted on 14 June 2013 with the issue price of RM0.235 per placement share. The second tranche of 8,460,000 shares had been allotted on 15 August 2013 with the issue price of RM0.250 per placement share.
- ii) The company made an announcement on proposed establishment of an Employee' Share Option Scheme ("ESOS") on 4 November 2013 for the eligible employees and directors.

B9. 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.

B10. Dividends

There were no dividends declared during the current quarter under review.

B11. Earnings per share

	Current Quarter ended 30.9.13	Comparative Quarter ended 30.9.12	Current year to date ended 30.9.13	Preceding year to date ended 30.9.12
Net profit/(loss) for the period attributable to equity holders (RM'000)	42	(487)	71	(551)
No. of ordinary shares in issue ('000)	185,556	168,696	185,556	168,696
Basic EPS (sen)	<u>0.023</u>	<u>(0.289)</u>	<u>0.038</u>	<u>(0.327)</u>

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