

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2013

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Oct 13 to 31 Dec 13	1 Oct 12 to 31 Dec 12	1 Jan 13 to 31 Dec 13	1 Jan 12 to 31 Dec 12
	Current Quarter RM'000	Preceding Year Corresponding Quarter RM'000	Current Year To-Date RM'000	Current Year To-Date RM'000
Revenue	4,671	2,545	12,651	7,861
Cost of sale	(2,292)	(1,525)	(6,647)	(4,950)
Gross profit	2,379	1,020	6,004	2,911
Interest income	56	36	210	143
Other income	33	410	98	771
Depreciation & amortisation	(198)	(158)	(744)	(705)
Forex Gain	1	17	10	52
Finance cost	(9)	(25)	(33)	(42)
Administrative and distribution expenses	(1,274)	(3,101)	(4,194)	(5,370)
Share of net profit from associated company	98	51	77	26
Profit/(Loss) before tax	1,086	(1,750)	1,428	(2,214)
Income tax expense	B5 (374)	71	(659)	-
Profit/(Loss) for the period	712	(1,679)	769	(2,214)
Attributable to :				
Equity holders of the parent	673	(1,574)	745	(2,118)
Minority Interest	39	(105)	24	(96)
	712	(1,679)	769	(2,214)
Earnings per share attributable to equity holders of parent :				
Basic, for (loss)/profit for the period (sen)	B13 0.363	(0.933)	0.401	(1.256)
EBITDA ⁽¹⁾	1,237	(1,603)	1,995	(1,610)

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 31 DEC 2013

(The figures have not been audited)

	Unaudited 31 Dec 2013 RM'000	Audited 31 Dec 2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,505	4,842
Investment in an associated company	1,163	1,086
Intangible assets	235	495
Goodwill	1,876	-
	<u>7,779</u>	<u>6,423</u>
Current Assets		
Inventories	834	546
Trade receivables	7,670	4,740
Other receivables	1,153	1,629
Tax prepayment	713	925
Deposits, cash and bank balances	11,845	11,253
	<u>22,215</u>	<u>19,093</u>
TOTAL ASSETS	<u>29,994</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	3,970	3,228
	<u>24,929</u>	<u>20,098</u>
Minority interest	<u>195</u>	<u>695</u>
Total equity	<u>25,124</u>	<u>20,793</u>
Non-Current Liabilities		
Hire purchase creditors	B7 309	225
Term Loan	B7 719	864
Deferred taxation	219	219
	<u>1,247</u>	<u>1,308</u>
Current Liabilities		
Hire purchase creditors	B7 147	137
Term Loan	B7 150	156
Trade payables	2,305	1,801
Other payable & accruals	551	889
Provision for taxation	470	432
	<u>3,623</u>	<u>3,415</u>
Total liabilities	<u>4,870</u>	<u>4,723</u>
TOTAL EQUITY AND LIABILITIES	<u>29,994</u>	<u>25,516</u>
Number of ordinary shares in issue ('000)	185,556	168,696
Net assets value per share (RM)	<u>0.1343</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 31 DECEMBER 2013**

(The figures have not been audited)

	12 months Ended 31 Dec 2013 RM'000	12 months Ended 31 Dec 2012 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,428	(2,214)
Adjustment for :		
Depreciation of property, plant and equipment	287	279
Amortisation of prepaid lease payments	34	34
Amortisation of development expenditure	422	395
Development Expenditure written off	-	2,000
Gain on disposal of property, plant and equipment	-	(318)
Interest expense	33	42
Interest income	(210)	(143)
Share of net profit from an associate company	(77)	(26)
Operating expenses before working capital changes	<u>1,917</u>	<u>49</u>
Working capital changes :		
Increase in inventories	(121)	(84)
Decrease in receivables	(2,454)	1,753
Increase/(Decrease) in payables	<u>166</u>	<u>158</u>
Cash generated from operating activities	(492)	1,876
Interest paid	(33)	(42)
Tax paid	<u>(410)</u>	<u>(425)</u>
Net cash (used in)/generated from operating activities	<u>(935)</u>	<u>1,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(495)	(487)
Proceed from disposal of Property, Plant and equipment	181	887
Net cash acquisition from new subsidiary	-	1,002
Acquisition of additional shares in existing subsidiaries	1,689	450
Acquisition of shares in new subsidiary	-	150
Development costs incurred	-	(658)
Interest income	210	143
Net cash generated/(used in) from investing activities	<u>1,585</u>	<u>1,487</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	<u>(58)</u>	<u>(119)</u>
Net cash used in from financing activities	<u>(58)</u>	<u>(132)</u>
Net increase in cash and cash equivalents	592	2,777
Cash and cash equivalents at beginning of financial period	11,253	8,476
Cash and cash equivalents at end of financial period	<u><u>11,845</u></u>	<u><u>11,253</u></u>

Cash and cash equivalents as at 31 December comprise the following :

	2013 RM'000	2012 RM'000
Deposits with licensed banks	3,556	3,541
Deposits with a money market fund	4,000	3,250
Deposits with financial institutions	1,100	1,577
Cash at bank	<u>3,189</u>	<u>2,885</u>
	<u><u>11,845</u></u>	<u><u>11,253</u></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 YEAR ENDED 31 DEC 2013

(The figures have not been audited)

	Attributable to Equity Holders of the SEHB			Total	Minority Interest	Total Equity
	Share Capital	<---Non-distributable---> Share Premium	Distributable Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012 (audited)	16,870	-	5,341	22,211	(107)	22,104
Loss for the year		-	(2,113)	(2,113)	(101)	(2,214)
Minority Interest					903	903
At 31 December 2012 (audited)	16,870	-	3,228	20,098	695	20,793
As at 1 January 2013 (unaudited)	16,870	-	3,228	20,098	695	20,793
Pre-acquisition (loss)/profit b/f			(3)	(3)	-	(3)
New share issued	1,686	2,403		4,089	(524)	3,565
Profit for the period			745	745	24	769
At 31 Dec 2013 (unaudited)	18,556	2,403	3,970	24,929	195	25,124

(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

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

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 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 cyclicity 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 31 December 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 31 December 2013.

A8. Dividends Paid

There was no dividend paid during the financial quarter ended 31 December 2013.

A9. Segmental information

Segmental information for cumulative 12 months period ended 31 December 2013 and 31 December 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	11,249	5,835	1,402	2,026	12,651	7,861
Gross profit	5,339	2,160	665	751	6,004	2,911
Other income					308	914
Administrative and distribution expenses and finance cost					(4,961)	(6,065)
Share of net profit/(loss) from associated company					77	26
Profit/(Loss) before taxation					1,428	(2,214)
Taxation					(659)	0
Profit/(Loss) for the year					769	(2,214)

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

- i) The Group had acquired the remaining equity interest of twenty two point five percent (22.5%), representing four hundred fifty thousand (450,000) ordinary shares of RM1.00 each fully paid-up in Solution Biogen Sdn Bhd ("BIOGEN") on 22 November 2013.

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

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

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

<u>Global Plus Solutions Sdn Bhd(GPS)</u>	RM'000
Sales from GPS for quarter ended 31.12.2013	1,637

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 RM4.671 million as compared to RM2.545 million and profit before tax of RM1.086 million as compared to loss before tax of RM1.750 million in the same quarter prior year. The Group performance had further improved in the last quarter of the year. The main revenue contributor remains from the engineering teaching and research equipment business, the other business areas i.e. provision of industrial automation solutions, producing and supplying of industrial chemicals and design and development of biotechnology equipment had contributed about 40% of the Group revenue.

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

The Group had recorded a revenue and profit before tax of RM4.671 million and RM1.086 million respectively in current quarter. As compared to the immediate preceding quarter the revenue and profit had increased by RM0.936 million and RM0.890 million respectively. The significant increase in profit was due to the sales of new product development.

B3. Prospects for the financial year ending 31 December 2014

The Board of Directors is optimistic that the performance of the fiscal year 2014 will be better than the preceding year. The Group has recorded a strong order book in beginning of the year which augurs well for this year financial performance, but having said that, the Company will continue to enhance its competitiveness, cost effectiveness and productivity in its operations to ensure 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	
	31.12.13	31.12.12	31.12.13	31.12.12
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	374	(71)	471	-
Under estimate for prior year	-	-	188	-
	<u>374</u>	<u>(71)</u>	<u>659</u>	<u>-</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 to date.

B7. Group borrowings and debt securities

Details of the Group's borrowings as at 31 December 2013 are as follows :

	Short-Term	Long-Term	Total
	RM'000	RM'000	RM'000
Secured :			
Term loan	150	719	869
Hire purchase	147	309	456
Total	<u>297</u>	<u>1,028</u>	<u>1,325</u>

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

B8. Status of corporate proposals announced as at 25 February 2014

With reference to the announcement made on 4 December 2013 in relation to the proposed ESOS, the Company had announced on 12 December 2013 that Bursa Malaysia Securities Berhad ("Bursa Securities") had approved the listing of additional new ordinary shares of RM0.10 each in SEHB, representing up to 30% of the issued and paid-up capital (excluding treasury shares), to be issued pursuant to the exercise of options under the Proposed ESOS.

On 6 Feb 2014, the Company had announced that the effective date of implementation of the ESOS is on 30 January 2014.

SEHB to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of options under the Proposed ESOS as at the end of each quarter together with a detailed computation of listing fees payable.

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 31.12.13	Comparative Quarter ended 31.12.12	Current year to date ended 31.12.13	Preceding year to date ended 31.12.12
Net profit/(loss) for the period attributable to equity holders (RM'000)	673	(1,574)	745	(2,118)
No. of ordinary shares in issue ('000)	185,556	168,696	185,556	168,696
Basic EPS (sen)	0.363	(0.933)	0.401	(1.256)

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