

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 JUNE 2014

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Apr 14 to 30 Jun 14	1 Apr 13 to 30 Jun 13	1 Jan 14 to 30 Jun 14	1 Jan 13 to 30 Jun 13
	Current Quarter RM'000	Preceding Year Corresponding Quarter RM'000	Current Year To-Date RM'000	Preceding Year Corresponding To-Date RM'000
Revenue	7,742	2,250	11,802	4,245
Cost of sale	(4,994)	(1,043)	(7,173)	(2,045)
Gross profit	2,748	1,207	4,629	2,200
Interest income	17	65	79	162
Other income	5	3	5	23
Depreciation & amortisation	(193)	(180)	(386)	(364)
Forex (Loss)/Gain	(42)	-	17	1
Finance cost	(14)	(4)	(23)	(12)
Administrative and distribution expenses	(1,111)	(970)	(2,249)	(1,850)
Share of net profit/(loss) from associated company	82	2	20	(14)
Profit before tax	1,492	123	2,092	146
Income tax expense	B5 (365)	(97)	(515)	(97)
Profit for the period	1,127	26	1,577	49
Attributable to :				
Equity holders of the parent	1,104	7	1,547	30
Minority Interest	23	19	30	19
	1,127	26	1,577	49
Earnings per share attributable to equity holders of parent :				
Basic, for (loss)/profit for the period (sen)	B11 0.595	0.004	0.834	0.016
EBITDA ⁽¹⁾	1,682	242	2,422	360

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 JUNE 2014**
(The figures have not been audited)

	Unaudited 30-Jun-14 RM'000	Audited 31 Dec 2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,445	4,505
Investment in an associated company	1,183	1,163
Intangible assets	2,050	2,116
	<u>7,678</u>	<u>7,784</u>
Current Assets		
Inventories	919	834
Trade receivables	14,686	7,670
Other receivables	1,301	1,151
Tax prepayment	677	713
Deposits, cash and bank balances	7,913	11,844
	<u>25,496</u>	<u>22,212</u>
TOTAL ASSETS	<u>33,174</u>	<u>29,996</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	18,556	18,556
Share premium	2,403	2,403
Retained earnings	5,517	3,967
	<u>26,476</u>	<u>24,926</u>
Minority interest	<u>225</u>	<u>195</u>
Total equity	<u>26,701</u>	<u>25,121</u>
Non-Current Liabilities		
Hire purchase creditors	B7 291	308
Term Loan	B7 642	719
Deferred taxation	219	219
	<u>1,152</u>	<u>1,246</u>
Current Liabilities		
Hire purchase creditors	B7 148	147
Term Loan	B7 149	150
Trade payables	3,298	2,231
Other payable & accruals	807	631
Provision for taxation	919	470
	<u>5,321</u>	<u>3,629</u>
Total liabilities	<u>6,473</u>	<u>4,875</u>
TOTAL EQUITY AND LIABILITIES	<u>33,174</u>	<u>29,996</u>
Number of ordinary shares in issue ('000)	185,556	185,556
Net assets value per share (RM)	<u>0.1427</u>	<u>0.1343</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 CASHFLOW STATEMENTS AS AT 30 JUNE 2014
 (The figures have not been audited)

	6 months Ended 30 June 2014 RM'000	6 months Ended 30 June 2013 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,092	146
Adjustment for :		
Depreciation of property, plant and equipment	157	139
Amortisation of prepaid lease payments	17	17
Amortisation of development expenditure	49	211
Transfer to cost of sales	2	117
Interest expense	23	12
Interest income	(79)	(162)
Share of net profit from an associate company	(20)	14
Operating expenses before working capital changes	<u>2,241</u>	<u>494</u>
Working capital changes :		
Increase in inventories	(85)	(348)
Increase in inter-companies	-	(5)
Decrease in receivables	(7,160)	351
Increase/(Decrease) in payables	<u>1,246</u>	<u>(203)</u>
Cash generated from operating activities	(3,758)	289
Interest paid	(23)	(12)
Tax paid	(34)	(256)
Net cash (used in)/generated from operating activities	<u>(3,815)</u>	<u>21</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(102)	(183)
Issue of new shares	-	1,974
Interest income	79	162
Net cash generated from investing activities	<u>(23)</u>	<u>1,953</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	(94)	(25)
Net cash used in from financing activities	<u>(94)</u>	<u>(25)</u>
Net (decrease)/increase in cash and cash equivalents	(3,932)	1,949
Cash and cash equivalents at beginning of financial period	<u>11,845</u>	<u>11,253</u>
Cash and cash equivalents at end of financial period	<u><u>7,913</u></u>	<u><u>13,202</u></u>
 Cash and cash equivalents as at 30 June comprise the following :		
	2014 RM'000	2013 RM'000
Deposits with licensed banks	3,600	3,566
Deposits with a money market fund	1,399	4,150
Deposits with financial institutions	1,100	1,100
Cash at bank	<u>1,814</u>	<u>4,386</u>
	<u><u>7,913</u></u>	<u><u>13,202</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 30 JUNE 2014**
(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
As at 1 January 2013 (unaudited)	16,870		3,228	695	20,793
Pre-acquisition (loss)/profit b/f			(3)	-	(3)
New Shares Issued	840	1,134	-		1,974
Profit for the period			30	19	49
At 30 June 2013 (unaudited)	<u>17,710</u>	<u>1,134</u>	<u>3,255</u>	<u>714</u>	<u>22,813</u>
As at 1 January 2014 (unaudited)	18,556	2,403	3,970	195	25,124
Profit for the period			1,547	30	1,577
At 30 June 2014 (unaudited)	<u>18,556</u>	<u>2,403</u>	<u>5,517</u>	<u>225</u>	<u>26,701</u>

(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 2014.

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")

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	<i>Business Combinations</i>
MFRS 10	<i>Consolidated Financial Statements</i>
MFRS 11	<i>Joint Arrangements</i>
MFRS 12	<i>Disclosure of Interests in Other Entities</i>
MFRS 13	<i>Fair Value Measurement</i>
MFRS 119	<i>Employee Benefits (revised)</i>
MFRS 127	<i>Consolidated and Separate Financial Statements (revised)</i>
Amendments to MFRS 1	<i>First-time Adoption of MFRS - Government Loans</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements: Transition Guidance</i>
Amendments to MFRS 11	<i>Joint Arrangements: Transition Guidance Disclosure of Interests in Other Entities: Transition</i>

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.

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

A. EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING (CONT'D.)

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 30 June 2014.

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 June 2014.

A8. Dividends Paid

There was no dividend paid during the current quarter.

A9. Segmental information

Segmental information for cumulative 6 months ended 30 June 2014 and 30 June 2013 are as follows:

	Malaysia		Overseas		Consolidated	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	8,380	3,157	3,422	1,088	11,802	4,245
Gross profit	3,184	1,636	1,300	564	4,629	2,200
Other income					84	185
Administrative and distribution expenses and finance cost					(2,641)	(2,225)
Share of net profit from associated company					20	(14)
Profit before taxation ("PBT")					2,092	146
Taxation					(515)	(97)
Profit for the period					1,577	49

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

There were no changes in the composition of the Group for the current financial quarter.

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</u>	RM'000
Sales from GPS for quarter ended 30.06.2014	3,854

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

B1. Review of performance

The Group has registered a higher revenue and PBT during the current quarter of RM7.742 million and RM1.492 million as compared to RM2.250 million and RM123,000 respectively recorded in the same quarter prior year. The significant increase in revenue and profit is mainly due to the increase in equipment sales.

B2. Material Change in PBT compared with the immediate preceding quarter

The current quarter revenue of the Group increased by RM5.492 million to RM7.742 million. The Group posted a profit before tax of RM1.492 million as compared to RM123,000 in the immediate preceding quarter. The significant increase in revenue and PBT was the result of the Group recognising higher sales of SOLTEQ equipment during the current quarter.

B3. Prospects for the financial year ending 31 December 2014

The Group has a strong order book in 2014. The Group has established credible reputation in both the domestic and international markets. In addition to receiving orders from local public and private educational and skills institutions, the Group had also received significant sales from Africa, the Middle East, Southeast Asia, among others through its distributors. Currently, the Group has distributors in more than 30 countries.

B4. Profit guarantee

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

B5. Taxation

	Quarter ended		Year- to-date	
	30.6.14	30.6.13	30.6.14	30.6.13
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	365	97	515	97
	<u>365</u>	<u>97</u>	<u>515</u>	<u>97</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.

B7. Group borrowings and debt securities

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

	Short-Term	Long-Term	Total
	RM'000	RM'000	RM'000
Secured :			
Term loan	149	642	791
Hire purchase	148	291	439
Total	<u>297</u>	<u>933</u>	<u>1,230</u>

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

B8. Status of corporate proposals announced as at 20 August 2014

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. As at 22 Jul 2014, the Company had offered 11,134,000 ESOS Option shares.

With reference to the announcement made on 12 May 2014, the Company had obtained its shareholders approval for the renewal of Authority for Share Buy Back at the Tenth Annual General Meeting ("AGM") of the Company.

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 30.06.14	Comparative Quarter ended 30.06.13	Current year to date ended 30.06.14	Preceding year to date ended 30.06.13
Net profit /(loss) for the period attributable to equity holders (RM'000)	1,104	7	1,547	30
No. of ordinary shares in issue ('000)	185,556	185,556	185,556	185,556
Basic EPS (sen)	0.595	0.004	0.834	0.016

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