

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 SEP 2014**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Jul 14 to 30 Sep 14	1 Jul 13 to 30 Sep 13 Preceding Year	1 Jan 14 to 30 Sep 14	1 Jan 13 to 30 Sep 13 Preceding Year
	Current Quarter RM'000	Corresponding Quarter RM'000	Current Year To-Date RM'000	Corresponding To-Date RM'000
Revenue	8,100	3,735	19,902	7,980
Cost of sale	(5,309)	(2,310)	(12,482)	(4,355)
Gross profit	2,791	1,425	7,420	3,625
Interest income	121	(9)	200	153
Other income	35	42	40	65
Depreciation & amortisation	(187)	(182)	(573)	(546)
Forex Gain	30	8	47	9
Finance cost	(10)	(12)	(33)	(24)
Administrative and distribution expenses	(1,622)	(1,069)	(3,871)	(2,920)
Share of net profit/(loss) from associated company	31	(7)	51	(21)
Profit before tax	1,189	196	3,281	341
Income tax expense	B5 (469)	(188)	(984)	(285)
Profit for the period	720	8	2,297	56
Attributable to :				
Equity holders of the parent	700	42	2,247	71
Minority Interest	20	(34)	50	(15)
	720	8	2,297	56
Earnings per share attributable to equity holders of parent :				
Basic, for (loss)/profit for the period (sen)	B11 0.377	0.004	1.210	0.038
EBITDA <sup>(1)</sup>	1,265	399	3,687	758

Note :-

<sup>(1)</sup> 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 SEP 2014**

(The figures have not been audited)

	<b>Unaudited 30-Sep-14 RM'000</b>	<b>Audited 31-Dec-2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,314	4,505
Investment in an associated company	1,213	1,163
Intangible assets	2,027	2,116
	<u>7,554</u>	<u>7,784</u>
<b>Current Assets</b>		
Inventories	812	834
Trade receivables	19,322	7,670
Other receivables	3,032	1,151
Tax prepayment	819	713
Deposits, cash and bank balances	6,599	11,844
	<u>30,584</u>	<u>22,212</u>
<b>TOTAL ASSETS</b>	<u>38,138</u>	<u>29,996</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	18,576	18,556
Share premium	2,410	2,403
Other Reserve	B9 895	-
Retained earnings	6,214	3,967
	<u>28,095</u>	<u>24,926</u>
<b>Minority interest</b>	246	195
<b>Total equity</b>	<u>28,341</u>	<u>25,121</u>
<b>Non-Current Liabilities</b>		
Hire purchase creditors	B7 258	308
Term Loan	B7 617	719
Deferred taxation	219	219
	<u>1,094</u>	<u>1,246</u>
<b>Current Liabilities</b>		
Hire purchase creditors	B7 147	147
Term Loan	B7 149	150
Trade payables	5,154	2,231
Other payable & accruals	1,911	631
Provision for taxation	1,342	470
	<u>8,703</u>	<u>3,629</u>
<b>Total liabilities</b>	<u>9,797</u>	<u>4,875</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>38,138</u>	<u>29,996</u>
Number of ordinary shares in issue ('000)	185,756	185,556
Net assets value per share (RM)	<u>0.1512</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 SEP 2014**  
 (The figures have not been audited)

	<b>9 months Ended 30 Sep 2014 RM'000</b>	<b>9 months Ended 30 Sep 2013 RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,281	341
Adjustment for :		
Depreciation of property, plant and equipment	204	210
Amortisation of prepaid lease payments	26	26
Amortisation of development expenditure	155	317
Transfer to cost of sales	21	167
Interest expense	33	24
Interest income	(200)	(153)
Share of net profit/(loss) from an associate company	(51)	21
Operating expenses before working capital changes	<u>3,469</u>	<u>953</u>
Working capital changes :		
Increase in inventories	22	(155)
Increase in inter-companies	(100)	(5)
Decrease in receivables	(13,537)	(2,700)
Increase/(Decrease) in payables	4,204	(332)
Cash generated from operating activities	<u>(5,942)</u>	<u>(2,239)</u>
Interest paid	(33)	(24)
Tax paid	<u>(108)</u>	<u>(159)</u>
Net cash (used in)/generated from operating activities	<u>(6,083)</u>	<u>(2,422)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(127)	(336)
Interest income	<u>200</u>	<u>153</u>
Net cash generated from investing activities	<u>73</u>	<u>(183)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of borrowings	(158)	(83)
Proceeds from issuance of shares	27	3,489
Proceeds from exercise of ESOS option	227	-
Expense of ESOS option granted	668	-
Net cash used in from financing activities	<u>764</u>	<u>3,406</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,246)</b>	<b>801</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>11,845</b>	<b>11,253</b>
<b>Cash and cash equivalents at end of financial period</b>	<b><u>6,599</u></b>	<b><u>12,054</u></b>

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

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Deposits with licensed banks	3,662	3,566
Deposits with a money market fund	-	4,550
Deposits with financial institutions	1,100	1,100
Cash at bank	<u>1,837</u>	<u>2,838</u>
	<b><u>6,599</u></b>	<b><u>12,054</u></b>

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEP 2014**  
 (The figures have not been audited)

	Attributable to Equity Holders of the SEHB				Distributable Retained Earnings RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	<-----Non-distributable----->		Share Application Money RM'000				
	Share Premium RM'000	Capital Reserve RM'000						
As at 1 January 2013 (audited)	16,870				3,228	20,098	695	20,793
Pre-acquisition loss b/f					(3)	(3)	-	(3)
New Shares Issued	1,686	2,403				4,089	(132)	3,957
Profit for the period					71	71	(15)	56
At 30 Sep 2013 (audited)	18,556	2,403	-	-	3,296	24,255	548	24,803
As at 1 January 2014 (audited)	18,556	2,403	-	-	3,967	24,926	195	25,121
Share options granted under ESOS	-	-	668	-	-	668	-	668
Exercise of employee share option	20	7	-	227	-	254		254
Profit for the period					2,247	2,247	51	2,298
At 30 Sep 2014 (unaudited)	18,576	2,410	668	227	6,214	28,095	246	28,341

(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**

MRFS 2                      *Share-based Payment*  
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.

**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 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 Sep 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 Sep 2014.

### A8. Dividends Paid

There was no dividend paid during the current quarter.

### A9. Segmental information

Segmental information for cumulative 9 months ended 30 Sep 2014 and 30 Sep 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	16,405	6,900	3,497	1,080	19,902	7,980
Gross profit	6,075	3,134	1,295	491	7,420	3,625
Other income					240	218
Administrative and distribution expenses and finance cost					(4,430)	(3,481)
Share of net loss from associated company					51	(21)
Profit before taxation ("PBT")					3,281	341
Taxation					(984)	(285)
Profit for the period					2,297	56

### 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 (GPS)</u>	RM'000
Sales from GPS for quarter ended 30.09.2014	6,542

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

**B1. Review of performance**

The Group recorded a higher revenue and PBT during the current quarter of RM8.100 million and RM1.189 million as compared to RM3.735 million and RM0.196 million respectively in the same quarter prior year. The improvement in revenue and profit was mainly attributable to completion of projects as well as recognition of revenue during the current quarter.

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

The Group's revenue for the current quarter increased by RM0.358 million to RM8.100 million. The Group posted a PBT of RM1.189 million as compared to RM1.492 million in the immediate preceding quarter. The lower PBT during the current quarter was due to the higher administrative and distribution expenses. The higher administrative and distribution expenses were mainly due to the non-cash employee benefit cost of RM0.668 million for the current quarter, arising from the fair value accounting adopted for shares option granted pursuant to an Employees' Share Option Scheme ("ESOS").

**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.

The Board anticipate a better prospect in the last quarter.

**B4. Profit guarantee**

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

**B5. Taxation**

	Quarter ended		Year- to-date	
	30.9.14 RM'000	30.9.13 RM'000	30.9.14 RM'000	30.9.13 RM'000
<b>Current taxation</b>				
Estimate for the period	469		984	97
Under estimate for prior year		188		188
	<u>469</u>	<u>188</u>	<u>984</u>	<u>285</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 Sep are as follows :

	Short-Term	Long-Term	Total
	RM'000	RM'000	RM'000
<b>Secured :</b>			
Term loan	149	617	766
Hire purchase	147	258	405
Total	<u>296</u>	<u>875</u>	<u>1,171</u>

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

**B8. Status of Corporate Proposals**

A) Update on Employees' Share Option Scheme (ESOS) as at 30 September 2014

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.

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

Below show the details of the shares that had been granted under the ESOS:

<i>ESOS Option Grant Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>	<i>No. of Share Granted</i>	<i>No. of Share Exercised and Listed</i>
22 July 2014	29 Jan 2019	RM0.135	11,134,000	200,000

B) 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. As at 30 September 2014, no share buy back has been done.

**B9. Other Reserve**

	Quarter ended		Year- to-date	
	30.9.14 RM'000	30.9.13 RM'000	30.9.14 RM'000	30.9.13 RM'000
Capital Reserve				
- recognised in profit & loss	668	-	668	-
Share Application Money	227	-	227	-
	<u>895</u>	<u>-</u>	<u>895</u>	<u>-</u>

**B10. 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.

**B11. Dividends**

The Board is pleased to declare a 10% interim dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 2014. The dividend will be paid on 12 December 2014 to shareholders registered in the Record of Depositors on 2 December 2014.

**B12. Earnings per share**

	Current Quarter ended 30.09.14	Comparative Quarter ended 30.09.13	Current year to date ended 30.09.14	Preceding year to date ended 30.09.13
Net profit /(loss) for the period attributable to equity holders (RM'000)	700	42	2,247	71
No. of ordinary shares in issue ('000)	185,756	185,556	185,756	185,556
Basic EPS (sen)	<u>0.377</u>	<u>0.023</u>	<u>1.210</u>	<u>0.038</u>

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