

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2014

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Oct 14 to 31 Dec 14	1 Oct 13 to 31 Dec 13	1 Jan 14 to 31 Dec 14	1 Jan 13 to 31 Dec 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	16,005	4,671	35,907	12,651
Cost of sale	(11,777)	(2,292)	(24,259)	(6,647)
Gross profit	4,228	2,379	11,648	6,004
Interest income	(31)	56	169	210
Other income	83	33	123	98
Depreciation & amortisation	(168)	(198)	(741)	(744)
Forex Gain	101	1	148	10
Finance cost	14	(9)	(19)	(33)
Administrative and distribution expenses	(1,993)	(1,274)	(5,864)	(4,194)
Share of net profit/(loss) from associated company	(38)	98	13	77
Profit before tax	2,196	1,086	5,477	1,428
Income tax expense	B5 (497)	(374)	(1,481)	(659)
Profit for the period	1,699	712	3,996	769
Attributable to :				
Equity holders of the parent	1,552	673	3,799	745
Minority Interest	147	39	197	24
	1,699	712	3,996	769
Earnings per share attributable to equity holders of parent :				
Basic, for (loss)/profit for the period (sen)	B11 0.790	0.363	1.935	0.401
EBITDA ⁽¹⁾	2,381	1,237	6,068	1,995

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 2014

(The figures have not been audited)

	Unaudited 31-Dec-14 RM'000	Audited 31 Dec 2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,137	4,505
Investment in an associated company	1,176	1,163
Intangible assets	2,052	2,116
	<u>7,365</u>	<u>7,784</u>
Current Assets		
Inventories	997	834
Trade receivables	18,838	7,670
Other receivables	1,288	1,151
Tax prepayment	1,390	713
Deposits, cash and bank balances	16,365	11,844
	<u>38,878</u>	<u>22,212</u>
TOTAL ASSETS	<u>46,243</u>	<u>29,996</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	19,637	18,556
Share premium	3,431	2,403
Other Reserve	B9 18	-
Retained earnings	5,788	3,967
	<u>28,874</u>	<u>24,926</u>
Minority interest	392	195
Total equity	<u>29,266</u>	<u>25,121</u>
Non-Current Liabilities		
Hire purchase creditors	B7 345	308
Term Loan	B7 567	719
Deferred taxation	219	219
	<u>1,131</u>	<u>1,246</u>
Current Liabilities		
Hire purchase creditors	B7 164	147
Term Loan	B7 149	150
Trade payables	6,556	2,231
Other payable & accruals	7,099	631
Provision for taxation	1,878	470
	<u>15,846</u>	<u>3,629</u>
Total liabilities	<u>16,977</u>	<u>4,875</u>
TOTAL EQUITY AND LIABILITIES	<u>46,243</u>	<u>29,996</u>
Number of ordinary shares in issue ('000)	196,374	185,556
Net assets value per share (RM)	<u>0.1470</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)

SOLUTION ENGINEERING HOLDINGS BERHAD**(Company No: 654575-P)
(Incorporated in Malaysia)****CONDENSED CONSOLIDATED CASHFLOW STATEMENTS AS AT 31 DEC 2014
(The figures have not been audited)**

	12 months Ended 31 Dec 2014 RM'000	12 months Ended 31 Dec 2013 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,477	1,428
Adjustment for :		
Depreciation of property, plant and equipment	319	287
Amortisation of prepaid lease payments	34	34
Amortisation of development expenditure	388	422
Interest expense	19	33
Interest income	(169)	(210)
Share of net profit from an associate company	(13)	(77)
Operating expenses before working capital changes	<u>6,055</u>	<u>1,917</u>
Working capital changes :		
Increase in inventories	(163)	(121)
Increase in receivables	(11,305)	(2,454)
Increase in payables	<u>10,793</u>	<u>166</u>
Cash generated from/(used in) operating activities	5,380	(492)
Interest paid	(19)	(33)
Dividend paid	(1,964)	-
Tax paid	<u>(764)</u>	<u>(410)</u>
Net cash generated from/(used in) operating activities	<u>2,633</u>	<u>(935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(309)	(495)
Proceeds from disposal of property, plant and equipment	-	180
Acquisition of additional shares in existing subsidiaries	-	1,689
Interest income	169	210
Net cash (used in)/generated from investing activities	<u>(140)</u>	<u>1,584</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	(99)	(58)
Proceeds from issuance of shares	1,459	-
Proceeds from exercise of ESOS option	-	-
Expense of ESOS option granted	668	-
Net cash generated from/(used in) financing activities	<u>2,028</u>	<u>(58)</u>
Net increase in cash and cash equivalents	4,521	591
Cash and cash equivalents at beginning of financial year	11,844	11,253
Cash and cash equivalents at end of financial year	<u><u>16,365</u></u>	<u><u>11,844</u></u>

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

	2014 RM'000	2013 RM'000
Deposits with licensed banks	9,493	3,556
Deposits with a money market fund	733	4,000
Deposits with financial institutions	715	1,100
Cash at bank	<u>5,424</u>	<u>3,188</u>
	<u><u>16,365</u></u>	<u><u>11,844</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 2014**
(The figures have not been audited)

	Attributable to Equity Holders of the SEHB					Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	<-----Non-distributable----->		Share Application Money RM'000	Distributable Retained Earnings RM'000			
	Share Premium RM'000	Capital Reserve RM'000			Total RM'000			
As at 1 January 2013 (audited)	16,870				3,228	20,098	695	20,793
New Shares Issued	1,686	2,403				4,089	(524)	3,565
Profit for the period					739	739	24	763
At 31 Dec 2013 (audited)	18,556	2,403	-	-	3,967	24,926	195	25,121
As at 1 January 2014 (audited)	18,556	2,403	-	-	3,967	24,926	195	25,121
Pre-acquisition loss b/f					(14)	(14)		(14)
Share options granted under ESOS	-	-	18	-	-	18	-	18
Exercise of employee share option	1,081	1,028	-	-	-	2,109		2,109
Dividend paid					(1,964)	(1,964)		(1,964)
Profit for the year					3,799	3,799	197	3,996
At 31 Dec 2014 (unaudited)	19,637	3,431	18	-	5,788	28,874	392	29,266

(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 (CONTD.)**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 31 December 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 31 December 2014.

A8. Dividends Paid

During the quarter under review, an interim tax-exempt dividend of 10% per ordinary share of RM0.10 (RM0.01 per share) amounting to RM1,963,740 in respect of the financial year ending 31 December 2014 was paid on 12 Dec 2014.

A9. Segmental information

Segmental information for cumulative 12 months period ended 31 December 2014 and 31 December 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	30,670	11,249	5,237	1,402	35,907	12,651
Gross profit	11,358	5,339	1,939	665	11,648	6,004
Other income					292	308
Administrative and distribution expenses and finance cost					(6,476)	(4,961)
Share of net profit from associated company					13	77
Profit before taxation ("PBT")					5,477	1,428
Taxation					(1,481)	(659)
Profit for the year					3,996	769

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 the year ended 31.12.2014	7,639

B. ADDITIONAL INFORMATION REQUIRED BY 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 amounting to RM16.005 million and RM2.196 million as compared to RM4.671 million and RM1.086 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.

The Group achieved a better financial result in 2014, showing revenue and PBT of RM35.9 million and RM5.477 million respectively.

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

The Group's revenue for the current quarter increased by RM7.905 million to RM16.005 million. The Group posted a PBT of RM2.196 million as compared to RM1.189 million in the immediate preceding quarter. The significant increase in revenue and PBT was a result of the Group recognising higher sales of SOLTEQ equipment during the current quarter. The lower PBT during the immediate preceding quarter was due to 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 immediate preceding 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 2015

The group has shown an impressive financial performance in 2014. With a healthy order book and potential contracts in the pipeline, the Management is optimistic that the Group will perform better in 2015.

B4. Profit guarantee

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

B5. Taxation

	Quarter ended		Year- to-date	
	31.12.14	31.12.13	31.12.14	31.12.13
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	497	374	1,481	471
Under estimate for prior year	-	-		188
	<u>497</u>	<u>374</u>	<u>1,481</u>	<u>659</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 2014 are as follows :

	Short-Term	Long-Term	Total
	RM'000	RM'000	RM'000
Secured :			
Term loan	149	567	716
Hire purchase	164	345	509
Total	<u>313</u>	<u>912</u>	<u>1,225</u>

B. ADDITIONAL INFORMATION REQUIRED BY 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 31 December 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	10,818,000

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 31 December 2014, no share buy back has been done.

B9. Other Reserve

	Quarter ended		Year- to-date	
	31.12.14 RM'000	31.12.13 RM'000	31.12.14 RM'000	31.12.13 RM'000
Capital Reserve				
- recognised in profit & loss	18	-	18	-
Share Application Money	-	-	-	-
	<u>18</u>	<u>-</u>	<u>18</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

There were no dividend declared during the quarter under review.

B12. Earnings per share

	Current Quarter ended 31.12.14	Comparative Quarter ended 31.12.13	Current year to date ended 31.12.14	Preceding year to date ended 31.12.13
Net profit /(loss) for the period attributable to equity holders (RM'000)	1,552	673	3,799	745
No. of ordinary shares in issue ('000)	196,374	185,556	196,374	185,556
Basic EPS (sen)	<u>0.790</u>	<u>0.363</u>	<u>1.935</u>	<u>0.401</u>

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