

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 JUNE 2009**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Apr 09 to 30 June 09	1 Apr 08 to 30 June 08 Preceding Year	1 Jan 09 to 30 Apr 09	1 Jan 08 to 31 Apr 08 Preceding Year To-Date
	Current Quarter RM'000	Corresponding Quarter RM'000	Current Year To-Date RM'000	Corresponding Quarter RM'000
Revenue	2,209	2,393	3,572	6,745
Cost of sale	(1,490)	(1,602)	(2,338)	(4,575)
Gross profit	719	791	1,234	2,170
Other income	449	288	1,080	369
Administrative and distribution expenses	(829)	(825)	(1,727)	(1,533)
Finance cost	(19)	(39)	(39)	(87)
Profit before tax	320	215	548	919
Income tax expense	B5 (13)	(15)	(38)	(33)
Profit for the period	307	200	510	886
Attributable to :				
Equity holders of the parent	308	200	512	886
Minority Interest	(1)	-	(2)	-
	307	200	510	886
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.243	0.158	0.405	0.700

(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 2009**

(The figures have not been audited)

	<b>Unaudited 30 June 2009 RM'000</b>	<b>Audited 31 Dec 2008 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,811	1,436
Prepaid lease payments	2,701	2,721
Intangible assets	1,887	659
	<u>6,399</u>	<u>4,816</u>
<b>Current Assets</b>		
Inventories	330	271
Trade receivables	6,462	10,552
Other receivables	1,326	1,743
Deposits, cash and bank balances	11,250	7,637
	<u>19,368</u>	<u>20,203</u>
<b>TOTAL ASSETS</b>	<u>25,767</u>	<u>25,019</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	12,652	12,652
Share premium	4,054	4,054
Retained earnings	3,619	3,107
	<u>20,325</u>	<u>19,813</u>
<b>Minority interest</b>	34	36
<b>Total equity</b>	<u>20,359</u>	<u>19,849</u>
<b>Non-Current Liabilities</b>		
Deferred taxation	149	134
Borrowings	B9 1,681	505
	<u>1,830</u>	<u>639</u>
<b>Current Liabilities</b>		
Trade payables	1,369	3,213
Other payable & accruals	1,949	116
Borrowings	B9 260	1,202
	<u>3,578</u>	<u>4,531</u>
<b>Total liabilities</b>	<u>5,408</u>	<u>5,170</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>25,767</u>	<u>25,019</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1606</u>	<u>0.1566</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 JUNE 2009**

(The figures have not been audited)

	<b>6 months Ended 30 June 2009 RM'000</b>	<b>6 months Ended 30 June 2008 RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	548	919
Adjustment for :		
Depreciation of property, plant and equipment	137	99
Amortisation of prepaid lease payments	20	21
Amortisation of development expenditure	47	173
Interest expense	39	87
Interest income	(103)	(97)
Operating profit before working capital changes	<u>688</u>	<u>1,202</u>
Working capital changes :		
Increase in inventories	(59)	(102)
Decrease in receivables	4,516	21
(Decrease)/increase in payables	(11)	437
Cash generated from operating activities	<u>5,134</u>	<u>1,558</u>
Interest paid	(39)	(87)
Tax paid	(32)	(15)
Net cash generated from operating activities	<u>5,063</u>	<u>1,456</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(512)	(227)
Development costs incurred	(1,275)	(74)
Interest income	103	97
Net cash used in investing activities	<u>(1,684)</u>	<u>(204)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of bank borrowings	234	(1,465)
Net cash generated from/(used in) financing activities	<u>234</u>	<u>(1,465)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,613</b>	<b>(213)</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>7,637</b>	<b>8,484</b>
<b>Cash and cash equivalents at end of financial period</b>	<b><u>11,250</u></b>	<b><u>8,271</u></b>

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

	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Deposits with licensed banks	6,673	2,977
Deposits with a money market fund	804	2,563
Deposits with a financial institution	805	2,065
Cash at bank	2,968	852
Bank overdraft	-	(186)
	<u>11,250</u>	<u>8,271</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 QUARTER ENDED 30 JUNE 2009**

(The figures have not been audited)

	← Attributable to Equity Holders of the SEHB →				Minority Interest	Total Equity	
	Share Capital	-----Non-distributable-----	Other	Distributable			
	RM'000	Share Premium RM'000	Reserves RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
At 1 January 2008	12,652	4,054	-	2,744	19,450	38	19,488
Profit for the period	-	-	-	886	886	-	886
At 30 June 2008	12,652	4,054	-	3,630	20,336	38	20,374
At 1 January 2009	12,652	4,054	-	3,107	19,813	36	19,849
Profit for the period	-	-	-	512	512	(2)	510
At 30 June 2009	12,652	4,054	-	3,619	20,325	34	20,359

(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 MESDAQ Market and should be read in conjunction with the audited consolidated financial statements of the Company and its subsidiaries ("Group") for the financial year ended 31 December 2008.

**A2. Changes in accounting policies**

The significant accounting policies and presentation adopted by the Group in this interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2008.

**A3. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2008 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 30 June 2009.

**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.

**A8. Dividends Paid**

No dividends was paid during the current quarter.

**A9. Segmental information**

Segmental information for cumulative 6 months period ended 30 June 2009 and 30 June 2008 are as follows:

	Malaysia		Overseas		Consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	2,898	5,024	674	1,721	3,572	6,745
Gross profit	960	1,505	274	665	1,234	2,170
Other income					1,080	369
Administrative and distribution expenses and finance cost					(1,766)	(1,620)
Profit before taxation ("PBT")					548	919
Taxation					(38)	(33)
Profit for the period					510	886

**A10. Valuation of Property, plant and equipment**

The Group did not revalue any of its property, plant and equipment during the quarter under review.

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

**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. Subsequent events**

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial statements.

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

**B1. Review of performance**

The Group achieved revenue of RM2.209 million for the current quarter, which is 7.7% marginally lower as compared to the preceding year corresponding quarter revenue of RM2.393 million. However, the Group recorded higher PBT of RM320,000 for the current quarter as compared to the preceding year corresponding quarter PBT of RM215,000.

For the financial period-to-date, the Group recorded revenue and PBT of RM3.572 million and RM548,000, representing 47.04% and 40.37% decrease as compared to RM6.745 million and RM919,000 recorded in preceding year's corresponding period ended 30 June 2008. The decline in revenue was due to recognition of lower value of SOLTEQ projects in the current quarter as compared to projects recognised in preceding year. Total government grant & R&D expenditure recognised for the two projects during the quarter under review was RM376,000.

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

The Group registered higher revenue of RM2.209 million for the current quarter as compared to RM1.363 million recorded in the immediate preceding quarter. In tandem with the increased revenue, the PBT had also increased to RM320,000 from RM228,000 in the immediate preceding quarter. Higher revenue recognised was due to increased in work activities as the market improved and the rate of completion is faster in the current quarter under review.

**B3. Current year prospects**

Based on the current order book to-date which is gradually picking up, the Board of Directors anticipates the financial performance would improve in the coming quarters.

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

**B4. Profit guarantee**

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

**B5. Taxation**

Quarter ended		Year- to-date	
30.6.09	30.6.08	30.6.09	30.6.08
RM'000	RM'000	RM'000	RM'000

In respect of the current year taxation	(13)	(15)	(38)	(33)
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A subsidiary i.e. Solution Engineering Sdn Bhd was granted Pioneer Status under Section 14A of the Promotion of Investments (Amendments) Act, 1986 for a period of five years from 1 Jan 2005 to 31 Jan 2010. One (1) of the financial incentives of having the Pioneer Status is a five (5) year exemption from Malaysia income tax from income derived from Multimedia Super Corridor related activities.

As such, these income tax expense relates to interest and rental income.

**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. Purchase or disposal of quoted securities**

There were no disposal of quoted securities for the financial year todate.

**B8. Status of corporate proposals announced but not completed as at 28 August 2009 and status of utilisation of proceeds**

(a) There were no corporate proposals announced but not completed as at 28 August 2009.

**(b) Utilisation of listing proceeds from initial public offering**

Details of utilisation	Proposed	Actual	Deviation	Explanations
	Utilisation	Utilisation	Amount	
	RM'000	RM'000	RM'000	
Bank borrowing	600	600	-	Completed
Demonstration and Training Center	500	334	166	On going utilisation
Research and development Expenditure	2,100	2,100	-	Completed
Working capital				
- Local	2,500	2,500	-	Completed
- Overseas	1,500	1,500	-	Completed
Listing expenses	Note	1,300	-	Completed
Total	8,500	8,334	166	

Note : Unutilised listing expenses of RM253,532 and Overseas working capital of RM706,000 have been transferred to local working capital.

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

**B9. Group borrowings and debt securities**

Details of the Group's borrowings as at 30 June 2009 are as follows :

	<b>Short-Term RM'000</b>	<b>Long-Term RM'000</b>	<b>Total RM'000</b>
<b>Secured :</b>			
Term loan	151	1,326	1,477
Hire purchase	109	355	464
<b>Total</b>	<b>260</b>	<b>1,681</b>	<b>1,941</b>

**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. Material litigation**

There were no material litigations pending at the date of this announcement.

**B12. Dividends**

No dividends was declared or paid during the current quarter.

**B13. Earnings per share**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>Quarter ended 30.6.09</b>	<b>Quarter ended 30.6.08</b>	<b>Quarter ended 30.6.09</b>	<b>Quarter ended 30.6.08</b>
Net profit for the period attributable to equity holders (RM'000)	308	200	512	886
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.243	0.158	0.405	0.700

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