

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 SEPT 2009

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 July 09 to 30 Sept 09	1 July 08 to 30 Sept 08	1 Jan 09 to 30 Sept 09	1 Jan 08 to 30 Sept 08
	Current Quarter RM'000	Preceding Year Corresponding Quarter RM'000	Current Year To-Date RM'000	Preceding Year To-Date Corresponding Quarter RM'000
Revenue	3,060	1,809	6,632	8,554
Cost of sale	(2,114)	(1,133)	(4,452)	(5,708)
Gross profit	946	676	2,180	2,846
Other income	614	1,029	1,694	1,398
Administrative and distribution expenses	(992)	(1,624)	(2,719)	(3,157)
Finance cost	(29)	(23)	(68)	(110)
Profit before tax	539	58	1,087	977
Income tax expense	B5 (20)	(8)	(58)	(41)
Profit for the period	519	50	1,029	936
Attributable to :				
Equity holders of the parent	522	51	1,034	937
Minority Interest	(3)	(1)	(5)	(1)
	519	50	1,029	936
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.413	0.040	0.817	0.741

(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 SEPT 2009

(The figures have not been audited)

	Unaudited 30 Sept 2009 RM'000	Audited 31 Dec 2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,530	1,436
Prepaid lease payments	2,690	2,721
Intangible assets	3,280	659
	<u>7,500</u>	<u>4,816</u>
Current Assets		
Inventories	397	271
Trade receivables	7,820	10,552
Other receivables	1,756	1,743
Deposits, cash and bank balances	10,205	7,637
	<u>20,178</u>	<u>20,203</u>
TOTAL ASSETS	<u>27,678</u>	<u>25,019</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12,652	12,652
Share premium	4,054	4,054
Retained earnings	4,141	3,107
	<u>20,847</u>	<u>19,813</u>
Minority interest	31	36
Total equity	<u>20,878</u>	<u>19,849</u>
Non-Current Liabilities		
Deferred taxation	159	134
Borrowings	B9 1,532	505
	<u>1,691</u>	<u>639</u>
Current Liabilities		
Trade payables	1,592	3,213
Other payable & accruals	2,623	116
Borrowings	B9 894	1,202
	<u>5,109</u>	<u>4,531</u>
Total liabilities	<u>6,800</u>	<u>5,170</u>
TOTAL EQUITY AND LIABILITIES	<u>27,678</u>	<u>25,019</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1648</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

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CONDENSED CONSOLIDATED CASHFLOW STATEMENTS AS AT 30 SEPT 2009

(The figures have not been audited)

	9 months Ended 30 Sept 2009 RM'000	9 months Ended 30 Sept 2008 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,087	977
Adjustment for :		
Depreciation of property, plant and equipment	151	151
Amortisation of prepaid lease payments	31	32
Amortisation of development expenditure	70	197
Interest expense	68	110
Interest income	(149)	(142)
Operating profit before working capital changes	<u>1,258</u>	<u>1,325</u>
Working capital changes :		
Increase in inventories	(126)	(118)
Decrease in receivables	2,725	1,284
Increase/(decrease) in payables	886	(333)
Cash generated from operating activities	<u>4,743</u>	<u>2,158</u>
Interest paid	(68)	(110)
Tax paid	(39)	(28)
Net cash generated from operating activities	<u>4,636</u>	<u>2,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(245)	(284)
Development costs incurred	(2,691)	(229)
Interest income	149	142
Net cash used in investing activities	<u>(2,787)</u>	<u>(371)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	<u>719</u>	<u>(1,512)</u>
Net cash generated from/(used in) financing activities	<u>719</u>	<u>(1,512)</u>
Net increase in cash and cash equivalents	2,568	137
Cash and cash equivalents at beginning of financial year	7,637	8,484
Cash and cash equivalents at end of financial period	<u>10,205</u>	<u>8,621</u>

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

	2009 RM'000	2008 RM'000
Deposits with licensed banks	6,546	2,977
Deposits with a money market fund	809	2,585
Deposits with a financial institution	810	2,081
Cash at bank	2,040	978
	<u>10,205</u>	<u>8,621</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 SEPT 2009

(The figures have not been audited)

	Attributable to Equity Holders of the SEHB				Minority Interest RM'000	Total Equity RM'000	
	Share Capital RM'000	-----Non-distributable----- Share Premium RM'000	Other Reserves RM'000	Distributable Retained Earnings RM'000			
At 1 January 2008	12,652	4,054	-	2,744	19,450	38	19,488
Profit/(loss) for the period	-	-	-	937	937	(1)	936
At 30 Sept 2008	12,652	4,054	-	3,681	20,387	37	20,424
At 1 January 2009	12,652	4,054	-	3,107	19,813	36	19,849
Profit/(loss) for the period	-	-	-	1,034	1,034	(5)	1,029
At 30 Sept 2009	12,652	4,054	-	4,141	20,847	31	20,878

(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 Sept 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 Sept 2009 and 30 Sept 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	5,585	6,428	1,047	2,126	6,632	8,554
Gross profit	1,770	2,093	410	753	2,180	2,846
Other income					1,694	1,398
Administrative and distribution expenses and finance cost					(2,787)	(3,267)
Profit before taxation ("PBT")					1,087	977
Taxation					(58)	(41)
Profit for the period					1,029	936

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. Significant Related Party Transaction

There were no significant related party transactions during the period under review.

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

B1. Review of performance

The Group continued to improve steadily by registering higher current quarter revenue and PBT of RM3.060 million and RM539,000 as compared to RM1.809 million and RM58,000 respectively achieved in the same quarter prior year. The significant increase in revenue of 69.2% is due to increase in work activities to meet the increased order book of R&D projects and SOLTEQ equipments received from our existing customers in the last quarters.

The cumulative current year to date (YTD) revenue recorded is RM6.632 million as compared to RM8.554 million for the same period in preceding year. However, PBT for current YTD increased by 11.26% to RM1.087 million from RM977,000. Total government grant & R&D expenditure recognised for the two projects during the quarter under review was approximately RM323,000 .

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

The revenue of the Group increased by 38.5% to RM3.060 million as compared to immediate preceding quarter was contributed by the acceleration of work activities in the last quarter which resulted to a higher PBT of RM651,000 recorded during quarter under review as compared to immediate preceding quarter's PBT of RM320,000.

B3. Prospects for the final quarter of current financial year ending 31 December 2009

With the continuous growth in the order book coming in from last quarters, the Group will strive to intensify and optimise its production efficiency to meet the increased demand for its SOLTEQ equipments and R&D projects. The Board of Directors anticipates the Group's financial performance to continue to improve in the final quarter.

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	
	30.9.09 RM'000	30.9.08 RM'000	30.9.09 RM'000	30.9.08 RM'000
In respect of the current year taxation	(20)	(8)	(58)	(41)

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 30 November 2009 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 30 November 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	139	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	139

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 Sept 2009 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	151	1,305	1,456
Hire purchase	72	227	299
Trust receipts	671	-	671
Total	<u>894</u>	<u>1,532</u>	<u>2,426</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. Material litigation

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

B12. Dividends

The Board is pleased to declare an interim tax-exempt dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 2009 amounting to RM1,265,220. (2008 : tax-exempt 0.5 sen per ordinary share; RM632,610).

The dividend will be paid on 24 December 2009 to shareholders registered in the Record of Depositors on 15 December 2009.

B13. Earnings per share

	Individual		Cumulative	
	Quarter ended 30.9.09	Quarter ended 30.9.08	Quarter ended 30.9.09	Quarter ended 30.9.08
Net profit for the period attributable to equity holders (RM'000)	522	51	1,034	937
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	<u>0.413</u>	<u>0.040</u>	<u>0.817</u>	<u>0.741</u>

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