

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DEC 2009

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Oct 09 to 31 Dec 09	1 Oct 08 to 31 Dec 08	1 Jan 09 to 31 Dec 09	1 Jan 08 to 31 Dec 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	6,458	3,408	13,090	11,962
Cost of sale	(3,615)	(2,764)	(8,068)	(8,472)
Gross profit	2,843	644	5,022	3,490
Other income	264	777	1,958	2,175
Administrative and distribution expenses	(933)	(1,341)	(3,652)	(4,498)
Finance cost	(42)	(16)	(110)	(126)
Profit before tax	2,132	64	3,218	1,041
Income tax expense	B5 (21)	(4)	(79)	(45)
Profit for the period	2,111	60	3,139	996
Attributable to :				
Equity holders of the parent	2,113	61	3,146	998
Minority Interest	(2)	(1)	(7)	(2)
	2,111	60	3,139	996
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 1.670	0.048	2.487	0.789

(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 2009

(The figures have not been audited)

	Unaudited 31 Dec 2009 RM'000	Audited 31 Dec 2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,605	1,436
Prepaid lease payments	2,680	2,721
Intangible assets	4,062	659
	<u>8,347</u>	<u>4,816</u>
Current Assets		
Inventories	311	271
Trade receivables	10,032	10,552
Other receivables	885	1,743
Deposits, cash and bank balances	9,874	7,637
	<u>21,102</u>	<u>20,203</u>
TOTAL ASSETS	<u>29,449</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	4,988	3,107
	<u>21,694</u>	<u>19,813</u>
Minority interest	29	36
Total equity	<u>21,723</u>	<u>19,849</u>
Non-Current Liabilities		
Deferred taxation	176	134
Borrowings	B9 1,464	505
	<u>1,640</u>	<u>639</u>
Current Liabilities		
Trade payables	3,144	3,213
Other payable & accruals	2,249	116
Borrowings	B9 693	1,202
	<u>6,086</u>	<u>4,531</u>
Total liabilities	<u>7,726</u>	<u>5,170</u>
TOTAL EQUITY AND LIABILITIES	<u>29,449</u>	<u>25,019</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1715</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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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASHFLOW STATEMENTS AS AT 31 DEC 2009

(The figures have not been audited)

	12 months Ended 31 Dec 2009 RM'000	12 months Ended 31 Dec 2008 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,218	1,041
Adjustment for :		
Depreciation of property, plant and equipment	267	240
Amortisation of prepaid lease payments	41	42
Amortisation of development expenditure	93	221
Interest expense	110	126
Interest income	(193)	(183)
Operating profit before working capital changes	<u>3,536</u>	<u>1,487</u>
Working capital changes :		
Increase in inventories	(40)	(48)
Decrease/(increase) in receivables	1,395	(1,131)
Increase in payables	<u>2,064</u>	<u>670</u>
Cash generated from operating activities	6,955	978
Interest paid	(110)	(126)
Tax paid	<u>(54)</u>	<u>(41)</u>
Net cash generated from operating activities	<u>6,791</u>	<u>811</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(436)	(288)
Development costs incurred	(3,496)	(264)
Interest income	193	183
Net cash used in investing activities	<u>(3,739)</u>	<u>(369)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	450	(656)
Payment of dividend	<u>(1,265)</u>	<u>(633)</u>
Net cash used in financing activities	<u>(815)</u>	<u>(1,289)</u>
Net increase/(decrease) in cash and cash equivalents	2,237	(847)
Cash and cash equivalents at beginning of financial year	<u>7,637</u>	<u>8,484</u>
Cash and cash equivalents at end of financial year	<u>9,874</u>	<u>7,637</u>

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

	2009 RM'000	2008 RM'000
Deposits with licensed banks	5,941	5,824
Deposits with a money market fund	813	-
Deposits with a financial institution	815	-
Cash at bank	<u>2,305</u>	<u>1,813</u>
	<u>9,874</u>	<u>7,637</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 31 DEC 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			Total RM'000
At 1 January 2008	12,652	4,054	-	2,744	19,450	38	19,488
Profit/(loss) for the period	-	-	-	998	998	(2)	996
Dividend paid	-	-	-	(633)	(633)	-	(633)
At 31 Dec 2008 (unaudited)	12,652	4,054	-	3,109	19,815	36	19,851
At 1 January 2009 (audited)	12,652	4,054	-	3,107	19,813	36	19,849
Profit/(loss) for the period	-	-	-	3,146	3,146	(7)	3,139
Dividend paid	-	-	-	(1,265)	(1,265)	-	(1,265)
At 31 Dec 2009	12,652	4,054	-	4,988	21,694	29	21,723

(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 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 Dec 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

An interim tax-exempt dividend of 10% per ordinary share of RM0.10 each amounting to RM1,265,220.00 in respect of the financial year ended 31 December 2009 was paid on 24 December 2009.

A9. Segmental information

Segmental information for cumulative 12 months period ended 31 Dec 2009 and 31 Dec 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	11,011	9,314	2,026	2,648	13,037	11,962
Gross profit	4,147	2,517	875	973	5,022	3,490
Other income					1,958	2,175
Administrative and distribution expenses and finance cost					(3,762)	(4,624)
Profit before taxation ("PBT")					3,218	1,041
Taxation					(79)	(45)
Profit for the period					3,139	996

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

During the current quarter under review, the Group continued to achieve higher revenue and PBT of RM6.458 million and RM2.132 million as compared to RM3.408 million and RM64,000 respectively achieved in the same quarter prior year. The significant increases in revenue and PBT were due to increased order book in the last quarter and recognition of higher value of SOLTEQ equipments and R&D projects.

The cumulative current year to date (YTD) revenue recorded is RM13.09 million as compared to RM11.962 million for the same period in preceding year. PBT for current YTD increased to RM3.218 million from RM1.041 million recorded for the same period in preceding year. Total R&D expenditure recognised for the two projects during the quarter under review was approximately RM805,000 .

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

The current quarter revenue of the Group increased to RM6.458 million from RM3.060 million recorded in the immediate preceding quarter. The increase in revenue for the current quarter under review was due to improved profit margin and acceleration of work activities on higher value SOLTEQ R&D projects which resulted in a higher PBT of RM2.132 million recorded as compared to immediate preceding quarter's PBT of RM539,000.

B3. Prospects for the financial year ending 31 December 2010

The Group are anticipating favourable financial year 2010 as the two R&D projects namely waste to energy recycling and production of environment-friendly biolubricant baseoil which are currently undertaken by the Group's subsidiaries are expected to complete and commercialise in the financial year 2010. The two projects would have positive impact on the earnings and growth of the Group.

Nevertheless, the Group will continue to focus to promote SOLTEQ equipments locally and overseas to improve the profit margins.

The Board of Directors is optimistic that the Group's financial performance for the financial year ending 31 December 2010 would be further improved.

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	
	31.12.09 RM'000	31.12.08 RM'000	31.12.09 RM'000	31.12.08 RM'000
In respect of the current year taxation	(21)	(4)	(79)	(45)

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 25 February 2010 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 25 February 2010.

(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	473	-	Completed
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	8,473	-

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 31 Dec 2009 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	150	1,269	1,419
Hire purchase	83	195	278
Trust receipts	460	-	460
Total	<u>693</u>	<u>1,464</u>	<u>2,157</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

An interim tax-exempt dividend of 10% per ordinary share of RM0.10 each amounting to RM1,265,220.00 in respect of the financial year ended 31 December 2009 was paid on 24 December 2009.

B13. Earnings per share

	Individual		Cumulative	
	Quarter ended 31.12.09	Quarter ended 31.12.08	Quarter ended 31.12.09	Quarter ended 31.12.08
Net profit for the period attributable to equity holders (RM'000)	2,113	61	3,146	998
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	<u>1.670</u>	<u>0.048</u>	<u>2.487</u>	<u>0.789</u>

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