

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 MAR 2010

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Jan 10 to 31 Mar 10	1 Jan 09 to 31 Mar 09	1 Jan 10 to 31 Mar 10	1 Jan 09 to 31 Mar 09
	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	3,437	1,363	3,437	1,363
Cost of sale	(2,086)	(848)	(2,086)	(848)
Gross profit	1,351	515	1,351	515
Other income	1,717	631	1,717	631
Administrative and distribution expenses	(2,223)	(898)	(2,223)	(898)
Finance cost	(27)	(20)	(27)	(20)
Profit before tax	818	228	818	228
Income tax expense	B5 (70)	(25)	(70)	(25)
Profit for the period	748	203	748	203
Attributable to :				
Equity holders of the parent	750	204	750	204
Minority Interest	(2)	(1)	(2)	(1)
	748	203	748	203
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.593	0.161	0.593	0.161

(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 MAR 2010

(The figures have not been audited)

	Unaudited 31 Mar 2010 RM'000	Audited 31 Dec 2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,570	1,605
Prepaid lease payments	2,670	2,680
Intangible assets	4,072	4,062
	8,312	8,347
Current Assets		
Inventories	386	311
Trade and other receivables	11,132	10,890
Tax recoverable	4	18
Deposits, cash and bank balances	10,073	9,974
	21,595	21,193
TOTAL ASSETS	29,907	29,540
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12,652	12,652
Retained earnings	9,784	9,034
	22,436	21,686
Minority interest	26	28
Total equity	22,462	21,714
Non-Current Liabilities		
Hire purchase creditors	B9 129	195
Term Loan	B9 1,237	1,332
Deferred income tax liabilities	186	176
	1,552	1,703
Current Liabilities		
Trade and other payables	3,469	5,394
Hire purchase creditors	B9 129	83
Term Loan	B9 149	87
Trust receipt	B9 2,117	460
Bank overdraft	B9 -	99
Provision for taxation	B5 29	-
	5,893	6,123
Total liabilities	7,445	7,826
TOTAL EQUITY AND LIABILITIES	29,907	29,540
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	0.1773	0.1714

(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 MAR 2010

(The figures have not been audited)

	3 months Ended 31 Mar 2010 RM'000	3 months Ended 31 Mar 2009 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	818	228
Adjustment for :		
Depreciation of property, plant and equipment	67	66
Amortisation of prepaid lease payments	10	10
Amortisation of development expenditure	23	23
Interest expense	27	20
Interest income	(31)	(53)
Operating profit before working capital changes	<u>914</u>	<u>294</u>
Working capital changes :		
Increase in inventories	(75)	(8)
(Increase)/decrease in receivables	(242)	5,303
Increase in payables	(1,934)	(422)
Cash (used in)/generated from operating activities	<u>(1,337)</u>	<u>5,167</u>
Interest paid	(27)	(20)
Tax paid	(7)	(17)
Net cash (used in)/generated from operating activities	<u>(1,371)</u>	<u>5,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(32)	(184)
Development costs incurred	(33)	(285)
Interest income	31	53
Net cash used in investing activities	<u>(34)</u>	<u>(416)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Trust receipts	1,657	(751)
Repayment of term loan	(33)	-
Payments of hire purchase obligations	(20)	-
Net cash generated from/(used in) financing activities	<u>1,604</u>	<u>(751)</u>
Net increase in cash and cash equivalents	199	3,963
Cash and cash equivalents at beginning of financial period	<u>9,874</u>	<u>7,637</u>
Cash and cash equivalents at end of financial period	<u><u>10,073</u></u>	<u><u>11,600</u></u>

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

	2010 RM'000	2009 RM'000
Deposits with licensed banks	4,957	6,662
Deposits with a money market fund	816	800
Deposits with financial institutions	1,820	800
Cash at bank	2,480	3,338
	<u><u>10,073</u></u>	<u><u>11,600</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 QUARTER ENDED 31 MAR 2010

(The figures have not been audited)

	Attributable to Equity Holders of the SEHB				Minority Interest	Total Equity	
	Share Capital	-----Non-distributable----- Share Premium	Other Reserves	Distributable Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009	12,652	4,054	-	3,107	19,813	36	19,849
Profit/(loss) for the period	-	-	-	204	204	(1)	203
At 31 Mar 2009 (unaudited)	12,652	4,054	-	3,311	20,017	35	20,052
At 1 January 2010 (audited)	12,652	4,054	-	4,980	21,686	28	21,714
Profit/(loss) for the period	-	-	-	750	750	(2)	748
At 31 Mar 2010	12,652	4,054	-	5,730	22,436	26	22,462

(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 2009.

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 2009 except for the following new and revised Malaysian Financial Reporting Standards (FRSs), amendments and other interpretations that are effective and applicable for financial year beginning on or after 1 January 2010 :

FRS 2	Share-based Payment (revised)
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
FRS 132	Financial Instruments: Presentation (revised)
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of the above did not have any significant effects on the interim financial statements 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 2009 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 31 Mar 2010.

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

There was no dividend paid during the current quarter.

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

A9. Segmental information

Segmental information for cumulative 3 months period ended 31 Mar 2010 and 31 Mar 2009 are as follows:

	Malaysia		Overseas		Consolidated	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	2,954	1,008	483	355	3,437	1,363
Gross profit	1,099	329	252	186	1,351	515
Other income					1,717	631
Administrative and distribution expenses and finance cost					(2,250)	(918)
Profit before taxation ("PBT")					818	228
Taxation					(70)	(25)
Profit for the period					748	203

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

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 achieved higher revenue and PBT of RM3.4 million and RM818,000 as compared to RM1.363 million and RM203,000 respectively achieved in the same quarter prior year. The significant increases in revenue and PBT were the result of the Group recognising higher value of SOLTEQ equipments.

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

The current quarter revenue of the Group decreased to RM3.437 million from RM6.458 million recorded in the immediate preceding quarter. As a result of lower revenue recognised, the Group posted a lower profit before tax of RM818,000 as compared to a profit before taxation of RM2.132 million in the immediate preceding quarter.

B3. Prospects for the financial year ending 31 December 2010

The Group expects an increase in demand for government R&D projects and SOLTEQ equipment from both local and overseas front. The progress of the Company to commercialise its R&D activities in biolubricant and waste recycling plants is encouraging. As such, the Board of Directors is optimistic of achieving a higher revenue for current financial year.

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	
	31.3.10	31.3.09	31.3.10	31.3.09
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	60	15	60	15
Deferred taxation				
Transferred to deferred income tax	10	10	10	10
	<u>70</u>	<u>25</u>	<u>70</u>	<u>25</u>

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.

The tax exemption period had ceased on 31 Jan 2010. The current quarter taxation is provided for estimated taxable profits by the subsidiary for February and March 2010 period.

Income tax expense for corresponding quarter preceding year 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 20 May 2010 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 20 May 2010.

(b) Utilisation of listing proceeds from initial public offering

There was no utilised proceeds.

B9. Group borrowings and debt securities

Details of the Group's borrowings as at 31 Mar 2010 are as follows :

	Short-Term	Long-Term	Total
	RM'000	RM'000	RM'000
Secured :			
Term loan	149	1,237	1,386
Hire purchase	129	129	258
Trust receipts	2,117	-	2,117
Total	<u>2,395</u>	<u>1,366</u>	<u>3,761</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.

**B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS FOR THE MESDAQ MARKET (CONTD.)****B12. Dividends**

The Board is pleased to declare First Interim tax-exempt dividend of 5% per ordinary share of RM0.10 (RM0.005 per share) amounting to RM632,610 in respect of the financial year ending 31 December 2010 (2009: tax-exempt 1.0 sen per ordinary ; RM1,265,220).

The dividend will be paid on 14 June 2010 to all shareholders whose names appear in the Record of Depositors at the close of business on 7 June 2010.

B13. Earnings per share

	Individual		Cumulative	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31.3.10	31.3.09	31.3.10	31.3.09
Net profit for the period attributable to equity holders (RM'000)	750	204	750	204
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.593	0.161	0.593	0.161

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