

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 JUNE 2010**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Apr 10 to 30 June 10	1 Apr 09 to 30 June 09 Preceding Year	1 Jan 10 to 30 June 10	1 Jan 09 to 30 June 09 Preceding Year To-Date
	Current Quarter RM'000	Corresponding Quarter RM'000	Current Year To-Date RM'000	Corresponding Quarter RM'000
Revenue	3,780	2,209	7,217	3,572
Cost of sale	(2,547)	(1,490)	(4,633)	(2,338)
Gross profit	1,233	719	2,584	1,234
Other income	79	449	1,796	1,080
Administrative and distribution expenses	(609)	(829)	(2,832)	(1,727)
Finance cost	(34)	(19)	(61)	(39)
Share of net profit from associated company	3	-	3	-
Profit before tax	672	320	1,490	548
Income tax expense	B5 (164)	(13)	(234)	(38)
Profit for the period	508	307	1,256	510
Attributable to :				
Equity holders of the parent	510	308	1,260	512
Minority Interest	(2)	(1)	(4)	(2)
	508	307	1,256	510
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.403	0.243	0.996	0.405

(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**

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2010**

(The figures have not been audited)

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 Dec 2009 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,654	1,605
Prepaid lease payments	2,657	2,680
Investment in an associated company	997	-
Intangible assets	4,573	4,062
	9,881	8,347
<b>Current Assets</b>		
Inventories	371	311
Trade and other receivables	12,635	10,890
Tax recoverable	4	18
Deposits, cash and bank balances	5,272	9,974
	18,282	21,193
<b>TOTAL ASSETS</b>	28,163	29,540
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	12,652	12,652
Retained earnings	9,661	9,034
	22,313	21,686
<b>Minority interest</b>	24	28
<b>Total equity</b>	22,337	21,714
<b>Non-Current Liabilities</b>		
Hire purchase creditors	B9 212	195
Term Loan	B9 1,273	1,332
Deferred income tax liabilities	196	176
	1,681	1,703
<b>Current Liabilities</b>		
Trade and other payables	3,060	5,394
Hire purchase creditors	B9 150	83
Term Loan	B9 88	87
Trust receipt	B9 396	460
Bank overdraft	B9 281	99
Provision for taxation	B5 170	-
	4,145	6,123
<b>Total liabilities</b>	5,826	7,826
<b>TOTAL EQUITY AND LIABILITIES</b>	28,163	29,540
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	0.1764	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 30 JUNE 2010**

(The figures have not been audited)

	<b>6 months Ended 30 June 2010 RM'000</b>	<b>6 months Ended 30 June 2009 RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,490	548
Adjustment for :		
Depreciation of property, plant and equipment	132	137
Amortisation of prepaid lease payments	23	20
Amortisation of development expenditure	47	47
Loss on disposal of property, plant and equipment	25	-
Interest expense	61	39
Interest income	(62)	(103)
Share of net profit from an associate company	3	-
Operating profit before working capital changes	<u>1,719</u>	<u>688</u>
Working capital changes :		
Increase in inventories	(60)	(59)
(Increase)/decrease in receivables	(1,757)	4,516
Decrease in payables	<u>(2,342)</u>	<u>(11)</u>
Cash (used in)/generated from operating activities	(2,440)	5,134
Interest paid	(55)	(39)
Tax paid	<u>(21)</u>	<u>(32)</u>
Net cash (used in)/generated from operating activities	<u>(2,516)</u>	<u>5,063</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(206)	(512)
Development costs incurred	(558)	(1,275)
Interest income	62	103
Investment in an associated company	<u>(994)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,696)</u>	<u>(1,684)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of borrowings	(38)	234
Payment of dividend	<u>(633)</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(671)</u>	<u>234</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(4,883)	3,613
<b>Cash and cash equivalents at beginning of financial period</b>	<u>9,874</u>	<u>7,637</u>
<b>Cash and cash equivalents at end of financial period</b>	<u><b>4,991</b></u>	<u><b>11,250</b></u>

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

	<b>2010 RM'000</b>	<b>2009 RM'000</b>
Deposits with licensed banks	3,910	6,673
Deposits with a money market fund	-	804
Deposits with financial institutions	-	805
Cash at bank	1,362	2,968
Bank overdraft	<u>(281)</u>	<u>-</u>
	<u><b>4,991</b></u>	<u><b>11,250</b></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 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	-	-	-	512	512	(2)	510
At 30 June 2009 (unaudited)	12,652	4,054	-	3,619	20,325	34	20,359
At 1 January 2010 (audited)	12,652	4,054	-	4,980	21,686	28	21,714
Profit/(loss) for the period	-	-	-	1,260	1,260	(4)	1,256
Dividend paid	-	-	-	(633)	(633)	-	(633)
At 30 June 2010	12,652	4,054	-	5,607	22,313	24	22,337

(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 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 30 June 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**

During the quarter under review, an 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 was paid on 14 June 2010.

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

**A9. Segmental information**

Segmental information for cumulative 6 months period ended 30 June 2010 and 30 June 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	6,177	2,898	1,040	674	7,217	3,572
Gross profit	2,233	960	351	274	2,584	1,234
Other income					1,796	1,080
Administrative and distribution expenses and finance cost					(2,893)	(1,766)
Share of net profit from associated company					3	-
Profit before taxation ("PBT")					1,490	548
Taxation					(234)	(38)
Profit for the period					1,256	510

**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**

On 31 May 2010, the Group acquired 216,000 ordinary shares of RM1.00 each, representing 30% of the issued and paid up share capital of Global Plus Solutions Sdn Bhd (GPS) for a total consideration of RM993,600. With the acquisition, GPS will become an associate company of the Group.

Save as disclosed above, there were no other changes affecting 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 ACE MARKET****B1. Review of performance**

The current quarter under review showed the Group achieved revenue of RM3.78 million and PBT of RM672,000 as compared to a revenue of RM2.209 million and PBT of RM320,000 achieved in the same quarter prior year. The significant increases in revenue and PBT were the result of the Group recognising higher turnover of SOLTEQ equipments.

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

The current quarter revenue of the Group increased to RM3.78 million from RM3.437 million recorded in the immediate preceding quarter. Despite higher revenue recognised, the Group posted a lower profit before tax of RM672,000 as compared to a profit before taxation of RM818,000 in the immediate preceding quarter due to completion of lower value projects in the current quarter.

**B3. Prospects for the financial year ending 31 December 2010**

The Board expects a better performance in the second half of the year ending 31 December 2010 with more jobs secured in the current quarter under review and positive indication of good response from our potential customers in R&D projects and SOLTEQ equipment from both local and international markets.

**B4. Profit guarantee**

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

**B5. Taxation**

	Quarter ended		Year- to-date	
	30.6.10 RM'000	30.6.09 RM'000	30.6.10 RM'000	30.6.09 RM'000
<b>Current taxation</b>				
Estimate for the period	154	3	214	28
<b>Deferred taxation</b>				
Transferred to deferred income tax	10	10	20	10
	<u>164</u>	<u>13</u>	<u>234</u>	<u>38</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 the quarter under review.

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 to date.

**B7. Purchase or disposal of quoted securities**

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

**B8. Status of corporate proposals announced but not completed as at 25 August 2010 and status of utilisation of proceeds**

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

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

There was no unutilised proceeds.

**B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE ACE MARKET (CONTD.)****B9. Group borrowings and debt securities**

Details of the Group's borrowings as at 30 June 2010 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	88	1,273	1,361
Hire purchase	150	212	362
Trust receipts	396	-	396
Bank overdraft	281	-	281
Total	915	1,485	2,400

**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**

There were no dividends declared during the current quarter under review.

**B13. Earnings per share**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>Quarter ended 30.6.10</b>	<b>Quarter ended 30.6.09</b>	<b>Quarter ended 30.6.10</b>	<b>Quarter ended 30.6.09</b>
Net profit for the period attributable to equity holders (RM'000)	510	308	1,260	512
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.403	0.243	0.996	0.405

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