

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2010

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Jan 10 to 30 Sept 10	1 Jan 09 to 30 Sept 09	1 Jan 10 to 30 Sept 10	1 Jan 09 to 30 Sept 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	4,495	3,060	11,713	6,632
Cost of sale	(3,321)	(2,114)	(7,954)	(4,452)
Gross profit	1,174	946	3,759	2,180
Other income	65	614	1,863	1,694
Administrative and distribution expenses	(613)	(992)	(3,445)	(2,719)
Finance cost	(42)	(29)	(103)	(68)
Share of net profit from associated company	27	-	27	-
Profit before tax	611	539	2,101	1,087
Income tax expense	B5 (195)	(20)	(428)	(58)
Profit for the period	416	519	1,673	1,029
Attributable to :				
Equity holders of the parent	419	522	1,680	1,034
Minority Interest	(3)	(3)	(7)	(5)
	416	519	1,673	1,029
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.331	0.413	1.328	0.817

(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 SEPTEMBER 2010

(The figures have not been audited)

	Unaudited 30 September 2010 RM'000	Audited 31 Dec 2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,596	1,605
Prepaid lease payments	2,647	2,680
Investment in an associated company	1,020	-
Intangible assets	5,151	4,062
	<u>10,414</u>	<u>8,347</u>
Current Assets		
Inventories	398	311
Trade and other receivables	13,483	10,890
Tax recoverable	4	18
Deposits, cash and bank balances	5,519	9,974
	<u>19,404</u>	<u>21,193</u>
TOTAL ASSETS	<u>29,818</u>	<u>29,540</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	12,652	12,652
Retained earnings	8,816	9,034
	<u>21,468</u>	<u>21,686</u>
Minority interest	<u>21</u>	<u>28</u>
Total equity	<u>21,489</u>	<u>21,714</u>
Non-Current Liabilities		
Hire purchase creditors	B9 183	195
Term Loan	B9 1,193	1,332
Deferred income tax liabilities	391	176
	<u>1,767</u>	<u>1,703</u>
Current Liabilities		
Trade and other payables	6,083	5,394
Hire purchase creditors	B9 149	83
Term Loan	B9 149	87
Trust receipt	B9 -	460
Bank overdraft	B9 146	99
Provision for taxation	B5 35	-
	<u>6,562</u>	<u>6,123</u>
Total liabilities	<u>8,329</u>	<u>7,826</u>
TOTAL EQUITY AND LIABILITIES	<u>29,818</u>	<u>29,540</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1697</u>	<u>0.1714</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 SEPTEMBER 2010
(The figures have not been audited)**

	3 months Ended 30 September 2010 RM'000	3 months Ended 30 September 2009 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,415	1,087
Adjustment for :		
Depreciation of property, plant and equipment	198	151
Amortisation of prepaid lease payments	31	31
Amortisation of development expenditure	70	70
Loss on disposal of property, plant and equipment	23	
Interest expense	103	68
Interest income	(85)	(149)
Share of net profit from associated company	(7)	-
Operating profit before working capital changes	<u>2,748</u>	<u>1,258</u>
Working capital changes :		
Increase in inventories	(87)	(126)
(Increase)/decrease in receivables	(2,919)	2,725
Increase in payables	(573)	886
Cash (used in)/generated from operating activities	<u>(831)</u>	<u>4,743</u>
Interest paid	(103)	(68)
Tax paid	(155)	(39)
Net cash (used in)/generated from operating activities	<u>(1,089)</u>	<u>4,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(213)	(245)
Development costs incurred	(1,159)	(2,691)
Investment in an associated company	(994)	-
Interest income	85	149
Net cash used in investing activities	<u>(2,281)</u>	<u>(2,787)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Trust receipts	-	719
Net of borrowings	(483)	-
Payments of dividend	(632)	-
Net cash generated (used in)/from financing activities	<u>(1,115)</u>	<u>719</u>
Net (decrease)/increase in cash and cash equivalents	<u>(4,485)</u>	<u>2,568</u>
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>5,389</u></u>	<u><u>10,205</u></u>

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

	2010 RM'000	2009 RM'000
Deposits with licensed banks	3,914	6,546
Deposits with a money market fund	-	809
Deposits with financial institutions	-	810
Cash at bank	1,330	2,040
Bank overdraft	145	-
	<u><u>5,389</u></u>	<u><u>10,205</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 30 SEPTEMBER 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	-	-	-	1,034	1,034	(5)	1,029
At 30 September 2009 (unaudited)	12,652	4,054	-	4,141	20,847	31	20,878
At 1 January 2010 (audited)	12,652	4,054	-	4,980	21,686	28	21,714
Profit/(loss) for the period	-	-	-	1,680	1,680	(7)	1,673
Dividend paid	-	-	-	(1,898)	(1,898)	-	(1,898)
At 30 September 2010	12,652	4,054	-	4,762	21,468	21	21,489

(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 30 September 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 were no dividends paid during the current quarter under review.

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

A9. Segmental information

Segmental information for cumulative 3 months period ended 30 September 2010 and 30 September 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	10,059	5,585	1,654	1,047	11,713	6,632
Gross profit	3,187	1,770	572	410	3,759	2,180
Other income					1,863	1,694
Administrative and distribution expenses and finance cost					(3,548)	(2,787)
Share of net profit from associated company					27	0
Profit before taxation ("PBT")					2,101	1,087
Taxation					(428)	(58)
Profit for the period					1,673	1,029

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 associated company of the Group

Save as disclosed below, 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 MESDAQ MARKET**B1. Review of performance**

During the current quarter under review, the Group achieved revenue and PBT of RM4.495 million and RM611,000 as compared to RM3.06 million and PBT of RM539,000 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 increased to RM4.495 million from RM3.780 million recorded in the immediate preceding quarter due to Despite higher revenue recognised, the Group posted a lower profit before tax of RM611,000 as compared to a profit before taxation of RM672,000 on in the immediate preceding quarter due to higher administrative and distribution expenses to generate revenue.

B3. Prospects for the financial year ending 31 December 2010

The progress of company is encouraging and the Board of Directors is optimistic of achieving a higher revenue for current financial year.

B4. Profit guarantee

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

B5. Taxation

	Quarter ended		Year- to-date	
	30.9.10	30.9.09	30.9.10	30.9.09
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	185	10	418	48
Deferred taxation				
Transferred to deferred income tax	10	10	10	10
	<u>195</u>	<u>20</u>	<u>428</u>	<u>58</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 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 23 November 2010 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 23 November 2010.

(b) Utilisation of listing proceeds from initial public offering

There was no utilised proceeds.

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 September 2010 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	149	1,193	1,342
Hire purchase	149	183	332
Bank overdraft	146	-	146
Total	444	1,376	1,820

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 second Interim tax-exempt dividend of 10% per ordinary share of RM0.10 (RM0.010 per share) amounting to RM1,265,220 in respect of the financial year ending 31 December 2010 (2009: tax-exempt 1.0 sen per ordinary share : RM1,265,220).

The dividend will be paid on 24 December 2010 to all shareholders whose names appear in the Record of Depositors at the close of business on 13 December 2010.

B13. Earnings per share

	Individual		Cumulative	
	Quarter ended 30.9.10	Quarter ended 30.9.09	Quarter ended 30.9.10	Quarter ended 30.9.09
Net profit for the period attributable to equity holders (RM'000)	419	522	1,680	1,034
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.331	0.413	1.328	0.817

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