

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DEC 2010

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Oct 10 to 31 Dec 10	1 Oct 09 to 31 Dec 09	1 Jan 10 to 31 Dec 10	1 Jan 09 to 31 Dec 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	6,379	6,458	18,092	13,090
Cost of sale	(5,071)	(3,615)	(13,025)	(8,068)
Gross profit	1,308	2,843	5,067	5,022
Other income	2,189	264	4,052	1,958
Administrative and distribution expenses	(2,689)	(933)	(6,134)	(3,652)
Finance cost	(57)	(42)	(160)	(110)
Share of net profit from associated company	10	-	37	-
Profit before tax	761	2,132	2,862	3,218
Income tax expense	B5 (451)	(21)	(880)	(79)
Profit for the period	310	2,111	1,982	3,139
Attributable to :				
Equity holders of the parent	311	2,113	1,989	3,146
Minority Interest	(1)	(2)	(7)	(7)
	310	2,111	1,982	3,139
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.246	1.670	1.572	2.487

(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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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DEC 2010

(The figures have not been audited)

	Unaudited 31 Dec 2010 RM'000	Audited 31 Dec 2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,524	1,605
Prepaid lease payments	2,638	2,680
Investment in an associated company	1,031	-
Intangible assets	3,516	4,062
	<u>8,709</u>	<u>8,347</u>
Current Assets		
Inventories	410	311
Trade receivables	12,143	10,144
Other receivables	3,567	746
Tax recoverable	4	18
Deposits, cash and bank balances	6,472	9,974
	<u>22,596</u>	<u>21,193</u>
TOTAL ASSETS	<u>31,305</u>	<u>29,540</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	5,071	4,980
	<u>21,777</u>	<u>21,686</u>
Minority interest	21	28
Total equity	<u>21,798</u>	<u>21,714</u>
Non-Current Liabilities		
Hire purchase creditors	B9 166	-
Term Loan	B9 1,171	1,527
Deferred taxation	262	176
	<u>1,599</u>	<u>1,527</u>
Current Liabilities		
Hire purchase creditors	B9 150	-
Term Loan	B9 149	730
Trade payables	5,898	4,223
Other payable & accruals	1,462	1,170
Provision for taxation	249	-
	<u>7,908</u>	<u>5,393</u>
Total liabilities	<u>9,507</u>	<u>6,920</u>
TOTAL EQUITY AND LIABILITIES	<u>31,305</u>	<u>28,634</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1721</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)

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CONDENSED CONSOLIDATED CASHFLOW STATEMENTS AS AT 31 DEC 2010

(The figures have not been audited)

	12 months Ended 31 Dec 2010 RM'000	12 months Ended 31 Dec 2009 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,832	3,218
Adjustment for :		
Depreciation of property, plant and equipment	288	267
Amortisation of prepaid lease payments	41	41
Amortisation of development expenditure	93	93
Loss on disposal of property, plant and equipment	23	
Interest expense	160	110
Interest income	(118)	(193)
Share of net profit from associated company	(7)	-
Operating profit before working capital changes	<u>3,312</u>	<u>3,536</u>
Working capital changes :		
Increase in inventories	(99)	(40)
(Increase)/decrease in receivables	(4,820)	1,395
Decrease in payables	1,969	2,064
Cash generated from operating activities	<u>362</u>	<u>6,955</u>
Interest paid	(160)	(110)
Tax paid	(521)	(54)
Net cash (used in)/ generated from operating activities	<u>(319)</u>	<u>6,791</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(240)	(436)
Development costs incurred	453	(3,496)
Investment in an associated company	(994)	-
Interest income	118	193
Net cash used in investing activities	<u>(663)</u>	<u>(3,739)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	(522)	450
Payment of dividend	(1,898)	(1,265)
Net cash used in financing activities	<u>(2,420)</u>	<u>(815)</u>
Net increase/(decrease) in cash and cash equivalents	(3,402)	2,237
Cash and cash equivalents at beginning of financial year	9,874	7,637
Cash and cash equivalents at end of financial year	<u>6,472</u>	<u>9,874</u>

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

	2010 RM'000	2009 RM'000
Deposits with licensed banks	-	5,941
Deposits with a money market fund	-	813
Deposits with a financial institution	3,398	815
Cash at bank	3,074	2,305
	<u>6,472</u>	<u>9,874</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 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	-	-	-	3,146	3,146	(7)	3,139
Dividend paid	-	-	-	(1,265)	(1,265)	-	(1,265)
At 31 Dec 2009 (unaudited)	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>4,988</u>	<u>21,694</u>	<u>29</u>	<u>21,723</u>
At 1 January 2010 (audited)	12,652	4,054	-	4,980	21,686	28	21,714
Profit/(loss) for the period	-	-	-	1,989	1,989	(7)	1,982
Dividend paid	-	-	-	(1,898)	(1,898)	-	(1,898)
At 31 Dec 2010	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>5,071</u>	<u>21,777</u>	<u>21</u>	<u>21,798</u>

(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 Dec 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

Second 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 2010 was paid on 24 December 2010.

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

A9. Segmental information

Segmental information for cumulative 12 months period ended 31 Dec 2010 and 31 Dec 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	15,883	11,011	2,209	2,026	18,092	13,037
Gross profit	4,186	4,147	881	875	5,067	5,022
Other income					4,052	1,958
Administrative and distribution expenses and finance cost					(6,294)	(3,762)
Share of net profit from associated company					37	0
Profit before taxation ("PBT")					2,862	3,218
Taxation					(880)	(79)
Profit for the period					1,982	3,139

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 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 MESDAQ MARKET

B1. Review of performance

During the current quarter under review, revenue and PBT of the Group decreased to RM6.379 million and RM0.761 million as compared to RM6.458 million and RM2.132 million respectively recorded in the same quarter prior year. The lower PBT was due to lower profit margins as a result of steep competitions.

The cumulative current year to date (YTD) revenue recorded is RM18.09 million as compared to RM13.09 million for the same period in preceding year. However, PBT for current YTD decreased to RM2.862 million from RM3.218 million recorded for the same period in preceding year. Total R&D expenditure recognised during the quarter under review was approximately RM2.45 million .

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

The current quarter revenue of the Group increased to RM6.379 million from RM4.495 million recorded in the immediate preceding quarter. The Group posted a higher profit before tax of RM761,000 as compared to a profit before taxation of RM611,000 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

Due to the uncertainties of the market that the company is operating in, the company will continue to enhance its competitiveness and cost effectiveness in the operations. The Board of Directors is cautiously optimistic that the prospect of the Group's financial performance for the financial year ending 31 December 2011 would be maintaining.

B4. Profit guarantee

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

B5. Taxation

	Quarter ended		Year- to-date	
	31.12.10	31.12.09	31.12.10	31.12.09
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Estimate for the period	395	11	794	37
Deferred taxation				
Transferred to deferred income tax	56	10	86	42
	<u>451</u>	<u>21</u>	<u>880</u>	<u>79</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.

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

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 28 February 2011 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 28 February 2011.

(b) Utilisation of listing proceeds from initial public offering

There was no unutilised proceeds.

B9. Group borrowings and debt securities

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

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	149	1,171	1,320
Hire purchase	150	166	316
Total	299	1,337	1,636

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 was a declaration of tax-exempt dividend of 10% per ordinary share of RM0.10 amounting to RM1,265,220 on 24 November 2010, during the current quarter under review .

B13. Earnings per share

	Current Quarter ended 31.12.10	Comparative Quarter ended 31.12.09	Current year to date ended 31.12.10	Preceding year to date ended 31.12.09
Net profit for the period attributable to equity holders (RM'000)	311	2,113	1,989	3,146
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.246	1.670	1.572	2.487

BY ORDER OF THE BOARD
SOLUTION ENGINEERING HOLDINGS BERHAD