

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 MAC 2011

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Jan 11 to 31 Mac 11	1 Jan 10 to 31 Mac 10	1 Jan 11 to 31 Mac 11	1 Jan 10 to 31 Mac 10
	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	3,260	3,437	3,260	3,437
Cost of sale	(2,156)	(2,086)	(2,156)	(2,086)
Gross profit	1,104	1,351	1,104	1,351
Other income	205	1,717	205	1,717
Administrative and distribution expenses	(621)	(2,223)	(621)	(2,223)
Finance cost	(9)	(27)	(9)	(27)
Share of net profit from associated company	(11)	-	(11)	-
Profit before tax	668	818	668	818
Income tax expense	B5 (212)	(70)	(212)	(70)
Profit for the period	456	748	456	748
Attributable to :				
Equity holders of the parent	457	750	457	750
Minority Interest	(1)	(2)	(1)	(2)
	456	748	456	748
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.361	0.593	0.361	0.593

(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 31 MAC 2011

(The figures have not been audited)

	Unaudited 31 Mac 2011 RM'000	Audited 31 Dec 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,113	4,173
Investment in an associated company	982	1,005
Intangible assets	3,822	3,516
	<u>8,917</u>	<u>8,694</u>
Current Assets		
Inventories	386	407
Trade receivables	12,213	12,141
Other receivables	1,529	3,564
Tax recoverable	-	-
Deposits, cash and bank balances	8,753	6,478
	<u>22,881</u>	<u>22,590</u>
TOTAL ASSETS	<u>31,798</u>	<u>31,284</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	5,568	5,111
	<u>22,274</u>	<u>21,817</u>
Minority interest	20	21
Total equity	<u>22,294</u>	<u>21,838</u>
Non-Current Liabilities		
Hire purchase creditors	B9 199	166
Term Loan	B9 1,132	1,228
Deferred taxation	189	179
	<u>1,520</u>	<u>1,573</u>
Current Liabilities		
Hire purchase creditors	B9 94	149
Term Loan	B9 4,556	91
Trade payables	2,419	5,898
Other payable & accruals	565	1,462
Provision for taxation	350	273
	<u>7,984</u>	<u>7,873</u>
Total liabilities	<u>9,504</u>	<u>9,446</u>
TOTAL EQUITY AND LIABILITIES	<u>31,798</u>	<u>31,284</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1760</u>	<u>0.1724</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 31 MAC 2011

(The figures have not been audited)

	3 months Ended 31 Mac 2011 RM'000	3 months Ended 31 Mac 2010 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	681	818
Adjustment for :		
Depreciation of property, plant and equipment	63	67
Amortisation of prepaid lease payments	10	10
Amortisation of development expenditure	8	23
Loss on disposal of property, plant and equipment	-	-
Interest expense	9	27
Interest income	(45)	(31)
Share of net profit from associated company	(1)	-
Operating profit before working capital changes	<u>725</u>	<u>914</u>
Working capital changes :		
Decrease/(Increase) in inventories	22	(75)
Decrease/ (Increase) in receivables	1,963	(242)
Decrease in payables	(4,310)	(1,934)
Cash used in operating activities	<u>(1,600)</u>	<u>(1,337)</u>
Interest paid	(9)	(27)
Tax paid	(125)	(7)
Net cash used in operating activities	<u>(1,734)</u>	<u>(1,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(13)	(32)
Development costs incurred	(373)	(33)
Investment in an associated company	-	-
Interest income	45	31
Net cash used in investing activities	<u>(341)</u>	<u>(34)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	4,350	1,604
Payment of dividend	-	-
Net cash generated from financing activities	<u>4,350</u>	<u>1,604</u>
Net increase in cash and cash equivalents	2,275	199
Cash and cash equivalents at beginning of financial period	6,478	9,874
Cash and cash equivalents at end of financial period	<u><u>8,753</u></u>	<u><u>10,073</u></u>

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

	2011 RM'000	2010 RM'000
Deposits with licensed banks	-	4,957
Deposits with a money market fund	-	816
Deposits with a financial institution	3,403	1,820
Cash at bank	5,350	2,480
	<u><u>8,753</u></u>	<u><u>10,073</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 MAC 2011

(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 2010	12,652	4,054	-	4,980	21,686	28	21,714
Profit/(loss) for the period	-	-	-	750	750	(2)	748
At 31 Mac 2010 (unaudited)	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>5,730</u>	<u>22,436</u>	<u>26</u>	<u>22,462</u>
At 1 January 2011 (audited)	12,652	4,054	-	5,111	21,817	21	21,838
Profit/(loss) for the period	-	-	-	457	457	(1)	456
At 31 Mac 2011	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>5,568</u>	<u>22,274</u>	<u>20</u>	<u>22,294</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 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 2010.

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 2010 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 2011 :

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
Amendments to FRS 101	- Puttable Financial Instruments and Obligation Arising on Liquidation
Amendments to FRS 117	Leases
FRS 123	Borrowing Costs (revised)
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 132	Financial Instruments : Presentation
	- Puttable Financial Instruments and Obligation Arising on Liquidation
	- Separate of Compound Instrument
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 139	-Reclassification of Financial Assets
	-Collective Assessment of Impairment for Banking Institutions
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 2010 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 Mac 2011.

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 Mac 2011 and 31 Mac 2010 are as follows:

	Malaysia		Overseas		Consolidated	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue	3,160	2,954	100	483	3,260	3,437
Gross profit	1,070	1,099	34	252	1,104	1,351
Other income					205	1,717
Administrative and distribution expenses and finance cost					(630)	(2,250)
Share of net profit from associated company					(11)	0
Profit before taxation ("PBT")					668	818
Taxation					(212)	(70)
Profit for the period					456	748

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, revenue and PBT of the Group decreased to RM3.26 million and RM0.668 million as compared to RM3.437 million and RM0.818 million respectively recorded in the same quarter prior year. The lower Profit After Tax was due to the expiry of Pioneer Status on 31 January 2010.

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

The current quarter revenue of the Group decreased to RM3.26 million from RM3.437 million recorded in the immediate preceding quarter. As a result, the Group posted a lower profit before tax of RM0.668 million as compared to a profit before taxation of RM0.818 million 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 2011

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 will be maintained.

B4. Profit guarantee

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

B5. Taxation

	Quarter ended		Year- to-date	
	31.3.11 RM'000	31.3.10 RM'000	31.3.11 RM'000	31.3.10 RM'000
Current taxation				
Estimate for the period	202	60	202	60
Deferred taxation				
Transferred to deferred income tax	10	10	10	10
	<u>212</u>	<u>70</u>	<u>212</u>	<u>70</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 todate.

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 on 16 March 2011 but not completed as at 19 May 2011 and status of utilisation of proceeds

(a) There were two corporate proposals announced on 16 March 2011 but not completed as at 19 May 2011.

(i) proposed bonus issue of 42,174,000 new ordinary shares of RM0.10 each in Solution ("Solution Share(s)") ("Bonus Share(s)") on the basis of one (1) Bonus Share for every three (3) existing Solution Shares held at a date to be determined and announced later ("Proposed Bonus Issue"); and

(ii) proposed amendments of the Memorandum and Articles of Association of Solution ("Proposed Amendments").

(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 Mar 2011 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	149	1,132	1,281
Hire purchase	94	199	293
Trust receipts	4,407	-	4,407
Total	4,650	1,331	5,981

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

	Current Quarter ended 31.3.11	Comparative Quarter ended 31.3.10	Current year to date ended 31.3.11	Preceding year to date ended 31.3.10
Net profit for the period attributable to equity holders (RM'000)	457	750	457	750
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.361	0.593	0.361	0.593

BY ORDER OF THE BOARD
SOLUTION ENGINEERING HOLDINGS BERHAD