

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 JUNE 2011**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Apr 11 to 30 Jun 11	1 Apr 10 to 30 Jun 10	1 Jan 11 to 30 Jun 11	1 Jan 10 to 30 June 10
	Current Quarter RM'000	Preceding Year Corresponding Quarter RM'000	Current Year To-Date RM'000	Current Year To-Date RM'000
Revenue	2,736	3,780	5,997	7,217
Cost of sale	(1,714)	(2,547)	(3,870)	(4,633)
Gross profit	1,022	1,233	2,127	2,584
Other income	48	79	254	1,796
Administrative and distribution expenses	(876)	(609)	(1,498)	(2,832)
Finance cost	(115)	(34)	(124)	(61)
Share of net profit from associated company	15	3	4	3
Profit before tax	94	672	763	1,490
Income tax expense	B5 (43)	(164)	(255)	(234)
Profit / (Loss) for the period	51	508	508	1,256
Attributable to :				
Equity holders of the parent	54	510	512	1,260
Minority Interest	(3)	(2)	(4)	(4)
	51	508	508	1,256
Earnings per share attributable to equity holders of parent :				
Basic, for profit / (loss ) for the period (sen B13	0.032	0.403	0.304	0.996

(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 30 JUN 2011**

(The figures have not been audited)

	<b>Unaudited 30 Jun 2011 RM'000</b>	<b>Audited 31 Dec 2010 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,028	4,173
Investment in an associated company	998	1,005
Intangible assets	3,897	3,516
	<u>8,923</u>	<u>8,694</u>
<b>Current Assets</b>		
Inventories	443	407
Trade receivables	8,554	12,141
Other receivables	1,540	3,564
Tax recoverable	-	-
Deposits, cash and bank balances	7,617	6,478
	<u>18,154</u>	<u>22,590</u>
<b>TOTAL ASSETS</b>	<u>27,077</u>	<u>31,284</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	16,870	12,652
Share premium	-	4,054
Retained earnings	5,459	5,111
	<u>22,329</u>	<u>21,817</u>
<b>Minority interest</b>	17	21
<b>Total equity</b>	<u>22,346</u>	<u>21,838</u>
<b>Non-Current Liabilities</b>		
Hire purchase creditors	B9 172	166
Term Loan	B9 1,095	1,228
Deferred taxation	199	179
	<u>1,466</u>	<u>1,573</u>
<b>Current Liabilities</b>		
Hire purchase creditors	B9 93	149
Term Loan	B9 149	91
Trust Receipts	B9 321	-
Trade payables	1,819	5,898
Other payable & accruals	695	1,462
Provision for taxation	187	273
	<u>3,265</u>	<u>7,873</u>
<b>Total liabilities</b>	<u>4,731</u>	<u>9,446</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>27,077</u>	<u>31,284</u>
Number of ordinary shares in issue ('000)	168,696	126,522
Net assets value per share (RM)	<u>0.1324</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 30 JUNE 2011  
(The figures have not been audited)**

	<b>6 months Ended 30 June 2011 RM'000</b>	<b>6 months Ended 30 June 2010 RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	763	1,490
Adjustment for :		
Depreciation of property, plant and equipment	137	132
Amortisation of prepaid lease payments	21	23
Amortisation of development expenditure	47	47
Loss on disposal of property, plant and equipment		25
Interest expense	124	61
Interest income	(70)	(62)
Share of net profit from an associate company	(4)	3
Operating profit before working capital changes	<u>1,018</u>	<u>1,719</u>
Working capital changes :		
Increase in inventories	(36)	(60)
(Increase)/decrease in receivables	5,613	(1,757)
Decrease in payables	<u>(4,851)</u>	<u>(2,342)</u>
Cash (used in)/generated from operating activities	1,744	(2,440)
Interest paid	(124)	(55)
Tax paid	<u>(249)</u>	<u>(21)</u>
Net cash (used in)/generated from operating activities	<u>1,371</u>	<u>(2,516)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(13)	(206)
Development costs incurred	(487)	(558)
Interest income	70	62
Investment in an associated company	-	(94)
Net cash used in investing activities	<u>(430)</u>	<u>(1,696)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of borrowings	198	(38)
Payment of dividend	-	(633)
Net cash (used in)/generated from financing activities	<u>198</u>	<u>(671)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	1,139	(4,883)
<b>Cash and cash equivalents at beginning of financial period</b>	6,478	9,874
<b>Cash and cash equivalents at end of financial period</b>	<u><u>7,617</u></u>	<u><u>4,991</u></u>

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

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Deposits with licensed banks	3,577	3,910
Deposits with a money market fund	501	-
Deposits with financial institutions	-	-
Cash at bank	3,539	1,362
Bank overdraft	-	(281)
	<u><u>7,617</u></u>	<u><u>4,991</u></u>

(The unaudited Condensed Consolidated Cashflow Statements should be read in conjunction with the accompanying

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No: 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUN 2011**

(The figures have not been audited)

	Attributable to Equity Holders of the SEHB				Total RM'000	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			
At 1 January 2010	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 Jun 2010 (unaudited)	12,652	4,054	-	5,607	22,313	24	22,337
At 1 January 2011 (audited)	12,652	4,054	-	5,111	21,817	21	21,838
Profit/(loss) for the period	-	-	-	512	512	(4)	508
Bonus shares issue	4,218	(4,054)	-	(164)	-	-	-
Dividend paid	-	-	-	-	-	-	-
At 30 Jun 2011 (unaudited)	16,870	0	-	5,459	22,329	17	22,346

(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 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 Jun 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 except for the following :

The company issued of 42,174,000 new ordinary shares of RM0.10 each to the Bonus Issue, on the basis of one (1) Bonus Share for every three (3) existing Solution Shares held as at 6 June 2011.

**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 6 months period ended 30 Jun 2011 and 30 Jun 2010 are as follows:

	Malaysia		Overseas	2010	Consolidated	
	2011	2010	2011		2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	5,640	6,177	357	1,040	5,997	7,217
Gross profit	2,000	2,233	127	351	2,127	2,584
Other income					254	1,796
Administrative and distribution expenses and finance cost					(1,622)	(2,893)
Share of net profit from associated company					4	3
Profit before taxation ("PBT")					763	1,490
Taxation					(255)	(234)
Profit for the period					508	1,256

**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 RM2.736 million and RM0.094 million as compared to RM3.78 million and RM0.672 million respectively recorded in the same quarter prior year.

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

The current quarter revenue of the Group decreased to RM2.736 million from RM3.78 million recorded in the immediate preceding quarter. As a result, the Group posted a lower profit before tax of RM0.094 million as compared to a profit before taxation of RM0.672 million in the immediate preceding quarter due to increase of administrative expenses and finance costs in 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 will continue monitoring to ensure the prospect of the Group's financial performance for the financial year ending 31 December 2011 will improve.

**B4. Profit guarantee**

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

**B5. Taxation**

	Quarter ended		Year- to-date	
	30.6.11 RM'000	30.6.10 RM'000	30.6.11 RM'000	30.6.10 RM'000
<b>Current taxation</b>				
Estimate for the period	33	154	235	214
<b>Deferred taxation</b>				
Transferred to deferred income tax	10	10	20	20
	<u>43</u>	<u>164</u>	<u>255</u>	<u>234</u>

**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 19 Aug 2011 and status of utilisation of proceeds**

(a) There were no corporate proposals announced but not completed as at 19 August 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 30 Jun 2011 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
<b>Secured :</b>			
Term loan	149	1,095	1,245
Hire purchase	93	172	265
Trust receipts	321	-	321
<b>Total</b>	<b>564</b>	<b>1,267</b>	<b>1,831</b>

**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 30.6.11	Comparative Quarter ended 30.6.10	Current year to date ended 30.6.11	Preceding year to date ended 30.6.10
Net profit for the period attributable to equity holders (RM'000)	54	510	512	1,260
No. of ordinary shares in issue ('000)	168,696	126,522	168,696	126,522
Basic EPS (sen)	0.032	0.403	0.304	0.996

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