

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2011

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 July 11 to 30 Sep 11	1 July 10 to 30 Sep 10 Preceding Year	1 Jan 11 to 30 Sep 11	1 Jan 10 to 30 Sep 10
	Current Quarter RM'000	Corresponding Quarter RM'000	Current Year To-Date RM'000	Current Year To-Date RM'000
Revenue	2,862	4,495	8,859	11,713
Cost of sale	(2,025)	(3,321)	(5,894)	(7,954)
Gross profit	837	1,174	2,965	3,759
Other income	46	65	300	1,863
Administrative and distribution expenses	(857)	(613)	(2,355)	(3,445)
Finance cost	(16)	(42)	(140)	(103)
Share of net profit from associated company	2	27	6	27
Profit before tax	12	611	776	2,101
Income tax expense	B5 (59)	(195)	(315)	(428)
Profit / (Loss) for the period	(47)	416	461	1,673
Attributable to :				
Equity holders of the parent	(45)	419	467	1,680
Minority Interest	(2)	(3)	(6)	(7)
	(47)	416	461	1,673
Earnings per share attributable to equity holders of parent :				
Basic, for profit / (loss) for the period (sen B13	(0.027)	0.331	0.277	1.328

(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 SEP 2011

(The figures have not been audited)

	Unaudited 30 Sep 2011 RM'000	Audited 31 Dec 2010 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,006	4,173
Investment in an associated company	1,011	1,005
Intangible assets	3,838	3,516
	<u>8,855</u>	<u>8,694</u>
Current Assets		
Inventories	425	407
Trade receivables	10,236	12,141
Other receivables	1,511	3,564
Tax prepayment	375	-
Deposits, cash and bank balances	6,081	6,478
	<u>18,628</u>	<u>22,590</u>
TOTAL ASSETS	<u>27,483</u>	<u>31,284</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	16,870	12,652
Share premium	-	4,054
Retained earnings	5,414	5,111
	<u>22,284</u>	<u>21,817</u>
Minority interest	15	21
Total equity	<u>22,299</u>	<u>21,838</u>
Non-Current Liabilities		
Hire purchase creditors	B9 152	166
Term Loan	B9 1,058	1,228
Deferred taxation	209	179
	<u>1,419</u>	<u>1,573</u>
Current Liabilities		
Hire purchase creditors	B9 90	149
Term Loan	B9 149	91
Trust Receipts	B9 894	-
Trade payables	1,756	5,898
Other payable & accruals	631	1,462
Provision for taxation	245	273
	<u>3,765</u>	<u>7,873</u>
Total liabilities	<u>5,184</u>	<u>9,446</u>
TOTAL EQUITY AND LIABILITIES	<u>27,483</u>	<u>31,284</u>
Number of ordinary shares in issue ('000)	168,696	126,522
Net assets value per share (RM)	<u>0.1321</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 SEPTEMBER 2011

(The figures have not been audited)

	9 months Ended 30 Sep 2011 RM'000	9 months Ended 30 Sep 2010 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	876	2,415
Adjustment for :		
Depreciation of property, plant and equipment	207	198
Amortisation of prepaid lease payments	31	31
Amortisation of development expenditure	70	70
Loss on disposal of property, plant and equipment		23
Interest expense	140	103
Interest income	(93)	(85)
Share of net profit from an associate company	(6)	(7)
Operating profit before working capital changes	<u>1,225</u>	<u>2,748</u>
Working capital changes :		
Increase in inventories	(18)	(87)
(Increase)/decrease in receivables	3,957	(2,919)
Decrease in payables	<u>(4,914)</u>	<u>(573)</u>
Cash (used in)/generated from operating activities	250	(831)
Interest paid	(140)	(103)
Tax paid	<u>(688)</u>	<u>(155)</u>
Net cash (used in)/generated from operating activities	<u>(578)</u>	<u>(1,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(71)	(213)
Development costs incurred	(551)	(1,159)
Interest income	93	(994)
Investment in an associated company	-	85
Net cash used in investing activities	<u>(529)</u>	<u>(2,281)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	710	(483)
Payment of dividend	-	(632)
Net cash (used in)/generated from financing activities	<u>710</u>	<u>(1,115)</u>
Net (decrease)/increase in cash and cash equivalents	(397)	(4,485)
Cash and cash equivalents at beginning of financial period	<u>6,478</u>	<u>9,874</u>
Cash and cash equivalents at end of financial period	<u>6,081</u>	<u>5,389</u>

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

	2011 RM'000	2010 RM'000
Deposits with licensed banks	2,977	3,914
Deposits with financial institutions	600	-
Cash at bank	2,504	1,330
Bank overdraft	-	145
	<u>6,081</u>	<u>5,389</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 SEP 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	-	-	-	1,680	1,680	(7)	1,673
Dividend paid	-	-	-	(1,898)	(1,898)	-	(1,898)
At 30 Sep 2010 (unaudited)	12,652	4,054	-	4,762	21,468	21	21,489
At 1 January 2011 (audited)	12,652	4,054	-	5,111	21,817	21	21,838
Profit/(loss) for the period	-	-	-	467	467	(6)	461
Bonus shares issue	4,218	(4,054)	-	(164)	-	-	-
Dividend paid	-	-	-	-	-	-	-
At 30 Sep 2011 (unaudited)	16,870	0	-	5,414	22,284	15	22,299

(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

The Group's made a provision of loss due to fire damage in subsidiary of RM100,000 in the financial quarter ended 30 Sep 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 9 months period ended 30 Sep 2011 and 30 Sep 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	8,110	10,059	749	1,654	8,859	11,713
Gross profit	2,714	3,187	251	572	2,965	3,759
Other income					300	1,863
Administrative and distribution expenses and finance cost					(2,495)	(3,548)
Share of net profit from associated company					6	27
Profit before taxation ("PBT")					776	2,101
Taxation					(315)	(428)
Profit for the period					461	1,673

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

Incorporation of an associate company, Solution Bioforce Sdn Bhd on 23 September 2011.

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 RM2.862 million and RM0.0112 million as compared to RM4.495 million and RM0.611 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 increased to RM2.862 million from RM2.736 million recorded in the immediate preceding quarter. As a result, the Group posted a profit before tax of RM0.0112 million as compared to a profit before taxation of RM0.094 million in the immediate preceding quarter due to increased of administrative and distribution expenses and provision of loss cause of fire damage.

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 its operations. The Board of Directors will continue monitor 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	
	30.9.11 RM'000	30.9.10 RM'000	30.9.11 RM'000	30.9.10 RM'000
Prior Year taxation				
Under estimate for prior year-2010	39	-	39	
Current taxation				
Estimate for the period	10	185	256	418
Deferred taxation				
Transferred to deferred income tax	10	10	20	10
	<u>59</u>	<u>195</u>	<u>315</u>	<u>428</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 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 but not completed as at 17 Nov 2011 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 17 Nov 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 Sep 2011 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	149	1,058	1,207
Hire purchase	90	152	242
Trust receipts	894	-	894
Total	1,133	1,210	2,343

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 30.9.11	Comparative Quarter ended 30.9.10	Current year to date ended 30.9.11	Preceding year to date ended 30.9.10
Net profit for the period attributable to equity holders (RM'	(45)	419	467	1,680
No. of ordinary shares in issue ('000)	168,696	126,522	168,696	126,522
Basic EPS (sen)	(0.027)	0.331	0.277	1.328

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