

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2012

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 July 12 to 30 Sep 12	1 July 11 to 30 Sep 11 Preceding Year Corresponding Quarter	1 Jan 12 to 30 Sep 12 Current Year To-Date	1 Jan 11 to 30 Sep 11 Current Year To-Date
	RM'000	RM'000	RM'000	RM'000
Revenue	1,999	2,862	5,051	8,859
Cost of sale	(1,675)	(2,025)	(3,340)	(5,894)
Gross profit	324	837	1,711	2,965
Interest income	22	24	107	92
Other income	14	21	361	208
Depreciation & amortisation	(184)	(103)	(547)	(283)
Forex Gain	47	-	35	-
Administrative and distribution expenses	(819)	(753)	(2,306)	(2,072)
Finance cost	(6)	(16)	(17)	(140)
Share of net (loss)/profit from associated company	(52)	2	(25)	6
(Loss)/Profit before tax	(654)	12	(681)	776
Income tax expense B5	(10)	(59)	(71)	(315)
(Loss)/Profit for the period	(664)	(47)	(752)	461
Attributable to :				
Equity holders of the parent	(487)	(45)	(551)	467
Minority Interest	(177)	(2)	(201)	(6)
	(664)	(47)	(752)	461
Earnings per share attributable to equity holders of parent :				
Basic, for (loss) / profit for the period (sen) B13	(0.289)	(0.027)	(0.327)	0.277

(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 2012

(The figures have not been audited)

	Unaudited 30 Sep 2012 RM'000	Audited 31 Dec 2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,542	3,921
Investment in an associated company	1,035	1,060
Intangible assets	3,699	3,608
	<u>8,276</u>	<u>8,589</u>
Current Assets		
Inventories	581	462
Trade receivables	4,756	6,504
Other receivables	2,206	2,258
Tax prepayment	642	500
Deposits, cash and bank balances	10,711	8,476
	<u>18,896</u>	<u>18,200</u>
TOTAL ASSETS	<u>27,172</u>	<u>26,789</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	16,870	16,870
Retained earnings	4,795	5,341
	<u>21,665</u>	<u>22,211</u>
Minority interest	590	(107)
Total equity	<u>22,255</u>	<u>22,104</u>
Non-Current Liabilities		
Hire purchase creditors	B9 235	122
Term Loan	B9 921	1,027
Deferred taxation	229	219
	<u>1,385</u>	<u>1,368</u>
Current Liabilities		
Hire purchase creditors	B9 142	95
Term Loan	B9 149	143
Trust Receipts	B9 -	116
Trade payables	1,923	1,809
Other payable & accruals	825	722
Provision for taxation	493	432
	<u>3,532</u>	<u>3,317</u>
Total liabilities	<u>4,917</u>	<u>4,685</u>
TOTAL EQUITY AND LIABILITIES	<u>27,172</u>	<u>26,789</u>
Number of ordinary shares in issue ('000)	168,696	168,696
Net assets value per share (RM)	<u>0.1284</u>	<u>0.1317</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 2012**

(The figures have not been audited)

	9 months Ended 30 Sep 2012 RM'000	9 months Ended 30 Sep 2011 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(681)	776
Adjustment for :		
Depreciation of property, plant and equipment	207	207
Amortisation of prepaid lease payments	26	31
Amortisation of development expenditure	317	70
Gain on disposal of property, plant and equipment	(318)	-
Interest expense	17	140
Interest income	(107)	(92)
Share of net profit from an associate company	25	(6)
Operating profit before working capital changes	<u>(514)</u>	<u>1,126</u>
Working capital changes :		
Increase in inventories	(119)	(18)
Decrease in receivables	1,020	3,957
Increase/(Decrease) in payables	286	(4,914)
Cash generated from operating activities	<u>673</u>	<u>151</u>
Interest paid	(17)	(140)
Tax paid	(142)	(688)
Net cash generated from/(used in) operating activities	<u>514</u>	<u>(677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(413)	(71)
Proceed from disposal of Property, plant and equipment	887	-
Acquisition of additional shares in existing subsidiaries	600	-
Development costs incurred	(408)	(451)
Interest income	107	92
Net cash used in investing activities	<u>773</u>	<u>(430)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of borrowings	(54)	710
Net cash (used in)/generated from financing activities	<u>(54)</u>	<u>710</u>
Net increase/(decrease) in cash and cash equivalents	1,233	(397)
Cash and cash equivalents at beginning of financial period	9,478	6,478
Cash and cash equivalents at end of financial period	<u>10,711</u>	<u>6,081</u>

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

	2012 RM'000	2011 RM'000
Deposits with licensed banks	5,477	2,977
Deposits with financial institutions	2,077	600
Cash at bank	3,157	2,504
	<u>10,711</u>	<u>6,081</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 SEP 2012

(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-----		Distributable Retained Earnings RM'000	Total RM'000		
		Share Premium RM'000	Other Reserves RM'000				
At 1 January 2011 (audited)	12,652	4,054	-	5,111	21,817	21	21,838
Profit for the period		-	-	467	467	(6)	461
Bonus shares issue	4,218	(4,054)		(164)	-		-
At 30 Sep 2011 (unaudited)	16,870	0	-	5,414	22,284	15	22,299
As at 1 January 2012 (audited)	16,870			5,341	22,211	(107)	22,104
Prior year adjustments				11	11	-	11
Pre-acquisition (loss)/profit b/f				(6)	(6)	898	892
Loss for the period				(551)	(551)	(201)	(752)
At 30 Sep 2012 (unaudited)	16,870	-	-	4,795	21,665	590	22,255

(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 2011.

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 2011 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 2011 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 30 September 2012.

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 ended 30 September 2012.

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 2012 and 30 Sep 2011 are as follows:

	Malaysia		Overseas		Consolidated	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	3,639	8,110	1,412	749	5,051	8,859
Gross profit	1,233	2,714	478	251	1,711	2,965
Other income					361	208
Administrative and distribution expenses and finance cost					(2,728)	(2,403)
Share of net (loss)/profit from associated company					(25)	6
(Loss)/Profit before taxation ("PBT")					(681)	776
Taxation					(71)	(315)
(Loss)/Profit for the period					(752)	461

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 a subsidiary company, Solution A&C Technology Sdn Bhd on 4th June, 2012.

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's revenue decreased to RM1.999 million as compared to RM2.862 million in the same quarter prior year and posted a loss before tax of RM0.654 million in the current quarter, the Group recorded a profit of RM0.012 million 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 RM1.999 million from RM1.464 million recorded in the immediate preceding quarter. The Group posted a loss before tax of RM0.654 million as compared to loss of RM0.252 million in the immediate preceding quarter due to increase of administrative and distribution expenses.

B3. Prospects for the financial year ending 31 December 2012

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 2012 will improve.

B4. Profit guarantee

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

B5. Taxation

	Quarter ended		Year- to-date	
	30.9.12 RM'000	30.9.11 RM'000	30.9.12 RM'000	30.9.11 RM'000
Prior Year taxation				
Under estimate for prior year-2010	-	39	-	39
Current taxation				
Estimate for the period	-	10	61	256
Deferred taxation				
Transferred to deferred income tax	10	10	10	20
	<u>10</u>	<u>59</u>	<u>71</u>	<u>315</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 the date of this announcement of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at the date of this announcement.

(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 2012 are as follows :

	<u>Short-Term</u> RM'000	<u>Long-Term</u> RM'000	<u>Total</u> RM'000
Secured :			
Term loan	149	921	1,070
Hire purchase	142	235	377
Total	<u>291</u>	<u>1,156</u>	<u>1,447</u>

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

	<u>Current</u> <u>Quarter</u> <u>ended</u> <u>30.9.12</u>	<u>Comparative</u> <u>Quarter</u> <u>ended</u> <u>30.9.11</u>	<u>Current year</u> <u>to date</u> <u>ended</u> <u>30.9.12</u>	<u>Preceding year</u> <u>to date</u> <u>ended</u> <u>30.9.11</u>
Net (Loss)/profit for the period attributable to equity holders (RM'000)	(487)	(45)	(551)	467
No. of ordinary shares in issue ('000)	168,696	168,696	168,696	168,696
Basic EPS (sen)	<u>(0.289)</u>	<u>(0.027)</u>	<u>(0.327)</u>	<u>0.277</u>

BY ORDER OF THE BOARD
SOLUTION ENGINEERING HOLDINGS BERHAD