

SOLUTION ENGINEERING HOLDINGS BERHAD(Company No : 654575-P)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 SEPTEMBER 2007**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 July 07 to 30 Sept 07	1 July 06 to 30 Sept 06	1 Jan 07 to 30 Sept 07	1 Jan 06 to 30 Sept 06
	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	3,833	2,690	6,632	10,373
Cost of sale	(2,195)	(1,728)	(3,817)	(6,922)
Gross profit	1,638	962	2,815	3,451
Other income	82	55	242	199
Administrative and distribution expenses	(606)	(597)	(1,730)	(1,677)
Finance cost	(23)	(36)	(69)	(156)
Profit before tax	1,091	384	1,258	1,817
Income tax expense	B5 (9)	(11)	(34)	(44)
Profit for the period	1,082	373	1,224	1,773
Attributable to :				
Equity holders of the parent	1,081	373	1,228	1,773
Minority Interest	1	-	(4)	-
	1,082	373	1,224	1,773
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.854	0.295	0.971	1.401

(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 SEPTEMBER 2007

(The figures have not been audited)

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,202	4,323
Development expenditure	581	464
	<u>4,783</u>	<u>4,787</u>
Current Assets		
Inventories	252	168
Trade receivables	6,174	5,004
Other receivables	669	141
Tax recoverable	4	4
Fixed deposits with licensed banks	3,977	8,857
Cash and bank balance	6,322	2,973
	<u>17,398</u>	<u>17,147</u>
TOTAL ASSETS	<u>22,181</u>	<u>21,934</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	2,333	2,374
	<u>19,039</u>	<u>19,080</u>
Minority interest	39	43
Total equity	<u>19,078</u>	<u>19,123</u>
Non-Current Liabilities		
Deferred taxation	76	76
Borrowings	B9 671	858
	<u>747</u>	<u>934</u>
Current Liabilities		
Trade payables	1,016	1,339
Other payable & accruals	137	249
Borrowings	B9 1,201	282
Provision for taxation	2	7
	<u>2,356</u>	<u>1,877</u>
Total liabilities	<u>3,103</u>	<u>2,811</u>
TOTAL EQUITY AND LIABILITIES	<u>22,181</u>	<u>21,934</u>
Weighted average number of ordinary shares in issue	126,522,000	126,522,000
Net assets value per share (RM)	<u>0.150</u>	<u>0.151</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 CASHFLOWS AS AT 30 SEPTEMBER 2007

(The figures have not been audited)

	Current Year Quarter Ended 30 September 2007 RM'000	Preceding Year Quarter Ended 30 September 2006 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,258	1,817
Adjustment for :		
Depreciation of property, plant and equipment	207	187
Amortisation of development expenditure	23	70
Interest expense	69	156
Interest income	(166)	(152)
Operating profit before working capital changes	<u>1,391</u>	<u>2,078</u>
Working capital changes :		
(Increase)/decrease in inventories	(84)	79
(Increase)/decrease in receivables	(1,698)	2,686
Decrease in payables	(457)	(316)
Cash (used in)/generated from operating activities	<u>(848)</u>	<u>4,527</u>
Interest paid	(69)	(156)
Tax paid	(21)	(30)
Net cash (used in)/generated from operating activities	<u>(938)</u>	<u>4,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(86)	(341)
Proceeds from disposal of property, plant and equipment	-	112
Development costs incurred	(140)	(46)
Interest income	166	152
Net cash used in investing activities	<u>(60)</u>	<u>(123)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of bank borrowings	732	(360)
Payment of dividend	(1,265)	(1,265)
Equity proceeds from minority shareholders	-	45
Net cash used in financing activities	<u>(533)</u>	<u>(1,580)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,531)</u>	<u>2,638</u>
Cash and cash equivalents at beginning of financial period	<u>11,830</u>	<u>7,599</u>
Cash and cash equivalents at end of financial period	<u><u>10,299</u></u>	<u><u>10,237</u></u>

(The unaudited Condensed Consolidated Cashflows should be read in conjunction with the accompanying explanatory 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 SEPTEMBER 2007**

(The figures have not been audited)

	← Attributable to Equity Holders of the SEHB →				Total	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	RM'000
At 1 January 2006	12,652	4,054	-	1,549	18,255	-	18,255
Net profit for the period	-	-	-	1,773	1,773	-	1,773
Dividend paid	-	-	-	(1,265)	(1,265)	-	(1,265)
At 30 September 2006	12,652	4,054	-	2,057	18,763	-	18,763
At 1 January 2007	12,652	4,054	-	2,374	19,080	43	19,123
Net profit for the period	-	-	-	1,224	1,224	(4)	1,220
Dividend paid	-	-	-	(1,265)	(1,265)	-	(1,265)
At 30 September 2007	12,652	4,054	-	2,333	19,039	39	19,078

(The unaudited Condensed Consolidated Changes In Equity 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)****A. EXPLANATORY NOTES PURSUANT TO 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 Group for the year ended 31 December 2006.

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 year ended 31 December 2006.

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2006 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 2007.

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

No interim dividend declared or paid during the quarter under review.

A9. Segmental information

Segmental information for cumulative 9 months period ended 30 September 2007 and 30 September 2006 are as follows:

	Malaysia		Overseas		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	5,161	9,102	1,471	1,271	6,632	10,373
Gross profit	1,968	2,855	847	596	2,815	3,451
Other income					242	199
Administrative and distribution expenses					(1,799)	(1,833)
Profit before taxation					1,258	1,817
Taxation					(34)	(44)
Profit for the period					1,224	1,773

A10. Valuation of Property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the quarter under review.

SOLUTION ENGINEERING HOLDINGS BERHAD**(Company No: 654575-P)****(Incorporated in Malaysia)****A. EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING (CONTD.)****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. Subsequent events

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial statements.

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE MESDAQ MARKET**B1. Review of performance**

For the current quarter under review, the Group achieved a higher unaudited revenue of RM3.833 million, an increase of 42% or RM1.143 million from the previous corresponding quarter ended 30 September 2006. With higher revenue generated, the profit before tax for the current financial quarter amounted to RM1.091 million, is higher than the profit before tax of RM384,000 for the previous year corresponding financial quarter.

However, the Group reported a lower revenue and profit before tax in the current financial year to-date of RM6.632 million and RM1.258 million as compared to RM10.373 million and RM1.817 million respectively in the preceding financial year to-date ended 30 September 2006. This is principally due to lower progress billing in the previous two quarters during the current financial year ended 30 September 2007.

B2. Material Change in Profit before taxation compared with the immediate preceding quarter

	Quarter ended 30.9.07 RM'000	Quarter ended 30.6.07 RM'000
Turnover	3,833	2,212
Net Profit before taxation	1,091	425

The Group's revenue for the financial quarter under review was RM3.833 million, an improvement of 73% as compared to the preceding quarter's revenue of RM2.212 million. The Group achieved higher net profit before tax of RM1.091 million in this quarter, a substantial increase of 157% as compared to RM425,000 in preceding quarter. The increase in profitability is contributed by higher revenue registered in the current quarter.

B3. Current year prospects

With the Group's current order book to-date, the Board of Directors remain confident that the Group's performance for the current financial year will be better than the previous financial year.

B4. Profit guarantee

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

SOLUTION ENGINEERING HOLDINGS BERHAD**(Company No: 654575-P)****(Incorporated in Malaysia)****B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE MESDAQ MARKET (CONTD.)****B5. Taxation**

	Quarter ended		Year- to-date	
	30.9.07 RM'000	30.9.06 RM'000	30.9.07 RM'000	30.9.06 RM'000
In respect of the current year taxation	(9)	(11)	(34)	(44)

The 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 having the Pioneer Status is a five (5) year exemption from Malaysia income tax from income derived from Multimedia Super Corridor related activities.

As such, these income tax expenses 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.

B7. Purchase or disposal of quoted securities

There were no disposal of quoted securities for the financial year todate.

B8. Status of corporate proposals announced but not completed as at 13 November 2007 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 13 November 2007.

(b) Utilisation of Proceeds

Details of utilisation	Total Amount of IPO Proceeds	Utilised as at 30.9.2007	Balance as at 30.9.2007
	RM'000	RM'000	RM'000
Bank borrowing	600	600	-
Demonstration and Training Center	500	247	253
Research and development Expenditure	2,100	991	1,109
Working capital			
- Local	2,500	2,500	-
- Overseas	1,500	724	776
Listing expenses	Note	1,300	-
Total	8,500	6,362	2,138

Note : Unutilised listing expenses of RM253,532 have been transferred to working capital.

SOLUTION ENGINEERING HOLDINGS BERHAD**(Company No: 654575-P)****(Incorporated in Malaysia)****B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE MESDAQ MARKET (CONTD.)****B9. Group borrowings and debt securities**

Details of the Group's borrowings as at 30 September 2007 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	176	433	609
Hire purchase	82	238	320
Trust receipts	943	-	943
Total	1,201	671	1,872

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

No interim dividend declared or paid during the quarter under review.

B13. Earnings per share

	Individual		Cumulative	
	Quarter ended 30.9.07	Quarter ended 30.9.06	Quarter ended 30.9.07	Quarter ended 30.9.06
Net profit for the year (RM'000)	1,081	373	1,228	1,773
Weighted average no of ordinary shares in issue	126,522,000	126,522,000	126,522,000	126,522,000
Basic EPS (sen)	0.854	0.295	0.971	1.401

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