

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2007**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Oct 07 to 31 Dec 07	1 Oct 06 to 31 Dec 06 Preceding Year Corresponding Quarter RM'000	1 Jan 07 to 31 Dec 07 Current Year To-Date RM'000	1 Jan 06 to 31 Dec 06 Preceding Year To-Date Corresponding Quarter RM'000
Revenue	6,587	2,142	13,219	12,515
Cost of sale	(4,726)	(1,014)	(8,543)	(7,936)
Gross profit	1,861	1,128	4,676	4,579
Other income	100	122	342	321
Administrative and distribution expenses	(805)	(793)	(2,535)	(2,470)
Finance cost	(101)	(109)	(170)	(265)
Profit before tax	1,055	348	2,313	2,165
Income tax expense	B5 (55)	(32)	(89)	(76)
Profit for the period	1,000	316	2,224	2,089
Attributable to :				
Equity holders of the parent	1,000	318	2,228	2,091
Minority Interest	-	(2)	(4)	(2)
	1,000	316	2,224	2,089
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.790	0.251	1.761	1.653

(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 31 DECEMBER 2007**

(The figures have not been audited)

	<b>Unaudited 31 December 2007 RM'000</b>	<b>Audited 31 December 2006 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,151	4,323
Development expenditure	615	464
	<u>4,766</u>	<u>4,787</u>
<b>Current Assets</b>		
Inventories	223	168
Trade receivables	10,614	5,004
Other receivables	539	141
Tax recoverable	4	4
Fixed deposits with licensed banks	7,528	8,857
Cash and bank balances	1,232	2,973
	<u>20,140</u>	<u>17,147</u>
<b>TOTAL ASSETS</b>	<u>24,906</u>	<u>21,934</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	12,652	12,652
Share premium	4,054	4,054
Retained earnings	2,705	2,375
	<u>19,411</u>	<u>19,081</u>
<b>Minority interest</b>	<u>39</u>	<u>43</u>
<b>Total equity</b>	<u>19,450</u>	<u>19,124</u>
<b>Non-Current Liabilities</b>		
Deferred taxation	119	76
Borrowings	716	856
	<u>835</u>	<u>932</u>
<b>Current Liabilities</b>		
Trade payables	2,451	1,339
Other payable & accruals	244	250
Borrowings	1,922	282
Provision for taxation	4	7
	<u>4,621</u>	<u>1,878</u>
<b>Total liabilities</b>	<u>5,456</u>	<u>2,810</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>24,906</u>	<u>21,934</u>
Number of ordinary shares in issue	126,522,000	126,522,000
Net assets value per share (RM)	<u>0.153</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**

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**CONDENSED CONSOLIDATED CASHFLOWS AS AT 31 DECEMBER 2007**

(The figures have not been audited)

	<b>Current Year Ended 31 December 2007 RM'000</b>	<b>Preceding Year Ended 31 December 2006 RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,313	2,165
Adjustment for :		
Depreciation of property, plant and equipment	276	254
Amortisation of development expenditure	93	93
Provision for slow moving inventories	-	18
Inventories written off	-	28
Interest expense	170	265
Interest income	(284)	(244)
Operating profit before working capital changes	<u>2,568</u>	<u>2,579</u>
Working capital changes :		
(Increase)/decrease in inventories	(55)	76
(Increase)/decrease in receivables	(6,008)	5,275
Decrease/(increase) in payables	1,106	(213)
Cash (used in)/generated from operating activities	<u>(2,389)</u>	<u>7,717</u>
Interest paid	(170)	(265)
Tax paid	(49)	(68)
Net cash (used in)/generated from operating activities	<u>(2,608)</u>	<u>7,384</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(104)	(370)
Proceeds from disposal of property, plant and equipment	-	118
Development costs incurred	(244)	(158)
Interest income	284	244
Net cash used in investing activities	<u>(64)</u>	<u>(166)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of bank borrowings	1,224	(1,767)
Payment of dividend	(1,898)	(1,265)
Equity proceeds from minority shareholders	-	45
Net cash used in financing activities	<u>(674)</u>	<u>(2,987)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,346)</b>	<b>4,231</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b><u>11,830</u></b>	<b><u>7,599</u></b>
<b>Cash and cash equivalents at end of financial period</b>	<b><u><u>8,484</u></u></b>	<b><u><u>11,830</u></u></b>

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

	<b>RM'000</b>	<b>RM'000</b>
Bank and cash balances	1,232	2,973
Deposits with licensed banks	7,528	8,857
Overdraft	(276)	-
	<u><b>8,484</b></u>	<u><b>11,830</b></u>

(The unaudited Condensed Consolidated Cashflows 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 STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2007**

(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 2006	12,652	4,054	-	1,549	18,255	-	18,255
Issuance of new shares	-	-	-	-	-	45	45
Net profit for the period	-	-	-	2,091	2,091	(2)	2,089
Dividend paid	-	-	-	(1,265)	(1,265)	-	(1,265)
At 31 December 2006	12,652	4,054	-	2,375	19,081	43	19,124
At 1 January 2007	12,652	4,054	-	2,375	19,081	43	19,124
Net profit for the period	-	-	-	2,228	2,228	(4)	2,224
Dividend paid	-	-	-	(1,898)	(1,898)	-	(1,898)
At 31 December 2007	12,652	4,054	-	2,705	19,411	39	19,450

(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 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 MESDAQ Market and should be read in conjunction with the audited consolidated financial statements of the Group for the financial 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 financial year ended 31 December 2006.

**A3. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial 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 31 December 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**

Second tax exempt interim dividend of 5% per ordinary share of RM0.10 each amounting to RM632,610.00 in respect of financial year ending 31 December 2007 was declared and paid on 24 December 2007.

**A9. Segmental information**

Segmental information for cumulative 12 months period ended 31 December 2007 and 31 December 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	10,987	10,757	2,232	1,758	13,219	12,515
Gross profit	3,426	3,768	1,250	811	4,676	4,579
Other income					342	321
Administrative and distribution expenses and finance cost					(2,705)	(2,735)
Profit before taxation ("PBT")					2,313	2,165
Taxation					(89)	(76)
Profit for the period					2,224	2,089

**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**

During the financial quarter under review, the Group achieved revenue and a PBT of RM6.587 million and RM1.055 million respectively, representing increase of 207% and 203% respectively as compared to preceding year corresponding quarter ended 31 December 2006. The substantial increase in revenue for the quarter was mainly due to higher recognition of progress billings arising from increased work activities to meet tight equipment delivery commitment.

For the current 12-months cumulative period under review, the Group recorded a higher revenue of approximately 5.6% to RM13.219 million from RM12.515 million in the corresponding period in the preceding year. The increase is mainly attributable by higher local sales recognition of SOLTEQ equipments. As a result, the Group's PBT had also increased by 6.8% to RM2.313 million for the 12 months ended 31 December 2007 as compared to RM2.165 million in the ended corresponding period 31 December 2006.

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

	<b>Quarter ended 31.12.07 RM'000</b>	<b>Quarter ended 30.9.07 RM'000</b>
<b>Turnover</b>	6,587	3,833
<b>PBT</b>	1,055	1,091

The Group generated revenue of RM6.587 million for the current quarter ended 31 December 2007, representing an increase of RM2.754 million or 71.8% as compared to preceding quarter's revenue of RM3.833 million. However, the Group achieved lower PBT of RM1.055 million in the current quarter as compared to RM1.091 million for the immediate preceding quarter. Lower profitability was due to lower gross profit margin from local contracts secured in the current quarter.

**B3. Current year prospects**

The Board of Directors of SEHB Group is optimistic of the future growth and prospects of the Group for the financial year ending 31 December 2008. The Group will continue to focus on its key business activities due to the rollout of 9th Malaysia.

**SOLUTION ENGINEERING HOLDINGS BERHAD****(Company No: 654575-P)****(Incorporated in Malaysia)**

Going forward, the Group is planning to explore business opportunities in new overseas markets.

**B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE MESDAQ MARKET (CONTD.)**

**B4. Profit guarantee**

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

**B5. Taxation**

	Quarter ended		Year- to-date	
	31.12.07	31.12.06	31.12.07	31.12.06
	RM'000	RM'000	RM'000	RM'000
In respect of the current year taxation	(55)	(32)	(89)	(76)

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 of 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 expense 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 20 February 2008 and status of utilisation of proceeds**

(a) There were no corporate proposals announced but not completed as at 20 February 2008.

**(b) Utilisation of listing proceeds from initial public offering**

Details of utilisation		Proposed	Actual	Deviation	Explanations
		Utilisation	Utilisation	Amount	
		RM'000	RM'000	RM'000	
Bank borrowing		600	600	-	Completed
Demonstration and Training Center		500	276	224	On going utilisation
Research and development Expenditure		2,100	1,081	1,019	On going utilisation
Working capital					
- Local		2,500	2,500	-	Completed
- Overseas		1,500	714	786	On going utilisation
Listing expenses	Note	1,300	1,300	-	Completed
Total		8,500	6,471	2,029	

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 31 December 2007 are as follows :

	<b>Short-Term RM'000</b>	<b>Long-Term RM'000</b>	<b>Total RM'000</b>
<b>Secured :</b>			
Overdraft	276	-	276
Term loan	129	492	621
Hire purchase	69	224	293
Trust receipts	1,448	-	1,448
<b>Total</b>	<b>1,922</b>	<b>716</b>	<b>2,638</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**

Second tax exempt interim dividend of 5% (0.5 sen) per ordinary share of RM0.10 each amounting to RM632,610.00 in respect of financial year ending 31 December 2007 was declared and paid on 24 December 2007. There were no dividends declared for the previous corresponding period in the preceding year. Total dividend declared and paid for current financial year is 1.5 sen.

**B13. Earnings per share**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>Quarter ended 31.12.07</b>	<b>Quarter ended 31.12.06</b>	<b>Quarter ended 31.12.07</b>	<b>Quarter ended 31.12.06</b>
Net profit for the year (RM'000)	1,000	318	2,228	2,091
No. of ordinary shares in issue	126,522,000	126,522,000	126,522,000	126,522,000
Basic EPS (sen)	0.790	0.251	1.761	1.653

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