

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 30 JUNE 2008**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Apr 08 to 30 June 08	1 Apr 07 to 30 June 07	1 Jan 08 to 30 June 08	1 Jan 07 to 30 June 07
	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	2,393	2,212	6,745	2,799
Cost of sale	(1,602)	(1,231)	(4,575)	(1,622)
Gross profit	791	981	2,170	1,177
Other income	288	74	369	160
Administrative and distribution expenses	(825)	(603)	(1,533)	(1,124)
Finance cost	(39)	(27)	(87)	(46)
Profit before tax	215	425	919	167
Income tax expense	B5 (15)	(10)	(33)	(25)
Profit for the period	200	415	886	142
Attributable to :				
Equity holders of the parent	200	418	886	147
Minority Interest	-	(3)	-	(5)
	200	415	886	142
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.158	0.330	0.700	0.116

(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 JUNE 2008**

(The figures have not been audited)

	<b>Unaudited 30 June 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,516	1,388
Prepaid lease payments	2,742	2,763
Intangible assets	517	616
	<u>4,775</u>	<u>4,767</u>
<b>Current Assets</b>		
Inventories	325	223
Trade receivables	10,704	10,874
Other receivables	428	279
Deposits, cash and bank balances	8,457	8,760
	<u>19,914</u>	<u>20,136</u>
<b>TOTAL ASSETS</b>	<u>24,689</u>	<u>24,903</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	3,630	2,744
	<u>20,336</u>	<u>19,450</u>
<b>Minority interest</b>	38	38
<b>Total equity</b>	<u>20,374</u>	<u>19,488</u>
<b>Non-Current Liabilities</b>		
Deferred taxation	136	119
Borrowings	B9 573	713
	<u>709</u>	<u>832</u>
<b>Current Liabilities</b>		
Trade payables	2,547	2,550
Other payable & accruals	545	107
Borrowings	B9 509	1,926
Provision for taxation	5	-
	<u>3,606</u>	<u>4,583</u>
<b>Total liabilities</b>	<u>4,315</u>	<u>5,415</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>24,689</u>	<u>24,903</u>
Number of ordinary shares in issue	126,522,000	126,522,000
Net assets value per share (RM)	<u>0.1607</u>	<u>0.1537</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 2008**

(The figures have not been audited)

	<b>6 months Ended 30 June 2008 RM'000</b>	<b>6 months Ended 30 June 2007 RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	919	167
Adjustment for :		
Depreciation of property, plant and equipment	99	116
Amortisation of prepaid lease payments	21	21
Amortisation of development expenditure	173	23
Interest expense	87	46
Interest income	(97)	(132)
Operating profit before working capital changes	<u>1,202</u>	<u>241</u>
Working capital changes :		
Increase in inventories	(102)	(27)
Decrease in receivables	21	548
Increase/(decrease) in payables	437	(632)
Cash generated from operating activities	<u>1,558</u>	<u>130</u>
Interest paid	(87)	(46)
Tax paid	(15)	(21)
Net cash generated from operating activities	<u>1,456</u>	<u>63</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(227)	(24)
Development costs incurred	(74)	(50)
Interest income	97	132
Net cash (used in)/generated from investing activities	<u>(204)</u>	<u>58</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of bank borrowings	(1,465)	(141)
Payment of dividend	-	(1,265)
Net cash used in financing activities	<u>(1,465)</u>	<u>(1,406)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(213)</b>	<b>(1,285)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>8,484</b>	<b>11,830</b>
<b>Cash and cash equivalents at end of financial period</b>	<b><u>8,271</u></b>	<b><u>10,545</u></b>

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

	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Deposits with licensed banks	2,977	4,977
Deposits with a money market fund	2,563	3,614
Deposits with a financial institution	2,065	1,009
Cash at bank	852	945
Bank overdraft	(186)	-
	<u>8,271</u>	<u>10,545</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 JUNE 2008**

(The figures have not been audited)

	← Attributable to Equity Holders of the SEHB →				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
At 1 January 2007	12,652	4,054	-	2,374	43	19,123
Profit for the period	-	-	-	142	(3)	139
Dividend paid	-	-	-	(1,265)	-	(1,265)
At 30 June 2007	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>1,251</u>	<u>40</u>	<u>17,997</u>
At 1 January 2008	12,652	4,054	-	2,744	38	19,488
Profit for the period	-	-	-	886	-	886
At 30 June 2008	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>3,630</u>	<u>38</u>	<u>20,374</u>

(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 MESDAQ 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 2007.

**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 2007.

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

The auditors' report on the financial statements for the financial year ended 31 December 2007 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 June 2008.

**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 dividends declared or paid for the current financial quarter.

**A9. Segmental information**

Segmental information for cumulative 6 months period ended 30 June 2008 and 30 June 2007 are as follows:

	Malaysia		Overseas		Consolidated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	5,024	2,120	1,721	679	6,745	2,799
Gross profit	1,505	971	665	206	2,170	1,177
Other income					369	160
Administrative and distribution expenses and finance cost					(1,620)	(1,170)
Profit before taxation ("PBT")					919	167
Taxation					(33)	(25)
Profit for the period					886	142

**A10. Valuation of Property, plant and equipment**

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

**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 quarter ended 30 June 2008, the Group registered an 8.2% increase in revenue to RM2.393 million from RM2.212 million recorded in the corresponding quarter of the preceding year. The increase in revenue was due to higher recognition of progress billings from increased work activities to meet delivery commitment. Despite higher revenue, PBT during the quarter under review amounted to RM215,000 as compared to RM425,000 recorded in the corresponding quarter of the preceding year due to lower margin of projects completed during the quarter.

For the financial period to date, revenue registered by the Group was RM6.745 million, representing an increase of 141% from the corresponding period of the preceding year of RM2.799 million. In line with higher revenue, the Group posted a higher PBT of RM919,000 in the period compared to RM167,000 recorded in the corresponding period of the preceding year. The improvement is mainly due to completion of higher margin projects in the first quarter of 2008.

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

	<b>Quarter ended 30.6.08 RM'000</b>	<b>Quarter ended 31.3.08 RM'000</b>
<b>Turnover</b>	2,393	4,352
<b>PBT</b>	215	704

The Group registered lower revenue and PBT of RM2.393 million and RM215,000 as compared to RM4.352 million and RM704,000 respectively recorded in the immediate preceding quarter. Lower revenue and PBT registered is mainly due to lower progress billing of SOLTEQ equipment projects recognised in the current quarter under review.

**B3. Current year prospects**

Despite the challenging business condition and based on the current order book to date, the Group is anticipating a satisfactory performance for the remaining quarters of the financial year ending 31 December 2008.

**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	
	30.6.08 RM'000	30.6.07 RM'000	30.6.08 RM'000	30.6.07 RM'000
In respect of the current year taxation	(15)	(10)	(33)	(25)

A 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 28 August 2008 and status of utilisation of proceeds**

(a) There were no corporate proposals announced but not completed as at 28 August 2008.

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

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation Amount RM'000	Explanations
Bank borrowing	600	600	-	Completed
Demonstration and Training Center	500	297	203	On going utilisation
Research and development Expenditure	2,100	1,157	943	On going utilisation
Working capital				
- Local	2,500	2,500	-	Completed
- Overseas	1,500	761	739	On going utilisation
Listing expenses	Note	1,300	-	Completed
<b>Total</b>	<b>8,500</b>	<b>6,615</b>	<b>1,885</b>	

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

**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 June 2008 are as follows :

	<b>Short-Term</b>	<b>Long-Term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Secured :</b>			
Term loan	175	387	562
Hire purchase	70	186	256
Trust receipts	78	-	78
Bank overdraft	186	-	186
<b>Total</b>	<b>509</b>	<b>573</b>	<b>1,082</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**

No dividends declared or paid for the current financial quarter.

**B13. Earnings per share**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>30.6.08</b>	<b>30.6.07</b>	<b>30.6.08</b>	<b>30.6.07</b>
Net profit for the period attributable to equity holders (RM'000)	200	418	886	147
No. of ordinary shares in issue	126,522,000	126,522,000	126,522,000	126,522,000
Basic EPS (sen)	0.158	0.330	0.700	0.116

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