

**SOLUTION ENGINEERING HOLDINGS BERHAD**

(Company No : 654575-P)

(Incorporated in Malaysia)

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

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Jul 08 to 30 Sept 08	1 Jul 07 to 30 Sept 07	1 Jan 08 to 30 Sept 08	1 Jan 07 to 30 Sept 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	1,809	3,833	8,554	6,632
Cost of sale	(1,133)	(2,195)	(5,708)	(3,817)
Gross profit	676	1,638	2,846	2,815
Other income	1,029	82	1,398	242
Administrative and distribution expenses	(1,624)	(606)	(3,157)	(1,730)
Finance cost	(23)	(23)	(110)	(69)
Profit before tax	58	1,091	977	1,258
Income tax expense	B5 (8)	(9)	(41)	(34)
Profit for the period	50	1,082	936	1,224
Attributable to :				
Equity holders of the parent	51	1,081	937	1,228
Minority Interest	(1)	1	(1)	(4)
	50	1,082	936	1,224
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.040	0.854	0.741	0.971

(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 2008**

(The figures have not been audited)

	<b>Unaudited 30 Sept 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,521	1,388
Prepaid lease payments	2,731	2,763
Intangible assets	648	616
	<u>4,900</u>	<u>4,767</u>
<b>Current Assets</b>		
Inventories	341	223
Trade receivables	8,528	10,874
Other receivables	1,341	279
Deposits, cash and bank balances	8,621	8,760
	<u>18,831</u>	<u>20,136</u>
<b>TOTAL ASSETS</b>	<u>23,731</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	3,681	2,744
	<u>20,387</u>	<u>19,450</u>
<b>Minority interest</b>	37	38
<b>Total equity</b>	<u>20,424</u>	<u>19,488</u>
<b>Non-Current Liabilities</b>		
Deferred taxation	136	119
Borrowings	B9 528	713
	<u>664</u>	<u>832</u>
<b>Current Liabilities</b>		
Trade payables	1,622	2,550
Other payable & accruals	698	107
Borrowings	B9 323	1,926
	<u>2,643</u>	<u>4,583</u>
<b>Total liabilities</b>	<u>3,307</u>	<u>5,415</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>23,731</u>	<u>24,903</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1611</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)

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**CONDENSED CONSOLIDATED CASHFLOW STATEMENTS AS AT 30 SEPTEMBER 2008**

(The figures have not been audited)

	<b>9 months Ended 30 Sept 2008 RM'000</b>	<b>9 months Ended 30 Sept 2007 RM'000</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	977	1,258
Adjustment for :		
Depreciation of property, plant and equipment	151	175
Amortisation of prepaid lease payments	32	32
Amortisation of development expenditure	197	23
Interest expense	110	69
Interest income	(142)	(166)
Operating profit before working capital changes	<u>1,325</u>	<u>1,391</u>
Working capital changes :		
Increase in inventories	(118)	(84)
Decrease/(increase) in receivables	1,284	(1,698)
Decrease in payables	(333)	(457)
Cash generated from/(used in) operating activities	<u>2,158</u>	<u>(848)</u>
Interest paid	(110)	(69)
Tax paid	(28)	(21)
Net cash generated from/(used in) operating activities	<u>2,020</u>	<u>(938)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(284)	(86)
Development costs incurred	(229)	(140)
Interest income	142	166
Net cash used in investing activities	<u>(371)</u>	<u>(60)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Net of bank borrowings	(1,512)	732
Payment of dividend	-	(1,265)
Net cash used in financing activities	<u>(1,512)</u>	<u>(533)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	137	(1,531)
<b>Cash and cash equivalents at beginning of financial period</b>	<u>8,484</u>	<u>11,830</u>
<b>Cash and cash equivalents at end of financial period</b>	<u><b>8,621</b></u>	<u><b>10,299</b></u>

Cash and cash equivalents as at 30 September 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	2,585	3,614
Deposits with a financial institution	2,081	1,009
Cash at bank	978	945
Bank overdraft	-	(246)
	<u><b>8,621</b></u>	<u><b>10,299</b></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 SEPTEMBER 2008**

(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 2007	12,652	4,054	-	2,374	19,080	43	19,123
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
At 1 January 2008	12,652	4,054	-	2,744	19,450	38	19,488
Profit for the period	-	-	-	937	937	(1)	936
At 30 September 2008	12,652	4,054	-	3,681	20,387	37	20,424

(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 September 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 Paid**

There were no dividends paid during the quarter under review.

**A9. Segmental information**

Segmental information for cumulative 9 months period ended 30 September 2008 and 30 September 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	6,428	5,161	2,126	1,471	8,554	6,632
Gross profit	2,093	1,968	753	847	2,846	2,815
Other income					1,398	242
Administrative and distribution expenses and finance cost					(3,267)	(1,799)
Profit before taxation ("PBT")					977	1,258
Taxation					(41)	(34)
Profit for the period					936	1,224

**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 September 2008, the Group generated revenue of RM1.809 million and PBT of RM58,000 compared to the preceding year corresponding quarter revenue of RM3.833 million and PBT of RM1.091 million. The decrease in revenue and PBT were mainly due to lower sales recorded as most SOLTEQ equipment projects are nearing completion and also due to increased cost of production and operating cost. The government grant of RM948,000 in the current quarter and RM1.143 million in the current year-to-date were recognised under category of "other income", and the corresponding expenses of RM948,000 in the current quarter and RM1.143 million in the current year-to-date incurred for research and development were recognised under the category of "administration and distribution expenses". Significant increase in other receivables was mainly due to grant receivable recognised.

For the nine (9) months to date, the group recorded a revenue of RM8.554 million, registering an increase of 29% over that of corresponding period of the preceding year. Despite higher revenue, the PBT declined by 22% to RM977,000 from RM1.258 million in the corresponding period of the preceding year. The decrease was mainly due to higher cost of production and operating cost.

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

The Group recorded PBT of RM58,000 for the current quarter under review as compared to RM215,000 in the immediate preceding quarter. PBT recorded was lower due to lower recognition of progress billings for SOLTEQ equipment projects.

**B3. Current year prospects**

Barring any unforeseen circumstances, the Directors of SEHB are cautiously optimistic of the Group's performance for the remaining quarter for 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	
	30.9.08 RM'000	30.9.07 RM'000	30.9.08 RM'000	30.9.07 RM'000
In respect of the current year taxation	(8)	(9)	(41)	(34)

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 27 September 2008 and status of utilisation of proceeds**

(a) There were no corporate proposals announced but not completed as at 27 September 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	318	182	On going utilisation
Research and development Expenditure	2,100	1,397	703	On going utilisation
Working capital				
- Local	2,500	2,500	-	Completed
- Overseas	1,500	774	726	On going utilisation
Listing expenses	Note	1,300	-	Completed
<b>Total</b>	<b>8,500</b>	<b>6,889</b>	<b>1,611</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 September 2008 are as follows :

	<b>Short-Term RM'000</b>	<b>Long-Term RM'000</b>	<b>Total RM'000</b>
<b>Secured :</b>			
Term loan	175	358	533
Hire purchase	70	170	240
Trust receipts	78	-	78
<b>Total</b>	<b>323</b>	<b>528</b>	<b>851</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**

The Board is pleased to declare an interim tax-exempt dividend of 0.5 sen per ordinary share in respect of the financial year ending 31 December 2008 amounting to RM632,610 (2007 : tax-exempt 1.5 sen per ordinary share; RM1,897,830).

The dividend will be paid on 24 December 2008 to shareholders registered in the Record of Depositors on 15 December 2008.

**B13. Earnings per share**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>Quarter ended 30.9.08</b>	<b>Quarter ended 30.9.07</b>	<b>Quarter ended 30.9.08</b>	<b>Quarter ended 30.9.07</b>
Net profit for the period attributable to equity holders (RM'000)	51	1,081	937	1,228
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.040	0.854	0.741	0.971

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