

SOLUTION ENGINEERING HOLDINGS BERHAD

(Company No : 654575-P)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2008

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	1 Oct 08 to 31 Dec 08	1 Oct 07 to 31 Dec 07	1 Jan 08 to 31 Dec 08	1 Jan 07 to 31 Dec 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	3,408	6,587	11,962	13,219
Cost of sale	(2,764)	(4,726)	(8,472)	(8,543)
Gross profit	644	1,861	3,490	4,676
Other income	777	100	2,175	342
Administrative and distribution expenses	(1,341)	(805)	(4,498)	(2,535)
Finance cost	(16)	(101)	(126)	(170)
Profit before tax	64	1,055	1,041	2,313
Income tax expense	B5 (4)	(55)	(45)	(89)
Profit for the year	60	1,000	996	2,224
Attributable to :				
Equity holders of the parent	62	1,000	998	2,229
Minority Interest	(1)	-	(2)	(5)
	61	1,000	996	2,224
Earnings per share attributable to equity holders of parent :				
Basic, for profit for the period (sen)	B13 0.049	0.790	0.789	1.762

(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 2008

(The figures have not been audited)

	Unaudited 31 Dec 2008 RM'000	Audited 31 December 2007 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,436	1,388
Prepaid lease payments	2,721	2,763
Intangible assets	659	616
	<u>4,816</u>	<u>4,767</u>
Current Assets		
Inventories	271	223
Trade receivables	10,417	10,874
Other receivables	1,878	279
Deposits, cash and bank balances	7,637	8,760
	<u>20,203</u>	<u>20,136</u>
TOTAL ASSETS	<u>25,019</u>	<u>24,903</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	3,109	2,744
	<u>19,815</u>	<u>19,450</u>
Minority interest	36	38
Total equity	<u>19,851</u>	<u>19,488</u>
Non-Current Liabilities		
Deferred taxation	134	119
Borrowings	B9 468	713
	<u>602</u>	<u>832</u>
Current Liabilities		
Trade payables	2,019	2,550
Other payable & accruals	1,308	107
Borrowings	B9 1,239	1,926
	<u>4,566</u>	<u>4,583</u>
Total liabilities	<u>5,168</u>	<u>5,415</u>
TOTAL EQUITY AND LIABILITIES	<u>25,019</u>	<u>24,903</u>
Number of ordinary shares in issue ('000)	126,522	126,522
Net assets value per share (RM)	<u>0.1566</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

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CONDENSED CONSOLIDATED CASHFLOW STATEMENTS AS AT 31 DECEMBER 2008

(The figures have not been audited)

	12 months Ended 31 Dec 2008 RM'000	12 months Ended 31 Dec 2007 RM'000
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,041	2,313
Adjustment for :		
Depreciation of property, plant and equipment	240	234
Amortisation of prepaid lease payments	42	42
Amortisation of development expenditure	221	93
Interest expense	126	170
Interest income	(183)	(284)
Operating profit before working capital changes	<u>1,487</u>	<u>2,568</u>
Working capital changes :		
Increase in inventories	(48)	(55)
Increase in receivables	(1,131)	(6,008)
Increase in payables	670	1,106
Cash generated from/(used in) operating activities	<u>978</u>	<u>(2,389)</u>
Interest paid	(126)	(170)
Tax paid	(41)	(49)
Net cash generated from/(used in) operating activities	<u>811</u>	<u>(2,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(288)	(104)
Development costs incurred	(264)	(244)
Interest income	183	284
Net cash used in investing activities	<u>(369)</u>	<u>(64)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Net of bank borrowings	(656)	1,224
Payment of dividend	(633)	(1,898)
Net cash used in financing activities	<u>(1,289)</u>	<u>(674)</u>
Net decrease in cash and cash equivalents	(847)	(3,346)
Cash and cash equivalents at beginning of financial year	<u>8,484</u>	<u>11,830</u>
Cash and cash equivalents at end of financial year	<u><u>7,637</u></u>	<u><u>8,484</u></u>

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

	2008 RM'000	2007 RM'000
Deposits with licensed banks	5,824	2,977
Deposits with a money market fund	-	2,517
Deposits with a financial institution	-	2,034
Cash at bank	1,813	1,232
Bank overdraft	-	(276)
	<u>7,637</u>	<u>8,484</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 31 DECEMBER 2008

(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----- Share Premium RM'000	Other Reserves RM'000	Distributable Retained Earnings RM'000			Total RM'000
At 1 January 2007	12,652	4,054	-	2,375	19,081	43	19,124
Profit for the year	-	-	-	2,267	2,267	(5)	2,262
Dividend paid	-	-	-	(1,898)	(1,898)	-	(1,898)
At 31 December 2007	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>2,744</u>	<u>19,450</u>	<u>38</u>	<u>19,488</u>
At 1 January 2008	12,652	4,054	-	2,744	19,450	38	19,488
Profit for the year	-	-	-	998	998	(2)	996
Dividend paid	-	-	-	(633)	(633)	-	(633)
At 31 December 2008	<u>12,652</u>	<u>4,054</u>	<u>-</u>	<u>3,109</u>	<u>19,815</u>	<u>36</u>	<u>19,851</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 31 December 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

An interim tax-exempt dividend of 5% per ordinary share of RM0.10 each amounting to RM632,610.00 in respect of the financial year ended 31 December 2008 was paid on 24 December 2008.

A9. Segmental information

Segmental information for cumulative 12 months period ended 31 December 2008 and 31 December 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	9,314	10,987	2,648	2,232	11,962	13,219
Gross profit	2,517	3,426	973	1,250	3,490	4,676
Other income					2,175	342
Administrative and distribution expenses and finance cost					(4,624)	(2,705)
Profit before taxation ("PBT")					1,041	2,313
Taxation					(45)	(89)
Profit for the period					996	2,224

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

During the financial quarter under review, the Group achieved revenue of RM3.408 million and PBT of RM64,000 which represents a decrease of 48.3% and 93.9% as compared to the preceding year corresponding quarter revenue of RM6.587 million and PBT of RM1.055 million respectively. The decrease in revenue and PBT were mainly due to lower sales of SOLTEQ equipment projects recognised and also lower profit margin in certain R&D projects. During the quarter under review, the government grant of RM692,000 was included under "other income" of RM777,000 and the matching R&D expenditure was included under "administrative and distribution expenses" of RM1.341million.

For the twelve (12) months cumulative period under review, the Group recorded a revenue of RM11.962 million, registering a decrease of 9.5% over that of corresponding period of the preceding year of RM13.219million. As a result, the PBT declined by 55% to RM1.041 from RM2.313 million in the corresponding period of the preceding year. The decrease in PBT was mainly due to lower profit margin for certain R&D projects recognised during the year.

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

The Group recorded PBT of RM64,000 for the current quarter under review as compared to RM58,000 in the immediate preceding quarter. PBT recorded was marginally higher due to higher recognition of progress billings for SOLTEQ equipment projects.

B3. Current year prospects

The Directors of SEHB are expecting the financial year ending 31 December 2009 to be challenging due to the uncertainty in the future global economic situation. The Group will continue to focus on its core business activities by promoting its SOLTEQ equipments in local and overseas market and also intensify efforts on its R&D activities.

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	
31.12.08	31.12.07	31.12.08	31.12.07
RM'000	RM'000	RM'000	RM'000

In respect of the current year taxation	(4)	(55)	(45)	(89)
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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 26 February 2009 and status of utilisation of proceeds

(a) There were no corporate proposals announced but not completed as at 26 February 2009.

(b) Utilisation of listing proceeds from initial public offering

Details of utilisation	Proposed Utilisation	Actual Utilisation	Deviation Amount	Explanations
	RM'000	RM'000	RM'000	
Bank borrowing	600	600	-	Completed
Demonstration and Training Center	500	321	179	On going utilisation
Research and development Expenditure	2,100	1,693	407	On going utilisation
Working capital				
- Local	2,500	2,500	-	Completed
- Overseas	1,500	794	706	On going utilisation
Listing expenses	1,300	1,300	-	Completed
Total	8,500	7,208	1,292	

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 31 December 2008 are as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Secured :			
Term loan	175	317	492
Hire purchase	70	151	221
Trust receipts	994	-	994
Total	1,239	468	1,707
	-	-	-

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

- (a) An interim tax-exempt dividend of 5% (0.5 sen) per ordinary share of RM0.10 each amounting to RM632,610.00 in respect of financial year ended 31 December 2008 was paid on 24 December 2008 (corresponding quarter 2007 : tax-exempt 0.5 sen per ordinary share; RM632,610).
- (b) The total dividend declared and paid in respect of financial year ended 31 December 2008 is tax exempt 0.5 sen per ordinary share (2007 : tax exempt 1.5 sen per ordinary share).

B13. Earnings per share

	Individual		Cumulative	
	Quarter ended 31.12.08	Quarter ended 31.12.07	Quarter ended 31.12.08	Quarter ended 31.12.07
Net profit for the period attributable to equity holders (RM'000)	62	1,000	998	2,229
No. of ordinary shares in issue ('000)	126,522	126,522	126,522	126,522
Basic EPS (sen)	0.049	0.790	0.789	1.762

BY ORDER OF THE BOARD
SOLUTION ENGINEERING HOLDINGS BERHAD