

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
31 December 2006

**ENG TEKNOLOGI HOLDINGS BHD.**  
**(Incorporated in Malaysia)**

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**ENG TEKNOLOGI HOLDINGS BHD.**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Note	3 months period ended		Year ended	
		31 December		31 December	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
Revenue		103,407	92,601	380,978	334,841
Cost of sales		(92,986)	(65,876)	(318,969)	(247,885)
<b>Gross profit</b>		10,421	26,725	62,009	86,956
Other income		802	1,657	3,350	3,999
Administrative expenses		(6,273)	(7,824)	(26,047)	(29,086)
Selling and marketing expenses		(3,914)	(2,252)	(9,168)	(8,030)
Other expenses		(436)	(1,617)	(2,889)	(4,598)
Net foreign exchange gain/(loss)		2,990	(810)	1,030	(546)
Finance costs		(1,707)	(415)	(4,393)	(1,843)
Share of profit of associate		7	-	7	-
<b>Profit before tax</b>		1,890	15,464	23,899	46,852
Income tax expense	20	(42)	(1,817)	(2,195)	(5,457)
<b>Profit for the period</b>		1,848	13,647	21,704	41,395
Attributable to:					
Equity holders of the parent		1,136	10,409	17,150	30,830
Minority interests		712	3,238	4,554	10,565
		1,848	13,647	21,704	41,395
<b>Earnings per share attributable to equity holders of the parent:</b>					
Basic, for profit for the period (sen)	28	0.9	8.8	14.4	26.2
Diluted, for profit for the period (sen)	28	0.9	8.7	14.2	25.9
The cost of sales, administrative expenses and other expenses were arrived at after:-					
(a) depreciation		(9,335)	(6,729)	(32,229)	(27,950)
(b) amortisation		(2)	(599)	(5)	(3,936)
Included in the finance costs was interest expense of					
		(1,543)	(355)	(3,506)	(1,426)

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**ENG TEKNOLOGI HOLDINGS BHD.**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	Note	As At 31 December 2006 RM'000	As At 31 December 2005 (restated) RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		163,696	113,744
Investment in an associate		43	34
Long-term receivable		2,489	2,459
Other investments		102	101
Intangible assets		28,579	26,586
Retirement benefit plan		117	-
		<u>195,026</u>	<u>142,924</u>
<b>Current Assets</b>			
Inventories		58,864	41,312
Trade receivables		88,750	77,253
Other receivables		20,964	10,629
Cash and bank balances		44,473	33,093
		<u>213,051</u>	<u>162,287</u>
<b>TOTAL ASSETS</b>		<u>408,077</u>	<u>305,211</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		119,097	118,543
Share premium		963	604
Other reserves		(5,907)	(3,571)
Retained earnings		61,376	59,686
		<u>175,529</u>	<u>175,262</u>
<b>Minority interests</b>		<u>17,002</u>	<u>19,379</u>
<b>Total equity</b>		<u>192,531</u>	<u>194,641</u>
<b>Non-current Liabilities</b>			
Retirement benefit obligation		89	-
Borrowings	24	31,860	4,940
Deferred tax liabilities		5,581	5,669
		<u>37,530</u>	<u>10,609</u>
<b>Current Liabilities</b>			
Retirement benefit obligation		117	-
Borrowings	24	89,845	25,021
Trade payables		49,217	36,975
Other payables		37,820	35,197
Tax payable		1,017	2,768
		<u>178,016</u>	<u>99,961</u>
<b>Total liabilities</b>		<u>215,546</u>	<u>110,570</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>408,077</u>	<u>305,211</u>
Net assets per share (RM)		1.62	1.64
Net assets per share attributable to ordinary equity holders of the parent (RM)		1.47	1.48

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Note	← Attributable to Equity Holders of the Parent →				Total	Minority Interests	Total Equity
	Share Capital	← Non-distributable →		Retained Earnings			
		Share Premium	Other Reserves				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2006</b>							
As previously stated	118,543	604	(3,731)	59,854	175,270	19,371	194,641
Prior year adjustments – effects of adopting:							
FRS 2	-	-	233	(233)	-	-	-
FRS 121	-	-	(73)	65	(8)	8	-
<b>At 1 January 2006 (restated)</b>	<b>118,543</b>	<b>604</b>	<b>(3,571)</b>	<b>59,686</b>	<b>175,262</b>	<b>19,379</b>	<b>194,641</b>
Foreign currency translation, representing net expense recognised directly in equity	-	-	(3,026)	-	(3,026)	(943)	(3,969)
Profit for the year	-	-	-	17,150	17,150	4,554	21,704
Total recognised income and expense for the year	-	-	(3,026)	17,150	14,124	3,611	17,735
Issue of ordinary shares pursuant to ESOS	554	339	-	-	893	-	893
Share-based payment under ESOS	-	-	710	-	710	31	741
Transfer from ESOS Reserve arising from exercise of ESOS	-	20	(20)	-	-	-	-
Subsidiaries' tax exempt dividends	-	-	-	-	-	(3,234)	(3,234)
Dividends	-	-	-	(15,460)	(15,460)	-	(15,460)
Purchase of additional shares in a subsidiary	-	-	-	-	-	(2,785)	(2,785)
<b>At 31 December 2006</b>	<b>119,097</b>	<b>963</b>	<b>(5,907)</b>	<b>61,376</b>	<b>175,529</b>	<b>17,002</b>	<b>192,531</b>

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

Note	← Attributable to Equity Holders of the Parent →				Total	Minority Interests	Total Equity
	Share Capital	← Non-distributable →		Retained Earnings			
		Share Premium	Other Reserves				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2005</b>	83,860	7,873	(4,304)	72,196	159,625	21,822	181,447
Foreign currency translation, representing net expense recognised directly in equity, as previously stated	-	-	573	-	573	(266)	307
Effect of adopting FRS 121	-	-	(73)	-	(73)	-	(73)
Foreign currency translation, representing net expense recognised directly in equity, as restated	-	-	500	-	500	(266)	234
Profit for the year, as previously stated	-	-	-	30,998	30,998	10,570	41,568
Effect of adopting FRS 121	-	-	-	65	65	8	73
Effect of adopting FRS 2	-	-	-	(233)	(233)	(13)	(246)
Profit for the year, as restated	-	-	-	30,830	30,830	10,565	41,395
<b>Total recognized income and expense for the year</b>	-	-	500	30,830	31,330	10,299	41,629
Purchase of additional shares in subsidiary	-	-	-	-	-	(4,634)	(4,634)
Issue of ordinary shares pursuant to ESOS	1,127	642	-	-	1,769	-	1,769
Share-based payment under ESOS	-	-	233	-	233	13	246
Bonus issue	33,556	(7,911)	-	(25,645)	-	-	-
Subsidiaries' interim tax exempt dividends	-	-	-	-	-	(8,121)	(8,121)
Dividends	-	-	-	(17,695)	(17,695)	-	(17,695)
<b>At 31 December 2005 (restated)</b>	<b>118,543</b>	<b>604</b>	<b>(3,571)</b>	<b>59,686</b>	<b>175,262</b>	<b>19,379</b>	<b>194,641</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Year ended 31 December	
	2006 RM'000	2005 RM'000 (restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	23,899	46,852
Adjustments for non-cash items	35,691	33,793
Operating profit before working capital changes	59,590	80,645
Increase in inventories	(21,455)	(11,168)
Increase in receivables	(18,105)	(17,681)
Increase in payables	12,756	11,522
Increase in long-term receivable	(30)	(126)
Cash generated from operations	32,756	63,192
Tax refunded	858	942
Tax paid	(6,386)	(5,263)
Interest paid	(3,335)	(1,439)
Net cash generated from operating activities	23,893	57,432
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	1,534	4,064
Interest received	805	585
Acquisition of property, plant and equipment	(79,669)	(26,521)
Purchase of additional shares in a subsidiary	(4,540)	(6,839)
Registration of trademark	(7)	(31)
Net cash used in investing activities	(81,877)	(28,742)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in bank borrowings	53,041	11,362
Drawdown of term loans	53,280	6,193
Proceeds from issuance of shares for ESOS exercised	893	1,769
Dividends paid by the Company	(15,460)	(17,695)
Repayment of term loans	(10,420)	(17,566)
Dividends paid by subsidiaries to minority shareholders	(5,855)	(7,891)
Repayment of lease and hire-purchase payables	(2,768)	(5,002)
Net cash generated from/(used in) financing activities	72,711	(28,830)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	14,727	(140)
<b>FOREIGN EXCHANGE TRANSLATION EFFECT</b>	(2,288)	342
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	29,745	29,543
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	42,184	29,745

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amount:

	As At 31 December	
	2006 RM'000	2005 RM'000
Cash and bank balances	44,473	33,093
Bank overdrafts	<u>(2,289)</u>	<u>(3,348)</u>
	<u>42,184</u>	<u>29,745</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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**PART A – DISCLOSURE NOTES AS REQUIRED UNDER FRS 134**

**1. Basis of Preparation**

The interim financial statements have been prepared under the historical cost convention except for the revaluation of certain leasehold properties included in property, plant and equipment.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

**2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 5, 102, 108, 110, 116, 127, 128, 131, 132, 133 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

## 2. Changes in Accounting Policies (Contd.)

### (a) FRS 2: Share-based Payment

The Company operates an equity-settled, share-based compensation plan for the employees of the Group, the Company's Employee Share Options Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 December 2005 are restated and the opening balance of retained earnings as at 1 January 2006 has been adjusted, as disclosed in Note 3. The financial impact to the Group arising from this change in accounting policy is as follows:

	3 months ended		Year ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Decrease in profit for the period	111	211	741	246

### (b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

The adoption of these new FRSs have resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 10 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation with a corresponding decrease in goodwill. The carrying amount of goodwill after eliminating accumulated amortisation and accumulated impairment losses as at 1 January 2006 of RM26,554,663 ceased to be amortised. This has the effect of reducing the amortisation charges by RM1,167,181 in the current quarter ended 31 December 2006 and RM4,668,730 for the year ended 31 December 2006 respectively.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. Prior to 1 January 2006, negative goodwill was amortised over the average useful life of 10 years.

## 2. Changes in Accounting Policies (Contd.)

### (c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

### (d) FRS 121: The Effects of Changes in Foreign Exchange Rates

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

In the financial year ended 31 December 2005, a foreign subsidiary changed its functional currency from Singapore Dollar ("SGD") to United States Dollar ("USD"). This change in accounting policy has been accounted for retrospectively up to 1 January 2005, as disclosed in Note 3.

## 3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously stated RM'000	Reclassification RM'000	Adjustments		Restated RM'000
			FRS 2 (Note 2(a)) RM'000	FRS 121 (Note 2(d)) RM'000	
At 31 December 2005					
Retained earnings	59,854	-	(233)	65	59,686
Other reserves	(3,731)	-	233	(73)	(3,571)
Minority interests	19,371	-	-	8	19,379
3 months ended 31 December 2005					
Cost of Sales	(65,848)	-	(28)	-	(65,876)
Other income	1,122	348	-	224	1,694
Administrative expenses	(7,641)	-	(183)	-	(7,824)
Profit before tax	15,451	-	(211)	224	15,464
Income tax expense	(1,806)	-	-	(11)	(1,817)
Profit for the period	13,645	-	(211)	213	13,647
Year ended 31 December 2005					
Cost of Sales	(247,852)	-	(33)	-	(247,885)
Other income	5,347	(1,286)	-	86	4,147
Administrative expenses	(28,873)	-	(213)	-	(29,086)
Profit before tax	47,012	-	(246)	86	46,852
Income tax expense	(5,444)	-	-	(13)	(5,457)
Profit for the period	41,568	-	(246)	73	41,395

## 4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

## 5. Segmental Information

Analysis by nature of business and geographical location:

Year ended 31 December 2006	← Manufacturing →		Trading	← Others →		Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000	Other Asia Pacific Countries RM'000	Malaysia RM'000	Other Asia Pacific Countries RM'000			
<b>Revenue</b>								
External sales	62,908	205,507	112,290	-	-	380,705	-	380,705
Inter-segment sales	197,788	-	-	682	970	199,440	(199,440)	-
	260,696	205,507	112,290	682	970	580,145	(199,440)	380,705
Unallocated revenue								273
Total revenue								<u>380,978</u>
<b>Results</b>								
Segment results	19,414	6,229	4,800	407	208	31,058	-	31,058
Unallocated expenses								(2,766)
Finance costs								(4,393)
Income tax expense								(2,195)
Profit for the year								<u>21,704</u>

## 5. Segmental Information (Cont'd)

Year ended 31 December 2005 (restated)	← Manufacturing →		Trading	← Others →		Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000	Other Asia Pacific Countries RM'000	Malaysia RM'000	Other Asia Pacific Countries RM'000			
<b>Revenue</b>								
External sales	58,823	194,574	81,220	-	-	334,617	-	334,617
Inter-segment sales	124,043	-	-	671	540	125,254	(125,254)	-
	182,866	194,574	81,220	671	540	459,871	(125,254)	334,617
Unallocated revenue								224
Total revenue								<u>334,841</u>
<b>Results</b>								
Segment results	28,470	24,878	1,266	402	59	55,075	-	55,075
Unallocated expenses								(6,380)
Finance costs								(1,843)
Income tax expense								(5,457)
Profit for the year								<u>41,395</u>

The directors are of the opinion that all inter-segment transfers have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. Those transfers are eliminated on consolidation.

## 6. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year ended 31 December except as disclosed in Note 2.

## 7. Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group revised the estimated useful lives of certain plant and machineries from five to eight years with effect from 1 July 2006. The revisions were accounted arising from change in accounting estimates and as a result, the depreciation charges for the current quarter and the current financial year ended 31 December 2006 have been reduced by RM492,701 and RM926,913 respectively.

There were no other changes in estimates that have had a material effect in the current quarter results.

## 8. Comments about Seasonal or Cyclical Factors

The Group is subjected to the cyclical effects of the global technology industry and the fluctuations of the metal prices used as raw materials.

## 9. Dividends Paid

The amount of dividend paid during the financial year ended 31 December 2006 was as follows:

	RM'000
In respect of the financial year ended 31 December 2005 as reported in the directors' report of that year:	
Final tax exempt dividend of 10%, paid on 28 June 2006	11,888
In respect of financial year ended 31 December 2006:	
Interim tax exempt dividend of 3%, paid on 18 October 2006	3,572
	<u>15,460</u>

## 10. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2005.

## 11. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

### (a) Employee Share Options Scheme ("ESOS")

During the financial year ended 31 December 2006, the Company issued 553,600 fully paid-up ordinary shares of RM1 each for cash pursuant to the Company's ESOS.

<u>ESOS</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>	<u>Option 4</u>	<u>Option 5</u>	<u>Total</u>
Grant Date	23/10/2001	18/10/2002	23/05/2003	24/02/2004	15/08/2005	
Expiry Date	22/10/2011	22/10/2011	22/10/2011	22/10/2011	22/10/2011	
	('000)	('000)	('000)	('000)	('000)	('000)
As at 1/1/2006	1,843	223	850	595	4,890	8,401
Granted	-	-	-	-	-	-
Exercised	183	47	182	-	142	554
Foregone	-	-	-	8	-	8
As at 31/12/2006	<u>1,660</u>	<u>176</u>	<u>668</u>	<u>587</u>	<u>4,748</u>	<u>7,839</u>
Option price per Ordinary Share (RM)	1.62	1.40	1.48	2.90	1.84	

## 12. Changes in Composition of the Group

There were no changes in the composition of the Group except for the following:

- (a) On 20 March 2006, Eng Teknologi Holdings Bhd. further acquired 5% of equity interest in a subsidiary, Altum Precision Pte. Ltd. ("Altum"), for purchase consideration of USD1,221,913 pursuant to the Call Option granted by Ultro Technologies Limited to the Company in accordance to the Put and Call Option Agreement dated 31 October 2005. With this, the Company increased its equity interest in Altum from 70% to 75%.
- (b) On 23 May 2006, Eng Teknologi Holdings Bhd. had set up a wholly-owned subsidiary in Thailand, namely Engtek (Thailand) Co., Ltd. ("ETCL") with a total issued and paid-up share capital of THB10,000,000. ETCL's intended principal activities are manufacture and assembly of data storage and electronic components.

## 13. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 December 2006 is as follows:

	As At 31 December 2006 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	19,092
Property, plant and equipment	2,321
Professional fee	297

## 14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 31 December 2006 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM102.0 million (31 December 2005: RM25.5 million).

## 15. Subsequent Events

There were no material events subsequent to the end of the current quarter.

**ENG TEKNOLOGI HOLDINGS BHD.**  
**(Incorporated in Malaysia)**

**PART B – DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA SECURITIES  
BERHAD LISTING REQUIREMENTS**

**16. Performance Review**

The Group revenue for the reporting quarter was RM103.4 million. Compared to the corresponding quarter's revenue in the previous year of RM92.6 million, revenue for quarter four 2006 has risen approximately 12%. The revenue for the total year of 2006 was RM381 million. This was an increase of 14% over the revenue achieved in 2005 of RM334.8 million. The increase was possible through the expansion of mainly the Group's hard disk drive base plates business.

Profit before tax for the quarter was RM1.9 million. In the corresponding quarter in 2005, the Group achieved RM15.5 million of profit before tax. The profit before tax for the total year of 2006 was RM23.9 million. This was a reduction of 49% from a total year profit before tax of RM46.9 million compared to the previous year. The main reasons for the significant reduction in earnings were due to product end of life in China operations, higher aluminium costs and weaker United States Dollar.

**17. Material Change in Profit Before Tax Against Preceding Quarter**

The Group revenue for the reporting quarter at RM103.4 million was marginally higher than that of the preceding quarter of RM102.5 million. Profit before tax was however lower at RM1.9 million compared to RM3.9 million in the preceding quarter.

The reduction in earnings compared to preceding quarter was mainly due to losses in China operations.

**18. Prospects**

Following major machinery investments late in 2006, the Group capacity in base plates production has increased significantly. This would enable the Group to achieve higher revenue consequently. Nevertheless higher costs associated to new products and new customers' orientation is expected to ensue for another quarter.

The global hard disk drive demand is expected to expand further in 2007 and this would augur well for Engtek as a major hard disk drive component supplier.

**19. Profit Forecast or Profit Guarantee**

Not applicable.



**20. Income Tax Expense**

	3 months period ended 31 December		Year ended 31 December	
	2006 RM'000	2005 RM'000 (restated)	2006 RM'000	2005 RM'000 (restated)
Current tax:				
Malaysian income tax	(179)	1,099	868	2,961
Foreign tax	147	866	2,283	2,317
	(32)	1,965	3,151	5,278
(Over)/underprovision of income tax in prior years:				
Malaysian income tax	-	(3)	(44)	(140)
Foreign tax	(1,044)	-	(1,038)	-
	(1,044)	(3)	(1,082)	(140)
	(1,076)	1,962	2,069	5,138
Deferred tax	1,058	(145)	1,102	142
(Over)/underprovision of deferred tax in prior year	60	-	(976)	177
	1,118	(145)	126	319
Total income tax expense	42	1,817	2,195	5,457

The effective tax rate was lower than the statutory tax rate principally due to certain income not subject to tax and incentives enjoyed by the local subsidiaries under the Income Tax Act, 1967 and by foreign subsidiaries under their respective tax legislations.

**21. Sales of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties during the financial year ended 31 December 2006.

**22. Quoted Securities**

There were no purchase or sales of quoted securities during the financial year ended 31 December 2006 and no investment in quoted securities as at 31 December 2006.

**23. Corporate Proposals**

There were no corporate proposals announced but not completed.

**24. Borrowings**

Details of the Group's borrowings as at 31 December 2006 are as follows:

	As At 31 December 2006 RM'000	As At 31 December 2005 RM'000
<b>Short-term</b>		
Secured	13,864	6,308
Unsecured	75,981	18,713
	<u>89,845</u>	<u>25,021</u>
<b>Long-term</b>		
Secured	9,518	4,940
Unsecured	22,342	-
	<u>31,860</u>	<u>4,940</u>
	<u>121,705</u>	<u>29,961</u>

**24. Borrowings (Contd.)**

Borrowings denominated in foreign currency:

	As At 31 December 2006		As At 31 December 2005	
	Foreign currency '00 0	RM'000 equivalent	Foreign currency '00 0	RM'000 equivalent
<b>Short-term</b>				
Secured	USD 1,689	5,962	USD 1,050	3,966
Secured	SGD 13	29	SGD 48	109
Secured	THB 427	43	THB 219	20
Unsecured	USD 6,930	24,424	-	-
Unsecured	-	-	HKD 3,955	1,926
Unsecured	SGD 106	243	SGD 176	400
<b>Long-term</b>				
Secured	USD 1,310	4,624	USD 1,138	4,297
Secured	-	-	SGD 8	19
Secured	THB 823	82	THB 668	62
Unsecured	USD 5,413	19,108	-	-

**25. Off Balance Sheet Financial Instruments**

Notional amount as at  
21 February 2007  
RM'000

Forward foreign exchange contracts:  
Within 1 year

39,935

Credit risk, or the risk of counterparties defaulting, is controlled by strictly limiting the Group's association to creditworthy financial institutions in Malaysia.

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Exposure to market risk may be reduced through offsetting on and off balance sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments. The related accounting policies for the off balance sheet financial instruments are as disclosed in the financial statements for the year ended 31 December 2005.

**26. Changes in Material Litigation**

There was no pending material litigation at the close of the report.

**27. Dividend**

- The directors recommend a final tax exempt dividend of 6% (6 sen per share) in respect of the financial year ended 31 December 2006 (2005: 10 sen per share). This proposed dividend is subject to the shareholders' approval in the forthcoming Annual General Meeting.
- The total dividend per share to date for the current financial year is 9 sen tax exempt.

**28. Earnings Per Share**

## (a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months period ended 31 December		Year ended 31 December	
	2006	2005 (restated)	2006	2005 (restated)
Profit attributable to ordinary equity holders of the parent (RM'000)	1,136	10,409	17,150	30,830
Weighted average number of ordinary shares in issue ('000)	118,884	117,893	118,884	117,893
Basic earnings per share (sen)	0.9	8.8	14.4	26.2

## (b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of share options granted to employees.

	3 months period ended 31 December		Year ended 31 December	
	2006	2005 (restated)	2006	2005 (restated)
Profit attributable to ordinary equity holders of the parent (RM'000)	1,136	10,409	17,150	30,830
Weighted average number of ordinary shares in issue ('000)	118,884	117,893	118,884	117,893
Effects of dilution:				
Share options	1,650	1,186	1,650	1,186
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	120,534	119,079	120,534	119,079
Diluted earnings per share (sen)	0.9	8.7	14.2	25.9

**29. Authorisation for Issue**

On 27 February 2007, the Board of Directors authorised the issue of these interim financial statements.

By Order of the Board  
**Eng Teknologi Holdings Bhd (234669 M)**

THUM SOOK FUN (MAICSA 7025619)  
Secretary  
27 February 2007