

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
30 September 2007

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

**CONTENTS**

	<b>PAGE</b>
CONDENSED CONSOLIDATED INCOME STATEMENTS	1
CONDENSED CONSOLIDATED BALANCE SHEETS	2
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS	4 - 5
PART A - DISCLOSURE NOTES AS REQUIRED UNDER FRS 134	6 - 11
PART B - DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS	12 - 15

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Note	3 months period ended		9 months period ended	
		30 September		30 September	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Revenue		141,034	102,493	350,188	277,571
Cost of sales		(119,846)	(89,205)	(321,894)	(225,983)
<b>Gross profit</b>		21,188	13,288	28,294	51,588
Other income		1,652	1,151	4,360	2,548
Administrative expenses		(5,980)	(6,299)	(18,522)	(19,774)
Selling and marketing expenses		(4,404)	(1,860)	(12,667)	(5,254)
Other expenses		(158)	(794)	(1,282)	(2,454)
Net foreign exchange (loss)/gain		(1,299)	(714)	2,282	(2,060)
Finance costs		(1,289)	(850)	(4,692)	(2,585)
Share of profit/(loss) of associate		1	-	(4)	-
<b>Profit/(loss) before tax</b>		9,711	3,922	(2,231)	22,009
Income tax expense	20	(335)	973	5,157	(2,153)
<b>Profit for the period</b>		9,376	4,895	2,926	19,856
Attributable to:					
Equity holders of the Company		7,825	4,123	2,081	16,014
Minority interests		1,551	772	845	3,842
		9,376	4,895	2,926	19,856
<b>Earnings per share attributable to equity holders of the Company:</b>					
Basic, for profit for the period (sen)	28	6.5	3.5	1.7	13.5
Diluted, for profit for the period (sen)	28	6.5	3.4	1.7	13.3
The cost of sales, administrative expenses and other expenses were arrived at after:-					
(a) depreciation		(9,670)	(8,469)	(29,124)	(22,819)
(b) amortisation		(25)	(26)	(74)	(79)
Included in the finance costs were:					
(a) interest expense		(1,771)	(757)	(5,544)	(1,963)
(b) net foreign exchange gain arising from financing activities		650	242	1,259	100

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	Note	As At 30 September 2007 RM'000	As At 31 December 2006 (restated) RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		152,696	159,021
Prepaid land lease payments		4,604	4,675
Intangible assets		28,201	28,579
Interest in an associate		2,657	2,532
Other investments		105	102
Retirement benefits plan asset		126	117
Deferred tax assets		1,676	-
		<u>190,065</u>	<u>195,026</u>
<b>Current Assets</b>			
Inventories		48,404	58,864
Trade receivables		127,036	88,750
Other receivables		15,585	20,964
Cash and bank balances		30,252	44,473
		<u>221,277</u>	<u>213,051</u>
<b>TOTAL ASSETS</b>		<u>411,342</u>	<u>408,077</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		119,097	119,097
Share premium		963	963
Other reserves		(5,459)	(5,907)
Retained earnings		56,326	61,376
		<u>170,927</u>	<u>175,529</u>
<b>Minority interests</b>		<u>17,577</u>	<u>17,002</u>
<b>Total equity</b>		<u>188,504</u>	<u>192,531</u>
<b>Non-current Liabilities</b>			
Retirement benefits obligation		136	89
Borrowings	24	36,461	31,860
Deferred tax liabilities		373	5,581
		<u>36,970</u>	<u>37,530</u>
<b>Current Liabilities</b>			
Retirement benefits obligation		126	117
Borrowings	24	94,869	89,845
Trade payables		52,338	49,217
Other payables		37,621	37,820
Current tax payable		914	1,017
		<u>185,868</u>	<u>178,016</u>
<b>Total liabilities</b>		<u>222,838</u>	<u>215,546</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>411,342</u>	<u>408,077</u>
Net assets per share (RM)		1.58	1.62
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.44	1.47

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to Equity Holders of the Company →						Total Equity RM'000
	Share Capital RM'000	← Non-distributable →		Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	
		Share Premium RM'000	Other Reserves RM'000				
<b>At 1 January 2007</b>	119,097	963	(5,907)	61,376	175,529	17,002	192,531
Foreign currency translation	-	-	220	-	220	(271)	(51)
Transfer from ESOS reserve, arising from forfeiture of vested ESOS	-	-	(18)	15	(3)	3	-
Net income recognised directly in equity	-	-	202	15	217	(268)	(51)
Profit for the period	-	-	-	2,081	2,081	845	2,926
Total recognised income and expense for the period	-	-	202	2,096	2,298	577	2,875
Share-based payment under ESOS	-	-	246	-	246	(2)	244
Final tax exempt dividend	-	-	-	(7,146)	(7,146)	-	(7,146)
<b>At 30 September 2007</b>	<b>119,097</b>	<b>963</b>	<b>(5,459)</b>	<b>56,326</b>	<b>170,927</b>	<b>17,577</b>	<b>188,504</b>
<b>At 1 January 2006</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	-	-	(612)	-	(612)	(193)	(805)
Profit for the period	-	-	-	16,014	16,014	3,842	19,856
Total recognised income and expense for the period	-	-	(612)	16,014	15,402	3,649	19,051
Issue of ordinary shares pursuant to ESOS	507	299	-	-	806	-	806
Share-based payment under ESOS	-	-	604	-	604	26	630
Transfer from ESOS Reserve arising from exercise of ESOS	-	5	(5)	-	-	-	-
Subsidiaries' interim tax exempt dividend	-	-	-	-	-	(3,234)	(3,234)
Final tax exempt dividend	-	-	-	(15,459)	(15,459)	-	(15,459)
Purchase of additional shares in a subsidiary	-	-	-	-	-	(2,785)	(2,785)
<b>At 30 September 2006</b>	<b>119,050</b>	<b>908</b>	<b>(3,584)</b>	<b>60,241</b>	<b>176,615</b>	<b>17,035</b>	<b>193,650</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 2006 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	9 months period ended 30 September	
	2007	2006
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	(2,231)	22,009
Adjustments for non-cash items	37,480	31,049
Operating profit before working capital changes	35,249	53,058
Decrease/(increase) in inventories	8,254	(22,784)
Increase in receivables	(37,441)	(22,798)
Increase in payables	4,983	22,725
Increase in long term receivable	(127)	(93)
Cash generated from operations	10,918	30,108
Tax paid	(2,077)	(3,011)
Interest paid	(5,652)	(1,882)
Net cash generated from operating activities	3,189	25,215
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(20,934)	(47,049)
Interest received	591	509
Proceeds from disposal of property, plant and equipment	316	1,203
Purchase of additional shares in a subsidiary	-	(4,540)
Registration of trademark	(2)	(5)
Net cash used in investing activities	(20,029)	(49,882)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid by the Company	(7,146)	(11,888)
Dividends paid by subsidiaries to minority shareholders	-	(4,118)
Drawdown of term loans	20,915	15,854
Net change in bank borrowings	(49)	38,355
Proceeds from issuance of shares for ESOS exercised	-	806
Repayment of lease and hire-purchase payables	(670)	(2,347)
Repayment of term loans	(12,755)	(7,126)
Net cash generated from financing activities	295	29,536
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(16,545)	4,869
<b>FOREIGN EXCHANGE TRANSLATION EFFECT</b>	(262)	(1,953)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	42,184	29,745
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>	25,377	32,661

## CASH AND CASH EQUIVALENTS

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

	As At 30 September	
	2007 RM'000	2006 RM'000
Cash and bank balances	30,252	35,074
Bank overdrafts	<u>(4,875)</u>	<u>(2,413)</u>
	<u>25,377</u>	<u>32,661</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

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

**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 2006. 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 2006.

Bank of Thailand had issued notices regarding the Rules and Practices on Currency Exchange in December 2006. Consequently, this has resulted in the Thai Baht being traded using different rates in on-shore and off-shore foreign exchange market. For subsidiaries in Thailand, transactions in foreign currencies are recorded and remeasured in the financial statements using Thai Baht on-shore rate. On consolidation, the Group translates the financial statements of subsidiaries in Thailand into Ringgit Malaysia using the published rates in Malaysia.

**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 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
Amendments to FRS 119 <sub>2004</sub>	Employees Benefits-Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

FRS 6 is not relevant to the Group’s operations and the adoption of Amendment to FRS119<sub>2004</sub> and FRS 124 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 are discussed below:

(a) FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interest in the land element and the building element of the lease at the inception of the lease. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and any impairment losses. A leasehold land was last revalued in 1992.

Upon the adoption of the revised FRS 117 at 1 January 2007, the unamortised revalued amounts of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 3, certain comparative amounts as at 31 December 2006 has been restated.



## 2. Changes in Accounting Policies (cont'd)

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue but not yet effective:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application other than:

(i) FRS 112 : Income Taxes

The Group does not recognise deferred tax assets on unused reinvestment allowances as required by paragraph 36 of FRS 112<sub>2004</sub> Income Taxes. Under the revised FRS 112 Income Taxes, the Group will have to recognise deferred tax asset on such unused reinvestment allowances to the extent that it is probable that future taxable profit will be available against which the unused reinvestment allowances can be utilised. The directors are unable to determine if the initial adoption of this revised FRS will have a material impact on the financial statements for the year ending 31 December 2008.

## 3. Comparatives

The following comparative amounts have been restated due to the adoption of new/ revised FRS:

	Previously stated	Reclassification	Restated
	RM'000	FRS 117 (Note 2(a)) RM'000	RM'000
At 31 December 2006			
Property, plant and equipment	163,696	(4,675)	159,021
Prepaid land lease payments	-	4,675	4,675

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

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

## 5. Segmental Information

Analysis by nature of business and geographical location:

9 months period ended 30 September 2007	← 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	70,639	178,704	100,614	-	-	349,957	-	349,957
Inter-segment sales	169,916	1,514	-	519	747	172,696	(172,696)	-
	240,555	180,218	100,614	519	747	522,653	(172,696)	349,957
Unallocated revenue								231
Total revenue								<u>350,188</u>
<b>Results</b>								
Segment results	2,613	(4,586)	3,377	304	24	1,732	-	1,732
Unallocated expenses								733
Finance costs								(4,692)
Share of loss of associate								(4)
Loss before tax								<u>(2,231)</u>
Income tax expense								5,157
Profit for the period								<u>2,926</u>

## 5. Segmental Information (Cont'd)

9 months period ended 30 September 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	45,453	154,838	77,088	-	-	277,379	-	277,379
Inter-segment sales	138,283	-	-	504	723	139,510	(139,510)	-
	183,736	154,838	77,088	504	723	416,889	(139,510)	277,379
Unallocated revenue								192
Total revenue								<u>277,571</u>
<b>Results</b>								
Segment results	15,433	7,878	2,023	295	(70)	25,559	-	25,559
Unallocated expenses								(965)
Finance costs								<u>(2,585)</u>
Profit before tax								22,009
Income tax expense								<u>(2,153)</u>
Profit for the period								<u>19,856</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 period ended 30 September 2007 except as disclosed in Note 2.

## 7. Changes in Estimates

There were no 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. Dividend Paid

The amount of dividend paid during the financial period ended 30 September 2007 was as follows:

RM'000

In respect of the financial year ended 31 December 2006 as reported in the directors' report of that year:

Final tax exempt dividend of 6%, paid on 28 June 2007 7,146

## 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 2006.

## 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")

There was no issuance of ordinary shares pursuant to the Company's ESOS during the financial period ended 30 September 2007.

<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 1/1/2007	1,660	176	668	587	4,748	7,839
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Foregone	-	-	56	8	273	337
As at 30/9/2007	1,660	176	612	579	4,475	7,502
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 during the current quarter.

**13. Commitments**

The amount of commitments not provided for in the interim financial statements as at 30 September 2007 is as follows:

	As At 30 September 2007 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	19,365
Property, plant and equipment	1,526

**14. Changes in Contingent Liabilities and Contingent Assets**

The total contingent liabilities as at 30 September 2007 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM109.9 million (31 December 2006: RM102.0 million).

**15. Subsequent Events**

There were no material events subsequent to the end of the current quarter except for the following:

- (a) Presently, Malaysian companies adopt the full imputation system. In the Budget 2008 announcement, the Government has announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008. Under the proposed single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the 108 balance to be locked in as at 31 December 2007.

The Company has sufficient balance in the tax exempt income account and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained earnings as at 30 September 2007. Any non tax exempt dividends paid in excess of the tax credit under Section 108 of the Income Tax Act, 1967 will be subject to tax at 27%.

However, the Company will be able to distribute dividends out of its entire retained earnings without having to deduct tax from such dividends paid or credited after 31 December 2007 under the single tier system once the proposed legislation has been gazetted.

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

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

**16. Performance Review**

This reporting quarter saw the Group achieved a record revenue per quarter of RM141.0 million. Compared to the corresponding quarter last year when Group revenue was RM102.5 million, this was an improvement of 38%. With increased revenue, the Group's profit before tax for the reporting quarter was RM9.7 million compared to the previous year corresponding quarter of RM3.9 million. Comparatively, this was an improvement of 149%.

The increase in revenue over the corresponding period last year was mainly due to improved operational utilisation and expanded global demand of hard disk drives.

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

Revenue for the reporting quarter of RM141.0 million was an improvement of 39% over the immediate preceding quarter of RM101.6 million. With the significant increase in revenue, the Group recorded a profit before tax of RM9.7 million compared to a loss before tax of RM9.9 million in the preceding quarter.

The turnaround situation came about through a much improved operational utilisation coupled with a better third quarter global demand in the hard disk drive industry.

**18. Prospects**

The Group expects further improvements in its performance for the forthcoming quarter four 2007 as overall demand from the hard disk drive and the industrial product sectors continue to be strong going forward. Profitability is expected to further improve as the Group's business has attained satisfactory level of economies of scale while continuous efforts by the management to optimise utilisations and costs should yield better results.

**19. Profit Forecast or Profit Guarantee**

Not applicable.

**20. Income Tax Expense**

	3 months period ended 30 September		9 months period ended 30 September	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax:				
Malaysian income tax	126	254	383	1,055
Foreign income tax	300	470	1,015	2,128
	<u>426</u>	<u>724</u>	<u>1,398</u>	<u>3,183</u>
(Over)/underprovision of income tax in prior year:				
Malaysian income tax	(35)	(44)	(35)	(44)
Foreign income tax	-	-	-	6
	<u>(35)</u>	<u>(44)</u>	<u>(35)</u>	<u>(38)</u>
	<u>391</u>	<u>680</u>	<u>1,363</u>	<u>3,145</u>
Deferred tax	(159)	(617)	(5,584)	44
Under/(over)provision of deferred tax in prior year	103	(1,036)	(936)	(1,036)
	<u>(56)</u>	<u>(1,653)</u>	<u>(6,520)</u>	<u>(992)</u>
Total income tax expense	<u>335</u>	<u>(973)</u>	<u>(5,157)</u>	<u>2,153</u>

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.

In the Budget 2008 announcement, it has been proposed that the Malaysian corporate tax rate is to be reduced to 25% effective year of assessment 2009. The financial statements for the current financial period do not reflect these effects. The effects will be accounted for in the financial year ending 31 December 2008. The estimates of its financial effects on the Group are not disclosed as such an estimate cannot be made with reasonable certainty.

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

There were no sales of unquoted investments and properties during the financial period ended 30 September 2007.

**22. Quoted Securities**

There were no purchase or sales of quoted securities during the financial period ended 30 September 2007 and no investment in quoted securities as at 30 September 2007.

**23. Corporate Proposals**

There were no corporate proposals announced but not completed.

**24. Borrowings**

Details of the Group's borrowings as at 30 September 2007 are as follows:

	As At 30 September 2007 RM'000	As At 31 December 2006 RM'000
<b>Short term</b>		
Secured	22,883	19,005
Unsecured	71,986	70,840
	<u>94,869</u>	<u>89,845</u>
<b>Long term</b>		
Secured	34,926	28,626
Unsecured	1,535	3,234
	<u>36,461</u>	<u>31,860</u>
	<u>131,330</u>	<u>121,705</u>

Borrowings denominated in foreign currency:

	As At 30 September 2007		As At 31 December 2006	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
<b>Short term</b>				
Secured	USD 4,976	16,972	USD 3,145	11,103
Secured	-	-	SGD 13	29
Secured	THB 446	48	THB 427	43
Unsecured	USD 1,258	4,293	USD 5,474	19,283
Unsecured	HKD 12,675	5,571	-	-
Unsecured	SGD 5	12	SGD 106	243
Unsecured	THB 4	1	-	-
<b>Long term</b>				
Secured	USD 9,331	31,831	USD 6,723	23,732
Secured	THB 491	52	THB 823	82

**25. Off Balance Sheet Financial Instruments**

Notional amount as at  
8 November 2007  
RM'000

Forward foreign exchange contracts:

Within 1 year 52,784

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 2006.

**26. Changes in Material Litigation**

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



**27. Dividend**

The directors do not recommend any interim dividend for the financial period ended 30 September 2007.

**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 Company by the weighted average number of ordinary shares in issue during the period.

	3 months period ended 30 September		9 months period ended 30 September	
	2007	2006	2007	2006
Profit attributable to ordinary equity holders of the Company (RM'000)	7,825	4,123	2,081	16,014
Weighted average number of ordinary shares in issue ('000)	119,097	118,823	119,097	118,823
Basic earnings per share (sen)	6.5	3.5	1.7	13.5

**(b) Diluted**

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the Company 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 30 September		9 months period ended 30 September	
	2007	2006	2007	2006
Profit attributable to ordinary equity holders of the Company (RM'000)	7,825	4,123	2,081	16,014
Weighted average number of ordinary shares in issue ('000)	119,097	118,823	119,097	118,823
Effects of dilution:				
Share options	215	1,852	215	1,852
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	119,312	120,675	119,312	120,675
Diluted earnings per share (sen)	6.5	3.4	1.7	13.3

**29. Authorisation for Issue**

On 15 November 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  
15 November 2007