

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
31 March 2008

**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 31 March	
		2008 RM'000	2007 RM'000
Revenue		159,147	107,551
Cost of sales		(126,766)	(103,110)
<b>Gross profit</b>		<u>32,381</u>	<u>4,441</u>
Other income		1,834	1,236
Administrative expenses		(7,088)	(6,632)
Selling and marketing expenses		(3,851)	(3,175)
Other expenses		(5,807)	3,018
Finance costs		321	(946)
Share of loss of associate		(1)	(4)
<b>Profit/(Loss) before tax</b>		<u>17,789</u>	<u>(2,062)</u>
Income tax expense	20	(3,975)	3,105
<b>Profit for the period</b>		<u>13,814</u>	<u>1,043</u>
Attributable to:			
Equity holders of the Company		11,151	452
Minority interests		2,663	591
		<u>13,814</u>	<u>1,043</u>
<b>Earnings per share attributable to equity holders of the Company:</b>			
Basic, for profit for the period (sen)	28	9.4	0.4
Diluted, for profit for the period (sen)	28	9.3	0.4
The cost of sales, administrative expenses and other expenses were arrived at after:			
(a) depreciation		(10,044)	(9,731)
(b) amortisation		(25)	(25)
Included in the other expenses was:			
(a) net foreign exchange (loss)/gain		(5,270)	3,777
Included in the finance costs were:			
(a) interest expense		(1,477)	(2,057)
(b) net foreign exchange gain arising from financing activities		1,974	1,244

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 March 2008 RM'000	As At 31 December 2007 (restated) RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		155,714	146,380
Prepaid land lease payments		4,556	4,580
Intangible assets		28,096	28,151
Interest in an associate		2,685	2,809
Other investments		65	67
Retirement benefits plan assets		138	175
Deferred tax assets		8,643	10,915
		<u>199,897</u>	<u>193,077</u>
<b>Current Assets</b>			
Inventories		51,479	51,261
Trade receivables		131,603	129,682
Other receivables		14,831	13,052
Tax recoverables		7,188	7,217
Cash and bank balances		47,671	45,270
		<u>252,772</u>	<u>246,482</u>
<b>TOTAL ASSETS</b>		<u>452,669</u>	<u>439,559</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		119,109	119,097
Share premium		968	963
Other reserves		(7,508)	(3,080)
Retained earnings		87,197	76,043
		<u>199,766</u>	<u>193,023</u>
<b>Minority interests</b>		<u>22,342</u>	<u>20,307</u>
<b>Total equity</b>		<u>222,108</u>	<u>213,330</u>
<b>Non-current Liabilities</b>			
Retirement benefits obligations		177	162
Borrowings	24	25,003	30,662
Deferred tax liabilities		503	228
		<u>25,683</u>	<u>31,052</u>
<b>Current Liabilities</b>			
Retirement benefits obligations		119	135
Borrowings	24	75,394	84,064
Trade payables		65,434	65,517
Other payables		61,374	43,891
Current tax payable		2,557	1,570
		<u>204,878</u>	<u>195,177</u>
<b>Total liabilities</b>		<u>230,561</u>	<u>226,229</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>452,669</u>	<u>439,559</u>
Net assets per share (RM)		1.86	1.79
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.68	1.62

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to Equity Holders of the Company →				Minority Interests	Total Equity
	Share Capital RM'000	← Non-distributable →		Distributable Retained Earnings RM'000		
		Share Premium RM'000	Other Reserves RM'000			
<b>At 1 January 2008</b>						
As previously stated	119,097	963	(3,080)	69,071	186,051	204,185
Prior year adjustment - effect of adopting revised FRS 112	-	-	-	6,972	6,972	9,145
<b>At 1 January 2008 (restated)</b>	<b>119,097</b>	<b>963</b>	<b>(3,080)</b>	<b>76,043</b>	<b>193,023</b>	<b>213,330</b>
Foreign currency translation, representing net expense recognised directly in equity	-	-	(4,655)	-	(4,655)	(5,290)
Profit for the period	-	-	-	11,151	11,151	13,814
Total recognised income and expense for the period	-	-	(4,655)	11,151	6,496	8,524
Issue of ordinary shares pursuant to ESOS	12	2	-	-	14	14
Forfeiture of vested ESOS	-	-	(4)	3	(1)	-
Share options granted under ESOS	-	-	234	-	234	240
Transfer to Share Premium, arising from exercise of ESOS	-	3	(3)	-	-	-
<b>At 31 March 2008</b>	<b>119,109</b>	<b>968</b>	<b>(7,508)</b>	<b>87,197</b>	<b>199,766</b>	<b>222,108</b>

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to Equity Holders of the Company →				Minority Interests	Total Equity			
	Share Capital RM'000	← Non distributable →		Distributable Retained Earnings RM'000			Total RM'000	RM'000	RM'000
		Share Premium RM'000	Other Reserves RM'000						
<b>At 1 January 2007</b>									
As previously stated	119,097	963	(5,907)	61,376	175,529	17,002	192,531		
Prior year adjustment – effect of adopting revised FRS 112	-	-	-	6,994	6,994	2,329	9,323		
<b>At 1 January 2007 (restated)</b>	<u>119,097</u>	<u>963</u>	<u>(5,907)</u>	<u>68,370</u>	<u>182,523</u>	<u>19,331</u>	<u>201,854</u>		
Foreign currency translation, representing net expense recognised directly in equity	-	-	(1,035)	-	(1,035)	(145)	(1,180)		
Profit for the period	-	-	-	452	452	591	1,043		
Total recognised income and expense for the period	<u>-</u>	<u>-</u>	<u>(1,035)</u>	<u>452</u>	<u>(583)</u>	<u>446</u>	<u>(137)</u>		
Forfeiture of vested ESOS	-	-	(3)	3	-	-	-		
Share options granted under ESOS	-	-	102	-	102	4	106		
<b>At 31 March 2007</b>	<u>119,097</u>	<u>963</u>	<u>(6,843)</u>	<u>68,825</u>	<u>182,042</u>	<u>19,781</u>	<u>201,823</u>		

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	3 months period ended 31 March	
	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	17,789	(2,062)
Adjustments for non-cash items	15,410	10,768
Operating profit before working capital changes	33,199	8,706
Increase in inventories	(1,548)	(2,842)
Increase in receivables	(1,514)	(5,453)
Decrease in payables	(1,991)	(2,582)
Decrease in long term receivable	122	5
Cash generated from/(used in) operations	28,268	(2,166)
Tax paid	(437)	(608)
Interest paid	(1,382)	(1,914)
Net cash generated from/(used in) operating activities	26,449	(4,688)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(6,740)	(13,725)
Dividend received	1	-
Interest received	151	225
Proceeds from disposal of property, plant and equipment	161	48
Registration of trademark	-	(2)
Net cash used in investing activities	(6,427)	(13,454)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of term loans	1,050	16,115
Net change in bank borrowings	(7,305)	2,075
Proceeds from issuance of shares for ESOS exercised	14	-
Repayment of lease and hire-purchase payables	(201)	(312)
Repayment of term loans	(5,618)	(4,089)
Net cash (used in)/generated from financing activities	(12,060)	13,789
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	7,962	(4,353)
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>		
	(4,997)	2,355
<b>CASH AND CASH EQUIVALENTS AS AT</b>		
<b>1 JANUARY</b>	39,197	42,184
<b>CASH AND CASH EQUIVALENTS AS AT</b>		
<b>31 MARCH</b>	42,162	40,186

## CASH AND CASH EQUIVALENTS

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

	As At 31 March	
	2008 RM'000	2007 RM'000
Cash and bank balances	47,671	44,735
Bank overdrafts	<u>(5,509)</u>	<u>(4,549)</u>
	<u>42,162</u>	<u>40,186</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 a property 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 2007. 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 2007.

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. However, Bank of Thailand had lifted this capital control measure effective 3 March 2008.

**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 2007 except for the adoption of the following new and revised Financial Reporting Standards (“FRS”), amendment to FRS and Interpretations effective for financial period beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
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 FRS129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above new and revised FRSS, amendment to FRS and Interpretations do not have significant financial impact on the financial statements of the Group, except for FRS 112. The principal effects of the changes in accounting policies resulting from the adoption of FRS 112 are discussed below:

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

### (a) FRS 112: Income Taxes

Prior to 1 January 2008, 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 had recognised 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 application is retrospective and accordingly, certain comparatives have been restated as disclosed in Note 3. The financial impact to the Group arising from this change in accounting policy is as follows:

	3 months ended	
	31 March 2008 RM'000	31 March 2007 RM'000
Decrease in profit for the period	1,292	-

At the date of authorisation of these financial statements, FRS 139: Financial Instruments : Recognition and Measurement was in issue but not yet effective. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

## 3. Comparatives

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

	Previously stated RM'000	Increase/(Decrease)	Restated RM'000
		FRS 112 (Note 2(a)) RM'000	
At 31 December 2007:			
Deferred tax assets	2,499	8,416	10,915
Retained earnings	69,071	6,972	76,043
Minority interests	18,134	2,173	20,307
Deferred tax liabilities	957	(729)	228

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

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

## 5. Segmental Information

Analysis by business segments:

3 months period ended 31 March 2008	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	119,305	39,817	-	159,122	-	159,122
Inter-segment sales	38,379	-	441	38,820	(38,820)	-
	157,684	39,817	441	197,942	(38,820)	159,122
Unallocated revenue						25
Total revenue						<u>159,147</u>
<b>Results</b>						
Segment results	15,809	834	84	16,727	-	16,727
Unallocated expenses						742
Finance costs						321
Share of loss of associate						(1)
Profit before tax						<u>17,789</u>
Income tax expense						(3,975)
Profit for the period						<u>13,814</u>

## 5. Segmental Information (Cont'd)

3 months period ended 31 March 2007	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	72,506	34,935	-	107,441	-	107,441
Inter-segment sales	34,219	-	417	-	(34,636)	-
	106,725	34,935	417	142,077	(34,636)	107,441
Unallocated revenue						110
Total revenue						107,551
<b>Results</b>						
Segment results	(2,740)	1,439	74	(1,227)	-	(1,227)
Unallocated expenses						115
Finance costs						(946)
Share of loss of associate						(4)
Loss before tax						(2,062)
Income tax expense						3,105
Profit for the period						1,043

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These 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 31 March 2008 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

There were no dividend paid during the financial period ended 31 March 2008.

## 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 2007.

## 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 period ended 31 March 2008, the Company issued 12,000 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>Option 6</u>	<u>Total</u>
Grant Date	23/10/2001	18/10/2002	23/05/2003	24/02/2004	15/08/2005	18/02/2008	
Expiry Date	22/10/2011	22/10/2011	22/10/2011	22/10/2011	22/10/2011	22/10/2011	
	('000)	('000)	('000)	('000)	('000)	('000)	('000)
As at 1/1/2008	1,660	176	599	578	4,425	-	7,438
Granted	-	-	-	-	-	2,420	2,420
Exercised	-	-	-	-	-	12	12
Foregone	-	-	-	-	-	-	-
As at 31/3/2008	1,660	176	599	578	4,425	2,408	9,846
Option price per Ordinary Share (RM)	1.62	1.40	1.48	2.90	1.84	1.13	

**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 31 March 2008 is as follows:

	As At 31 March 2008 RM'000
Approved and contracted for:	
Property, plant and equipment	16,971
Future minimum rental payments for non-cancellable operating lease agreements	14,346

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

The total contingent liabilities as at 31 March 2008 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM109.1 million (31 December 2007: RM99.5 million).

**15. Subsequent Events**

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

**ENG TEKNOLOGI HOLDINGS BHD.**  
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**PART B – DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA SECURITIES  
BERHAD LISTING REQUIREMENTS**

**16. Performance Review**

The Group achieved new heights in revenue and profit before tax during this reporting quarter. Group revenue was RM159.1 million whilst the profit before tax was RM17.8 million. The Group revenue grew 48% over the corresponding quarter last year of RM107.6 million. During the corresponding quarter last year, the Group suffered a loss before tax of RM2.1 million.

The significant change in results was brought about by the achievement of the Group in bringing its capacity utilisation up to scale comparing with last year. This was backed by steady growth of the global hard disk drive demand and increased market allocation.

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

The Group profit before tax for the reporting quarter at RM17.8 million was an increase of 19% over the preceding quarter of RM14.9 million. The increase in profit level was due to improved utilisation and increased revenue.

**18. Prospects**

The Group expects continuous annual growth in the hard disk drive global demand. Nevertheless, short term cyclical downward demand trend in the immediate subsequent quarter may impact the Group results. However, it is not expected to be significant.

The Group's operations in China has managed to fill up its capacity and the industrial products sector is expected to grow steadily as well.

**19. Profit Forecast or Profit Guarantee**

Not applicable.

**20. Income Tax Expense**

	3 months period ended 31 March	
	2008 RM'000	2007 RM'000
Current tax:		
Malaysian income tax	1,239	145
Foreign income tax	199	458
	<u>1,438</u>	<u>603</u>
Deferred tax	2,263	(2,669)
Under/(over) provision of deferred tax in prior year	274	(1,039)
	<u>2,537</u>	<u>(3,708)</u>
Total income tax expense	<u>3,975</u>	<u>(3,105)</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.

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% in subsequent years of assessment. The computation of deferred tax as at 31 March 2008 has reflected these changes.

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

There were no sales of unquoted investments and properties during the financial period ended 31 March 2008.

**22. Quoted Securities**

There were no purchase or sales of quoted securities during the financial period ended 31 March 2008 and no investment in quoted securities as at 31 March 2008.

**23. Corporate Proposals**

There have been no further developments to corporate proposals other than that already announced to Bursa Malaysia.



**24. Borrowings**

Details of the Group's borrowings as at 31 March 2008 are as follows:

	As At 31 March 2008 RM'000	As At 31 December 2007 RM'000
<b>Short term</b>		
Secured	21,056	22,997
Unsecured	54,338	61,067
	<u>75,394</u>	<u>84,064</u>
<b>Long term</b>		
Secured	24,640	29,713
Unsecured	363	949
	<u>25,003</u>	<u>30,662</u>
	<u>100,397</u>	<u>114,726</u>

Borrowings denominated in foreign currency:

	As At 31 March 2008		As At 31 December 2007	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
<b>Short term</b>				
Secured	USD 5,135	16,413	USD 5,116	16,933
Secured	-	-	-	-
Secured	THB 459	46	THB 452	50
Unsecured	USD 4,242	13,558	USD 2,338	7,739
Unsecured	HKD 12,733	5,228	HKD 16,184	6,865
Unsecured	THB 22	2	-	-
<b>Long term</b>				
Secured	USD 7,109	22,720	USD 8,170	27,042
Secured	THB 258	26	THB 375	41

**25. Off Balance Sheet Financial Instruments**

Notional amount as at  
14 May 2008  
RM'000

Forward foreign exchange contracts:

Within 1 year 158,736

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 2007.

**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 31 March 2008.

**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 31 March	
	2008	2007
Profit attributable to ordinary equity holders of the Company (RM'000)	11,151	452
Weighted average number of ordinary shares in issue ('000)	119,101	119,097
Basic earnings per share (sen)	9.4	0.4

**(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 31 March	
	2008	2007
Profit attributable to ordinary equity holders of the Company (RM'000)	11,151	452
Weighted average number of ordinary shares in issue ('000)	119,101	119,097
Effects of dilution:		
Share options	265	820
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	119,366	119,917
Diluted earnings per share (sen)	9.3	0.4

**29. Authorisation for Issue**

On 21 May 2008, 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  
21 May 2008