

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
31 December 2008

**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 - 4
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS	5 - 6
PART A - DISCLOSURE NOTES AS REQUIRED UNDER FRS 134	7 - 12
PART B - DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS	13 - 16

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Note	3 months period ended		Year ended	
		31 December		31 December	
		2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
Revenue		122,203	150,402	554,861	500,590
Cost of sales		(104,664)	(122,447)	(454,042)	(444,341)
<b>Gross profit</b>		17,539	27,955	100,819	56,249
Other income		1,459	1,889	7,257	6,249
Administrative expenses		(6,720)	(7,573)	(28,575)	(26,095)
Selling and marketing expenses		(3,213)	(3,162)	(13,358)	(15,829)
Other expenses		(10,992)	(4,041)	(16,028)	(3,891)
<b>Operating (loss)/profit</b>		(1,927)	15,068	50,115	16,683
Finance costs		(1,507)	(216)	(8,443)	(4,058)
Share of profit/(loss) of associate		-	2	-	(2)
<b>(Loss)/Profit before tax</b>		(3,434)	14,854	41,672	12,623
Income tax expense	20	(1,000)	1,363	(12,767)	6,520
<b>(Loss)/Profit for the period</b>		(4,434)	16,217	28,905	19,143
Attributable to:					
Equity holders of the Company		(3,840)	12,715	24,473	14,796
Minority interests		(594)	3,502	4,432	4,347
		(4,434)	16,217	28,905	19,143
<b>(Loss)/Earnings per share attributable to equity holders of the Company:</b>					
Basic, for (loss)/profit for the period (sen)	28	(3.3)	10.7	20.5	12.4
Diluted, for (loss)/profit for the period (sen)	28	(3.2)	10.7	20.5	12.4
The cost of sales, administrative expenses and other expenses were arrived at after:-					
(a) depreciation		(11,194)	(10,051)	(43,246)	(39,176)
(b) amortisation		(26)	(26)	(100)	(100)
Included in the other expenses was:					
(a) net foreign exchange (loss)/gain		(7,697)	(1,429)	(9,872)	3
Included in the finance costs were:					
(a) interest expense		(1,577)	(1,713)	(5,725)	(7,257)
(b) net foreign exchange gain/(loss) arising from financing activities		212	1,622	(1,962)	3,731

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 December 2008 RM'000	As At 31 December 2007 (restated) RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		155,440	146,380
Prepaid land lease payments		4,484	4,580
Intangible assets		28,227	28,151
Interest in an associate		2,574	2,809
Other investments		41	67
Retirement benefits plan assets		152	175
Deferred tax assets		3,404	10,915
		<u>194,322</u>	<u>193,077</u>
<b>Current Assets</b>			
Inventories		60,938	51,261
Trade receivables		105,820	129,682
Other receivables		12,090	13,052
Tax recoverables		4,459	7,217
Cash and bank balances		47,314	45,270
		<u>230,621</u>	<u>246,482</u>
<b>TOTAL ASSETS</b>		<u>424,943</u>	<u>439,559</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		119,187	119,097
Share premium		1,003	963
Treasury shares		(87)	-
Other reserves		(6,549)	(3,080)
Retained earnings		86,224	76,043
		<u>199,778</u>	<u>193,023</u>
<b>Minority interests</b>		<u>24,547</u>	<u>20,307</u>
<b>Total equity</b>		<u>224,325</u>	<u>213,330</u>
<b>Non-current Liabilities</b>			
Retirement benefits obligations		230	162
Borrowings	24	23,996	30,662
Deferred tax liabilities		444	228
		<u>24,670</u>	<u>31,052</u>
<b>Current Liabilities</b>			
Retirement benefits obligations		122	135
Borrowings	24	94,139	84,064
Trade payables		45,313	65,517
Other payables		35,845	43,891
Current tax payable		529	1,570
		<u>175,948</u>	<u>195,177</u>
<b>Total liabilities</b>		<u>200,618</u>	<u>226,229</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>424,943</u>	<u>439,559</u>
Net assets per share (RM)		1.88	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	Share Premium RM'000	← Non-distributable →		Distributable Retained Earnings RM'000			Total RM'000	RM'000	RM'000
			Treasury Shares RM'000	Other Reserves RM'000						
<b>At 1 January 2008</b>										
As previously stated	119,097	963	-	(3,080)	69,071	186,051	18,134	204,185		
Prior year adjustment - effect of adopting revised FRS 112	-	-	-	-	6,972	6,972	2,173	9,145		
<b>At 1 January 2008 (restated)</b>	<b>119,097</b>	<b>963</b>	<b>-</b>	<b>(3,080)</b>	<b>76,043</b>	<b>193,023</b>	<b>20,307</b>	<b>213,330</b>		
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(3,995)	-	(3,995)	(214)	(4,209)		
Profit for the year	-	-	-	-	24,473	24,473	4,432	28,905		
Total recognised income and expense for the year	-	-	-	(3,995)	24,473	20,478	4,218	24,696		
Issue of ordinary shares pursuant to ESOS	90	15	-	-	-	105	-	105		
Forfeiture of vested ESOS	-	-	-	(43)	10	(33)	1	(32)		
Purchase of treasury shares	-	-	(87)	-	-	(87)	-	(87)		
Share options granted under ESOS	-	-	-	594	-	594	21	615		
Transfer to Share Premium, arising from exercise of ESOS	-	25	-	(25)	-	-	-	-		
Tax exempt dividends	-	-	-	-	(14,302)	(14,302)	-	(14,302)		
<b>At 31 December 2008</b>	<b>119,187</b>	<b>1,003</b>	<b>(87)</b>	<b>(6,549)</b>	<b>86,224</b>	<b>199,778</b>	<b>24,547</b>	<b>224,325</b>		

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to Equity Holders of the Company →						Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	← Non distributable →		Distributable Retained Earnings RM'000	Total RM'000		
			Treasury Shares 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>	<b>119,097</b>	<b>963</b>	<b>-</b>	<b>(5,907)</b>	<b>68,370</b>	<b>182,523</b>	<b>19,331</b>	<b>201,854</b>
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	2,556	-	2,556	(282)	2,274
Profit for the year	-	-	-	-	14,796	14,796	4,347	19,143
Total recognised income and expense for the year	-	-	-	2,556	14,796	17,352	4,065	21,417
Forfeiture of vested ESOS	-	-	-	(26)	23	(3)	3	-
Share options granted under ESOS	-	-	-	297	-	297	(1)	296
Subsidiaries' interim tax exempt dividend	-	-	-	-	-	-	(3,091)	(3,091)
Final tax exempt dividend	-	-	-	-	(7,146)	(7,146)	-	(7,146)
<b>At 31 December 2007</b>	<b>119,097</b>	<b>963</b>	<b>-</b>	<b>(3,080)</b>	<b>76,043</b>	<b>193,023</b>	<b>20,307</b>	<b>213,330</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 2007 and the accompanying explanatory notes attached to the interim financial statements.

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**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Year ended 31 December	
	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	41,672	12,623
Adjustments for non-cash items	58,786	57,855
Operating profit before working capital changes	100,458	70,478
Increase in inventories	(10,873)	(5,138)
Decrease/(increase) in receivables	23,662	(41,910)
(Decrease)/increase in payables	(19,939)	21,454
Decrease/(increase) in long term receivable	232	(275)
Cash generated from operations	93,540	44,609
Tax paid	(5,019)	(2,455)
Tax refunded	1,655	60
Interest paid	(5,807)	(7,298)
Retirement benefits paid	(108)	(101)
Net cash generated from operating activities	84,261	34,815
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(62,688)	(23,809)
Dividend received	5	2
Interest received	564	748
Proceeds from disposal of investment	21	-
Proceeds from disposal of property, plant and equipment	902	533
Registration of trademark	(3)	(2)
Net cash used in investing activities	(61,199)	(22,528)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid by the Company	(14,302)	(7,146)
Dividend paid by subsidiary to minority shareholder	(2,009)	-
Drawdown of hire-purchase payables	3,518	-
Drawdown of term loans	20,554	23,289
Net change in bank borrowings	6,883	(10,587)
Proceeds from issuance of shares for ESOS exercised	105	-
Purchase of treasury shares	(87)	-
Repayment of lease and hire-purchase payables	(1,516)	(823)
Repayment of term loans	(23,921)	(21,241)
Net cash used in financing activities	(10,775)	(16,508)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	12,287	(4,221)
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>		
	(6,473)	1,234
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>		
	39,197	42,184
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>		
	45,011	39,197

## 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 December	
	2008 RM'000	2007 RM'000
Cash and bank balances	47,314	45,270
Bank overdrafts	<u>(2,303)</u>	<u>(6,073)</u>
	<u>45,011</u>	<u>39,197</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 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 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

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

The revised FRS, amendment to FRS and Interpretations above 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:

### (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 assets 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		Year ended	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Increase/(decrease) in profit for the period	135	(178)	(4,477)	(178)

At the date of authorisation of these financial statements, the following new FRS and Interpretations were in issue but not yet effective and have not been applied by the Group:

FRS and Interpretations	Effective for financial periods beginning or after
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8. 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
3 months ended 31 December 2007:			
Income tax expense	(1,541)	178	(1,363)
Profit for the period	16,395	(178)	16,217
Year ended 31 December 2007:			
Income tax expense	(6,698)	178	(6,520)
Profit for the period	19,321	(178)	19,143

## 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:

Year ended 31 December 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	494,787	59,982	-	554,769	-	554,769
Inter-segment sales	53,232	-	1,711	54,943	(54,943)	-
	548,019	59,982	1,711	609,712	(54,943)	554,769
Unallocated revenue						92
Total revenue						<u>554,861</u>
<b>Results</b>						
Segment results	47,528	(608)	478	47,398	-	47,398
Unallocated expenses						2,717
Finance costs						(8,443)
Share of loss of associate						-
Profit before tax						<u>41,672</u>
Income tax expense						<u>(12,767)</u>
Profit for the year						<u>28,905</u>

## 5. Segmental Information (Cont'd)

Year ended 31 December 2007 (restated)	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	360,646	139,664	-	500,310	-	500,310
Inter-segment sales	135,040	-	1,705	136,745	(136,745)	-
	495,686	139,664	1,705	637,055	(136,745)	500,310
Unallocated revenue						280
Total revenue						500,590
<b>Results</b>						
Segment results	14,036	4,872	351	19,259	-	19,259
Unallocated expenses						(2,576)
Finance costs						(4,058)
Share of loss of associate						(2)
Profit before tax						12,623
Income tax expense						6,520
Profit for the year						19,143

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 year ended 31 December 2008 except as disclosed in Note 2.

## 7. Changes in Estimates

There were no changes in estimates that have had a material effect on 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 year ended 31 December 2008 was as follows:

	RM'000
In respect of the financial year ended 31 December 2007 as reported in the directors' report of that year:	
Final tax exempt dividend of 9%, paid on 26 June 2008	10,727
In respect of the financial year ended 31 December 2008:	
Interim tax exempt dividend of 3%, paid on 23 October 2008	3,575
	<u>14,302</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 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 year ended 31 December 2008, the Company issued 90,000 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	-	-	10	-	-	80	90
Foregone	-	-	3	-	105	38	146
As at 31/12/2008	<u>1,660</u>	<u>176</u>	<u>586</u>	<u>578</u>	<u>4,320</u>	<u>2,302</u>	<u>9,622</u>
Option price per Ordinary Share (RM)	1.62	1.40	1.48	2.90	1.84	1.13	

**11. Debt and Equity Securities (cont'd)**

## (b) Shares held as Treasury Shares

During the financial year ended 31 December 2008, the Company had repurchased a total of 78,000 ordinary shares of RM1 each of its issued share capital from the open market for a total consideration of RM86,562 at an average cost of RM1.11 per share. The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A (as amended) of the Companies Act, 1965.

**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 December 2008 is as follows:

	As At 31 December 2008 RM'000
Approved and contracted for:	
Property, plant and equipment	683
Future minimum rental payments for non-cancellable operating lease agreements	14,726

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

The total contingent liabilities as at 31 December 2008 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM81.8 million (31 December 2007: RM99.5 million).

**15. Subsequent Events**

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

- (a) On 19 January 2009, the Company acquired the remaining 25% of equity interest in a subsidiary, Altum Precision Pte. Ltd. ("APS"), for a purchase consideration of SGD7,500,000 pursuant to the Put Option granted to Ultro Technologies Limited by the Company in accordance to the Put and Call Option Agreement dated 31 October 2005. With this, the Company has increased its equity interest in APS from 75% to 100%.

**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 revenue for this reporting quarter was RM122.2 million. Compared to the corresponding quarter in 2007 of RM150.4 million, the revenue decreased by 19%. For this reporting quarter, the Group recorded a loss before tax of RM3.4 million. For the corresponding quarter in 2007, the Group had a profit before tax of RM14.9 million.

The Group revenue for the year of 2008 was RM554.9 million. Compared to the revenue for year 2007 of RM500.6 million, there was an improvement of 11%. Profit before tax for the year 2008 was RM41.7 million. In 2007, the profit before tax was RM12.6 million. This represents an improvement of 230% year on year.

In comparison with previous year, the revenue rose in tandem with the expanded global demand for the Group's products. Profitability improved with better revenue and capacity utilisation.

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

Revenue for the reporting quarter at RM122.2 million was 16% lower than that of the preceding quarter of RM145.2 million. The Group's loss before tax for the reporting quarter was RM3.4 million whilst there was a profit before tax of RM15.1 million for the preceding quarter.

The effect of the lower demand for goods and services globally has started to impact the Group this reporting quarter. The main reasons for the loss for this reporting quarter were lower capacity utilisation and adverse foreign exchange impact.

**18. Prospects**

Although the Group's revenue achieved was commendable for most of the year 2008, the demand for the Group's products has very low visibility going into 2009. All efforts are underway to right size the Group's costs to the lower forecasted revenue. The Group anticipates the cost cutting process will take a quarter where a loss is expected in quarter one 2009. When this process is completed, the Group's performance will improve.

**19. Profit Forecast or Profit Guarantee**

Not applicable.

**20. Income Tax Expense**

	3 months period ended 31 December		Year ended 31 December	
	2008 RM'000	2007 RM'000 (restated)	2008 RM'000	2007 RM'000 (restated)
Current tax:				
Malaysian income tax	391	(1,751)	4,023	(1,368)
Foreign income tax	117	345	1,209	1,360
	<u>508</u>	<u>(1,406)</u>	<u>5,232</u>	<u>(8)</u>
Under/(Over)provision in prior year:				
Malaysian income tax	(9)	92	(43)	57
Foreign income tax	(148)	10	(170)	10
	<u>(157)</u>	<u>102</u>	<u>(213)</u>	<u>67</u>
	<u>351</u>	<u>(1,304)</u>	<u>5,019</u>	<u>59</u>
Current deferred tax	(1,018)	(235)	5,076	(6,858)
Deferred tax assets previously recognised, now derecognised	1,591	-	1,591	-
Underprovision of deferred tax in prior year	76	176	1,081	279
	<u>649</u>	<u>(59)</u>	<u>7,748</u>	<u>(6,579)</u>
Total income tax expense	<u>1,000</u>	<u>(1,363)</u>	<u>12,767</u>	<u>(6,520)</u>

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% from the current year's rate of 26% with effect from the year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

The effective tax rate for the year ended 31 December 2008 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 2008.

**22. Quoted Securities**

There were no purchase or sales of quoted securities during the financial year ended 31 December 2008 and no investment in quoted securities as at 31 December 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 December 2008 are as follows:

	As At 31 December 2008 RM'000	As At 31 December 2007 RM'000
<b>Short term</b>		
Secured	33,257	22,997
Unsecured	60,882	61,067
	<u>94,139</u>	<u>84,064</u>
<b>Long term</b>		
Secured	23,996	29,713
Unsecured	-	949
	<u>23,996</u>	<u>30,662</u>
	<u>118,135</u>	<u>114,726</u>

Borrowings denominated in foreign currency:

	As At 31 December 2008		As At 31 December 2007	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
<b>Short term</b>				
Secured	USD 7,105	24,673	USD 5,116	16,933
Secured	THB 375	37	THB 452	50
Unsecured	USD 1,820	6,316	USD 2,338	7,739
Unsecured	HKD 5,625	2,520	HKD 16,184	6,865
Unsecured	THB 35,008	3,487	-	-
<b>Long term</b>				
Secured	USD 6,366	22,108	USD 8,170	27,042
Secured	-	-	THB 375	41

**25. Off Balance Sheet Financial Instruments**

Notional amount as at  
19 February 2009  
RM'000

Forward foreign exchange contracts:

Within 1 year 40,021

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 date of the report.

**27. Dividend**

- (a) The directors recommend a final tax exempt dividend of 3% (3 sen per share) in respect of the financial year ended 31 December 2008 (2007: first and final tax exempt dividend 9 sen per share). This proposed dividend is subject to the shareholders' approval in the forthcoming Annual General Meeting.
- (b) The total dividend per share to date for the current financial year is 6 sen tax exempt.

**28. (Loss)/Earnings Per Share**

## (a) Basic

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/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 December		Year ended 31 December	
	2008	2007 (restated)	2008	2007 (restated)
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	(3,840)	12,715	24,473	14,796
Weighted average number of ordinary shares in issue ('000)	119,139	119,097	119,139	119,097
Basic (loss)/earnings per share (sen)	(3.3)	10.7	20.5	12.4

## (b) Diluted

For the purpose of calculating diluted earnings per share, the (loss)/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 December		Year ended 31 December	
	2008	2007 (restated)	2008	2007 (restated)
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	(3,840)	12,715	24,473	14,796
Weighted average number of ordinary shares in issue ('000)	119,139	119,097	119,139	119,097
Effects of dilution:				
Share options	270	146	270	146
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	119,409	119,243	119,409	119,243
Diluted (loss)/earnings per share (sen)	(3.2)	10.7	20.5	12.4

**29. Authorisation for Issue**

On 26 February 2009, 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  
 26 February 2009