

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 June 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 30 June | | 6 months period ended 30 June | |
|---|------|----------------------------------|------------------------------|----------------------------------|------------------------------|
| | | 2006 RM'000 | 2005 RM'000 (restated) | 2006 RM'000 | 2005 RM'000 (restated) |
| Revenue | | 87,157 | 81,827 | 175,078 | 157,625 |
| Cost of sales | | (70,191) | (61,978) | (136,951) | (119,181) |
| Gross profit | | 16,966 | 19,849 | 38,127 | 38,444 |
| Other income | | 1,544 | 1,622 | 1,777 | 2,552 |
| Administrative expenses | | (6,654) | (7,518) | (13,475) | (14,044) |
| Selling and marketing expenses | | (1,817) | (1,983) | (3,394) | (3,427) |
| Other expenses | | (2,107) | (1,369) | (3,093) | (2,888) |
| Finance income | | 126 | 89 | 238 | 173 |
| Finance costs | | (1,252) | (587) | (2,093) | (1,228) |
| Net finance costs | | (1,126) | (498) | (1,855) | (1,055) |
| Profit before tax | | 6,806 | 10,103 | 18,087 | 19,582 |
| Income tax expense | 20 | (1,270) | (1,208) | (3,126) | (2,490) |
| Profit for the period | | 5,536 | 8,895 | 14,961 | 17,092 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 4,523 | 6,796 | 11,891 | 12,926 |
| Minority interests | | 1,013 | 2,099 | 3,070 | 4,166 |
| | | 5,536 | 8,895 | 14,961 | 17,092 |
| Earnings per share attributable to equity holders of the parent: | | | | | |
| Basic, for profit for the period (sen) | 28 | 3.8 | 5.8 | 10.0 | 11.0 |
| Diluted, for profit for the period (sen) | 28 | 3.7 | 5.7 | 9.8 | 10.9 |
| The cost of sales, administrative expenses and other expenses were arrived at after:- | | | | | |
| (a) depreciation | | (7,528) | (7,063) | (14,400) | (14,504) |
| (b) amortisation | | (1) | (1,112) | (2) | (2,224) |
| Included in the finance costs was interest expense of | | | | | |
| | | (814) | (326) | (1,206) | (734) |

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 30 June 2006 RM'000 | As At 31 December 2005 (restated) RM'000 |
|---|------|------------------------------------|--|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment | | 147,642 | 113,744 |
| Investment in an associate | | 34 | 34 |
| Long-term receivable | | 2,386 | 2,459 |
| Other investments | | 98 | 101 |
| Intangible assets | | 28,689 | 26,586 |
| | | <u>178,849</u> | <u>142,924</u> |
| Current Assets | | | |
| Inventories | | 50,115 | 41,312 |
| Trade receivables | | 72,984 | 77,253 |
| Other receivables | | 18,271 | 10,348 |
| Cash and bank balances | | 31,874 | 33,093 |
| | | <u>173,244</u> | <u>162,006</u> |
| TOTAL ASSETS | | <u>352,093</u> | <u>304,930</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | | 119,015 | 118,543 |
| Share premium | | 882 | 604 |
| Other reserves | | (6,255) | (3,962) |
| Retained earnings | | 59,972 | 59,969 |
| | | <u>173,614</u> | <u>175,154</u> |
| Minority interests | | <u>17,843</u> | <u>19,487</u> |
| Total equity | | <u>191,457</u> | <u>194,641</u> |
| Non-current Liabilities | | | |
| Borrowings | 24 | 5,245 | 4,940 |
| Deferred tax liabilities | | 6,229 | 5,669 |
| | | <u>11,474</u> | <u>10,609</u> |
| Current Liabilities | | | |
| Borrowings | 24 | 52,760 | 25,021 |
| Trade payables | | 35,729 | 36,975 |
| Other payables | | 57,787 | 35,197 |
| Tax payable | | 2,886 | 2,487 |
| | | <u>149,162</u> | <u>99,680</u> |
| Total liabilities | | <u>160,636</u> | <u>110,289</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>352,093</u> | <u>304,930</u> |
| Net assets per share (RM) | | 1.61 | 1.64 |
| Net assets per share attributable to ordinary equity holders of the parent (RM) | | 1.46 | 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.

ENG TEKNOLOGI HOLDINGS BHD.
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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 | Share Premium | Other Reserves | Retained Earnings | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2006 | | | | | | | |
| As previously stated | 118,543 | 604 | (3,731) | 59,854 | 175,270 | 19,371 | 194,641 |
| Prior year adjustments – effects of adopting: | | | | | | | |
| FRS 2 | - | - | 246 | (233) | 13 | (13) | - |
| FRS 121 | - | - | (477) | 348 | (129) | 129 | - |
| At 1 January 2006 (restated) | 118,543 | 604 | (3,962) | 59,969 | 175,154 | 19,487 | 194,641 |
| Foreign currency translation, representing net expense recognised directly in equity | - | - | (2,724) | - | (2,724) | (255) | (2,979) |
| Profit for the period | - | - | - | 11,891 | 11,891 | 3,070 | 14,961 |
| Total recognised income and expense for the period | - | - | (2,724) | 11,891 | 9,167 | 2,815 | 11,982 |
| Issue of ordinary shares pursuant to ESOS | 472 | 278 | - | - | 750 | - | 750 |
| Share-based payment under ESOS | - | - | 431 | - | 431 | 32 | 463 |
| Subsidiaries' interim tax exempt dividend | - | - | - | - | - | (1,706) | (1,706) |
| Final tax exempt dividend | - | - | - | (11,888) | (11,888) | - | (11,888) |
| Purchase of additional shares in a subsidiary | - | - | - | - | - | (2,785) | (2,785) |
| At 30 June 2006 | 119,015 | 882 | (6,255) | 59,972 | 173,614 | 17,843 | 191,457 |

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 STATEMENTS OF CHANGES IN EQUITY (CONT'D)

| Note | ← Attributable to Equity Holders of the Parent → | | | | Total | Minority Interests | Total Equity |
|--|--|------------------|-------------------|----------------------|----------------|-----------------------|----------------|
| | ← Non-distributable → | | Distributable | | | | |
| | Share Capital | Share Premium | Other Reserves | Retained Earnings | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2005 | 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 | - | - | (896) | - | (896) | (395) | (1,291) |
| Effect of adopting FRS 121 | - | - | 165 | - | 165 | - | 165 |
| Foreign currency translation, representing net expense recognised directly in equity, as restated | - | - | (731) | - | (731) | (395) | (1,126) |
| Profit for the period, as previously stated | - | - | - | 13,025 | 13,025 | 4,232 | 17,257 |
| Effect of adopting FRS 121 | - | - | - | (99) | (99) | (66) | (165) |
| Profit for the period, as restated | - | - | - | 12,926 | 12,926 | 4,166 | 17,092 |
| Total recognised income and expense for the period | - | - | (731) | 12,926 | 12,195 | 3,771 | 15,966 |
| Issue of ordinary shares pursuant to ESOS | 508 | 278 | - | - | 786 | - | 786 |
| Bonus issue | 33,556 | (7,911) | - | (25,645) | - | - | - |
| Subsidiaries' interim tax exempt dividend | - | - | - | - | - | (3,762) | (3,762) |
| Final tax exempt dividend | - | - | - | (11,791) | (11,791) | - | (11,791) |
| At 30 June 2005 (restated) | 117,924 | 240 | (5,035) | 47,686 | 160,815 | 21,831 | 182,646 |

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

| | 6 months period ended 30 June | |
|---|-------------------------------|------------------------------|
| | 2006 RM'000 | 2005 RM'000 (restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 18,087 | 19,582 |
| Adjustments for non-cash items | 17,038 | 17,309 |
| Operating profit before working capital changes | 35,125 | 36,891 |
| Increase in inventories | (10,211) | (2,779) |
| Decrease/ (increase) in receivables | 282 | (3,295) |
| Decrease in payables | (1,604) | (3,784) |
| Decrease/ (increase) in long-term receivable | 73 | (16) |
| Cash generated from operations | 23,665 | 27,017 |
| Tax refunded | - | 942 |
| Tax paid | (2,153) | (1,811) |
| Interest paid | (1,065) | (741) |
| Net cash generated from operating activities | 20,447 | 25,407 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of property, plant and equipment | 1,134 | 3,430 |
| Interest received | 361 | 306 |
| Acquisition of property, plant and equipment | (28,573) | (9,120) |
| Purchase of additional shares in a subsidiary | (4,540) | - |
| Registration of trademark | (3) | - |
| Net cash used in investing activities | (31,621) | (5,384) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net change in bank borrowings | 29,614 | 4,175 |
| Drawdown of term loans | 3,963 | 8,178 |
| Proceeds from issuance of shares for ESOS exercised | 750 | 786 |
| Dividend paid by the Company | (11,888) | (11,791) |
| Repayment of term loans | (4,139) | (10,992) |
| Dividend paid by subsidiaries to minority shareholders | (4,132) | (4,423) |
| Repayment of hire-purchase payables | (1,826) | (3,742) |
| Net cash generated from/ (used in) financing activities | 12,342 | (17,809) |
| FOREIGN EXCHANGE TRANSLATION EFFECT | (1,792) | (876) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,168 | 2,214 |
| CASH AND CASH EQUIVALENTS AS AT 1 JANUARY | 29,745 | 29,543 |
| CASH AND CASH EQUIVALENTS AS AT 30 JUNE | 29,121 | 30,881 |

CASH AND CASH EQUIVALENTS

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

| | As At 30 June | |
|--|----------------|----------------|
| | 2006 RM'000 | 2005 RM'000 |
| Cash and bank balances | 31,874 | 31,851 |
| Bank overdrafts | (2,753) | (958) |
| Effect of exchange rate on bank balances | - | (12) |
| | <u>29,121</u> | <u>30,881</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 | | 6 months ended | |
|-----------------------------------|----------------|--------------|----------------|--------------|
| | 30 June 2006 | 30 June 2005 | 30 June 2006 | 30 June 2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Decrease in profit for the period | 252 | - | 463 | - |

(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 RM1,167,183 in the current quarter ended 30 June 2006 and RM2,334,366 for the period ended 30 June 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 | 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) | 348 | 59,969 |
| Other reserves | (3,731) | 246 | (477) | (3,962) |
| Minority interests | 19,371 | (13) | 129 | 19,487 |
| 3 months ended 30 June 2005 | | | | |
| Other income | 1,969 | - | (347) | 1,622 |
| Profit before tax | 10,450 | - | (347) | 10,103 |
| Income tax expense | (1,205) | - | (3) | (1,208) |
| Profit for the period | 9,245 | - | (350) | 8,895 |
| 6 months ended 30 June 2005 | | | | |
| Other income | 2,715 | - | (163) | 2,552 |
| Profit before tax | 19,745 | - | (163) | 19,582 |
| Income tax expense | (2,488) | - | (2) | (2,490) |
| Profit for the period | 17,257 | - | (165) | 17,092 |

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:

| 6 months period ended 30 June 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 | | | |
| Revenue | | | | | | | | |
| External sales | 29,329 | 103,208 | 42,413 | - | - | 174,950 | - | 174,950 |
| Inter-segment sales | 80,355 | - | - | 336 | 482 | 81,173 | (81,173) | - |
| | 109,684 | 103,208 | 42,413 | 336 | 482 | 256,123 | (81,173) | 174,950 |
| Unallocated revenue | | | | | | | | 128 |
| Total revenue | | | | | | | | <u>175,078</u> |
| Results | | | | | | | | |
| Segment results | 13,321 | 6,446 | 909 | 200 | 163 | 21,039 | - | 21,039 |
| Unallocated expenses | | | | | | | | (1,097) |
| Net finance costs | | | | | | | | (1,855) |
| Income tax expense | | | | | | | | (3,126) |
| Profit for the period | | | | | | | | <u>14,961</u> |

5. Segmental Information (Cont'd)

| 6 months period ended 30 June 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 | | | |
| Revenue | | | | | | | | |
| External sales | 28,164 | 88,251 | 41,084 | - | - | 157,499 | | 157,499 |
| Inter-segment sales | 55,433 | - | - | 335 | 79 | 55,847 | (55,847) | - |
| | <u>83,597</u> | <u>88,251</u> | <u>41,084</u> | <u>335</u> | <u>79</u> | <u>213,346</u> | <u>(55,847)</u> | <u>157,499</u> |
| Unallocated revenue | | | | | | | | 126 |
| Total revenue | | | | | | | | <u>157,625</u> |
| Results | | | | | | | | |
| Segment results | 10,935 | 12,793 | (60) | 204 | 7 | 23,879 | | 23,879 |
| Unallocated expenses | | | | | | | | (3,242) |
| Net finance costs | | | | | | | | (1,055) |
| Income tax expense | | | | | | | | <u>(2,490)</u> |
| Profit for the period | | | | | | | | <u>17,092</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 June 2006 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 has reviewed the residual value of certain property, plant and equipment and found that there were no changes in estimates that would give rise to material effect in the current quarter results.

8. Comments about Seasonal or Cyclical Factors

The Group is subject to cyclical effects of the global technology industry.

9. Dividends Paid

The amount of dividend paid during the financial period ended 30 June 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 |

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 period ended 30 June 2006, the Company issued 472,000 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>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 | 160 | - | 82 | 472 |
| Foregone | - | - | - | 8 | - | 8 |
| As at 30/06/2006 | <u>1,660</u> | <u>176</u> | <u>690</u> | <u>587</u> | <u>4,808</u> | <u>7,921</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 30 June 2006 is as follows:

| | As At 30 June 2006 RM’000 |
|---|---------------------------------|
| Approved and contracted for: | |
| Operating lease-buildings and equipment | 19,793 |
| Property, plant and equipment | 18,456 |
| Professional fee | 510 |

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 30 June 2006 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM77.0 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's revenue for the quarter ended 30 June 2006 was RM87.2 million. For the corresponding quarter in 2005, the revenue was RM81.8 million. This represents a growth of 7%.

The Group's profit before taxation for the quarter ended 30 June 2006 was RM6.8 million. For the same period last year, the Group's profit before taxation was RM10.1 million.

The growth in revenue was contributed mainly by the data storage sector due to the continuing expansion of the data storage global demand. The profit before taxation however was affected significantly by the increase in aluminium price which is the main raw material. Nevertheless the Group managed to maintain a commendable margin through cost reviews and efficiency improvements.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group's revenue for the reporting quarter at RM87.2 million, decreased marginally by 0.8% compared to the preceding quarter. The profit before taxation at RM6.8 million however decreased by approximately 40% versus the preceding quarter.

The significant decrease in profit before taxation was mainly due to rising raw material costs, adverse foreign exchange impact and lower revenue from China operations as a result of customer restructuring. The Group also incurred certain non-recurring preparatory costs in relation to the capacity ramp of its base plates production.

18. Prospects

The Group is confident of achieving a better performance in the second half of 2006 as the increased capacities would come on stream. It is in the process of expanding its capacity as a result of increased orders and new businesses from both data storage and industrial products. The Group's capacity in manufacturing hard disk drive base plates is expected to be doubled by this year end compared to 2005.

Raw material price remained high but is expected to stabilize for the remaining part of this year.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

| | 3 months period ended 30 June | | 6 months period ended 30 June | |
|--|----------------------------------|------------------------------|----------------------------------|------------------------------|
| | 2006 RM'000 | 2005 RM'000 (restated) | 2006 RM'000 | 2005 RM'000 (restated) |
| Current tax: | | | | |
| Malaysian income tax | 447 | 649 | 801 | 1,159 |
| Foreign tax | 611 | 301 | 1,658 | 749 |
| | <u>1,058</u> | <u>950</u> | <u>2,459</u> | <u>1,908</u> |
| Underprovision of foreign tax in prior year | 6 | - | 6 | - |
| | <u>1,064</u> | <u>950</u> | <u>2,465</u> | <u>1,908</u> |
| Deferred tax | 206 | 250 | 661 | 574 |
| Underprovision of deferred tax in prior year | - | 8 | - | 8 |
| | <u>206</u> | <u>258</u> | <u>661</u> | <u>582</u> |
| Total income tax expense | <u>1,270</u> | <u>1,208</u> | <u>3,126</u> | <u>2,490</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.

21. Sales of Unquoted Investments and Properties

There were no sales of unquoted investments and properties during the financial period ended 30 June 2006.

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial period ended 30 June 2006 and no investment in quoted securities as at 30 June 2006.

23. Corporate Proposals

There were no corporate proposals announced but not completed.

24. Borrowings

Details of the Group's borrowings as at 30 June 2006 are as follows:

| | As At 30 June 2006 RM'000 | As At 31 December 2005 RM'000 |
|-------------------|------------------------------------|--|
| Short-term | | |
| Secured | 5,260 | 6,308 |
| Unsecured | 47,500 | 18,713 |
| | <u>52,760</u> | <u>25,021</u> |
| Long-term | | |
| Secured | 2,985 | 4,940 |
| Unsecured | 2,260 | - |
| | <u>5,245</u> | <u>4,940</u> |
| | <u>58,005</u> | <u>29,961</u> |

24. Borrowings (Contd.)

Borrowings denominated in foreign currency:

| | As At 30 June 2006 | | As At 31 December 2005 | |
|-------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | Foreign currency '000 | RM'000 equivalent | Foreign currency '000 | RM'000 equivalent |
| Short-term | | | | |
| Secured | USD 1,050 | 3,856 | USD 1,050 | 3,966 |
| Secured | SGD 89 | 205 | SGD 48 | 109 |
| Secured | THB 226 | 22 | THB 219 | 20 |
| Unsecured | USD 3,585 | 13,042 | - | - |
| Unsecured | HKD 368 | 174 | HKD 3,955 | 1,926 |
| Unsecured | SGD 117 | 271 | SGD 176 | 400 |
| Long-term | | | | |
| Secured | USD 613 | 2,249 | USD 1,138 | 4,297 |
| Secured | - | - | SGD 8 | 19 |
| Secured | THB 554 | 53 | THB 668 | 62 |

25. Off Balance Sheet Financial Instruments

Notional amount as at
3 August 2006
RM'000

Forward foreign exchange contracts:
Within 1 year

145,124

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

(a) An interim tax exempt dividend of 3% (3 sen per share) in respect of the financial year ending 31 December 2006 (2005: 5 sen per share tax exempt) has been declared on 10 August 2006 and to be paid on 18 October 2006 to depositors registered in the Records of Depositors at the close of business on 29 September 2006.

(b) The total dividend per share to date for the current financial year is 3 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 30 June | | 6 months period ended 30 June | |
|---|----------------------------------|--------------------|----------------------------------|--------------------|
| | 2006 | 2005 (restated) | 2006 | 2005 (restated) |
| Profit attributable to ordinary equity holders of the parent (RM'000) | 4,523 | 6,796 | 11,891 | 12,926 |
| Weighted average number of ordinary shares in issue ('000) | 118,718 | 117,648 | 118,718 | 117,648 |
| Basic earnings per share (sen) | 3.8 | 5.8 | 10.0 | 11.0 |

(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 30 June | | 6 months period ended 30 June | |
|--|----------------------------------|--------------------|----------------------------------|--------------------|
| | 2006 | 2005 (restated) | 2006 | 2005 (restated) |
| Profit attributable to ordinary equity holders of the parent (RM'000) | 4,523 | 6,796 | 11,891 | 12,926 |
| Weighted average number of ordinary shares in issue ('000) | 118,718 | 117,648 | 118,718 | 117,648 |
| Effects of dilution: | | | | |
| Share options | 2,129 | 1,258 | 2,129 | 1,258 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 120,847 | 118,906 | 120,847 | 118,906 |
| Diluted earnings per share (sen) | 3.7 | 5.7 | 9.8 | 10.9 |

29. Authorisation for Issue

On 10 August 2006, 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
10 August 2006