

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
31 March 2009

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	
		2009 RM'000	2008 RM'000
Revenue		100,766	159,147
Cost of sales		(95,103)	(126,766)
Gross profit		<u>5,663</u>	<u>32,381</u>
Other income		5,325	1,834
Administrative expenses		(5,929)	(7,088)
Selling and marketing expenses		(3,252)	(3,851)
Other expenses		1,877	(5,807)
Finance costs		(3,934)	321
Share of loss of associate		-	(1)
(Loss)/Profit before tax		<u>(250)</u>	<u>17,789</u>
Income tax expense	20	321	(3,975)
Profit for the period		<u>71</u>	<u>13,814</u>
Attributable to:			
Equity holders of the Company		(84)	11,151
Minority interests		155	2,663
		<u>71</u>	<u>13,814</u>
Earnings per share attributable to equity holders of the Company:			
Basic, for (loss)/profit for the period (sen)	28	(0.1)	9.4
Diluted, for (loss)/profit for the period (sen)	28	(0.1)	9.3
The cost of sales, administrative expenses and other expenses were arrived at after:			
(a) depreciation		(11,109)	(10,044)
(b) amortisation		(25)	(25)
Included in the other expenses was:			
(a) net foreign exchange gain/(loss)		1,041	(5,270)
Included in the finance costs were:			
(a) interest expense		(1,262)	(1,477)
(b) net foreign exchange (loss)/gain arising from financing activities		(2,467)	1,974

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2009	As At 31 December 2008
		RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		146,933	155,440
Prepaid land lease payments		4,460	4,484
Intangible assets		28,313	28,227
Interest in an associate		2,648	2,574
Other investments		42	41
Retirement benefits plan assets		155	152
Deferred tax assets		4,092	3,404
		<u>186,643</u>	<u>194,322</u>
Current Assets			
Inventories		35,464	60,938
Trade receivables		99,013	105,820
Other receivables		9,289	12,090
Tax recoverables		5,648	4,459
Cash and bank balances		24,222	47,314
		<u>173,636</u>	<u>230,621</u>
TOTAL ASSETS		<u>360,279</u>	<u>424,943</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		119,187	119,187
Share premium		1,003	1,003
Treasury shares		(87)	(87)
Other reserves		(2,832)	(6,549)
Retained earnings		86,152	86,224
		<u>203,423</u>	<u>199,778</u>
Minority interests		<u>2,005</u>	<u>24,547</u>
Total equity		<u>205,428</u>	<u>224,325</u>
Non-current Liabilities			
Retirement benefits obligations		377	352
Borrowings	24	25,027	23,996
Deferred tax liabilities		532	444
		<u>25,936</u>	<u>24,792</u>
Current Liabilities			
Borrowings	24	72,981	94,139
Trade payables		30,343	45,313
Other payables		25,220	35,845
Current tax payable		371	529
		<u>128,915</u>	<u>175,826</u>
Total liabilities		<u>154,851</u>	<u>200,618</u>
TOTAL EQUITY AND LIABILITIES		<u>360,279</u>	<u>424,943</u>
Net assets per share (RM)		1.72	1.88
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.71	1.68

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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

	← 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						
At 1 January 2009	119,187	1,003	(87)	(6,549)	86,224	199,778	24,547	224,325		
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	3,644	-	3,644	92	3,736		
(Loss)/Profit for the period	-	-	-	-	(84)	(84)	155	71		
Total recognised income and expense for the period	-	-	-	3,644	(84)	3,560	247	3,807		
Forfeiture of vested ESOS	-	-	-	(12)	12	-	-	-		
Share options granted under ESOS	-	-	-	85	-	85	1	86		
Purchase of additional shares in a subsidiary	-	-	-	-	-	-	(22,790)	(22,790)		
At 31 March 2009	119,187	1,003	(87)	(2,832)	86,152	203,423	2,005	205,428		
At 1 January 2008	119,097	963	-	(3,080)	76,043	193,023	20,307	213,330		
Foreign currency translation, representing net expense recognised directly in equity	-	-	-	(4,655)	-	(4,655)	(635)	(5,290)		
Profit for the period	-	-	-	-	11,151	11,151	2,663	13,814		
Total recognised income and expense for the period	-	-	-	(4,655)	11,151	6,496	2,028	8,524		
Issue of ordinary shares pursuant to ESOS	12	2	-	-	-	14	-	14		
Forfeiture of vested ESOS	-	-	-	(4)	3	(1)	1	-		
Share options granted under ESOS	-	-	-	234	-	234	6	240		
Transfer to share premium arising from exercise of ESOS	-	3	-	(3)	-	-	-	-		
At 31 March 2008	119,109	968	-	(7,508)	87,197	199,766	22,342	222,108		

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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	
	2009	2008
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(250)	17,789
Adjustments for non-cash items	12,120	15,410
Operating profit before working capital changes	11,870	33,199
Decrease/(increase) in inventories	23,051	(1,548)
Decrease/(increase) in receivables	11,064	(1,514)
Decrease in payables	(23,877)	(1,991)
(Increase)/decrease in long term receivable	(78)	122
Cash generated from operations	22,030	28,268
Tax refunded	114	-
Interest paid	(1,286)	(1,382)
Tax paid	(1,748)	(437)
Net cash generated from operating activities	19,110	26,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,839)	(6,740)
Dividend received	-	1
Interest received	105	151
Proceeds from disposal of property, plant and equipment	378	161
Purchase of additional shares in a subsidiary	(18,154)	-
Net cash used in investing activities	(19,510)	(6,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	14,694	1,050
Net change in bank borrowings	(31,397)	(7,305)
Proceeds from issuance of shares for ESOS exercised	-	14
Repayment of lease and hire-purchase payables	(446)	(201)
Repayment of term loans	(8,649)	(5,618)
Net cash used in financing activities	(25,798)	(12,060)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(26,198)	7,962
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		
	295	(4,997)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		
	45,011	39,197
CASH AND CASH EQUIVALENTS AS AT 31 MARCH		
	19,108	42,162

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	
	2009 RM'000	2008 RM'000
Cash and bank balances	24,222	47,671
Bank overdrafts	(5,114)	(5,509)
	<u>19,108</u>	<u>42,162</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2008. 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 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 2008.

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

FRSs, Amendments to FRSs and Interpretations		Effective for financial periods beginning on 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 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139. The other new FRSs, Amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application.

3. Comparatives

The comparative figures are consistent with those previously announced and there is no event requiring restating of the comparative figures during the quarter under review.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2008 was not qualified.

5. Segmental Information

Analysis by business segments:

3 months period ended 31 March 2009	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	99,993	773	-	100,766	-	100,766
Inter-segment sales	304	-	431	735	(735)	-
	100,297	773	431	101,501	(735)	100,766
Unallocated revenue						-
Total revenue						<u>100,766</u>
Results						
Segment results	(1,658)	(132)	92	(1,698)	-	(1,698)
Unallocated income						5,382
Finance costs						(3,934)
Share of loss of associate						-
Loss before tax						<u>(250)</u>
Income tax expense						321
Profit for the period						<u>71</u>

5. Segmental Information (Cont'd)

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
Revenue						
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						159,147
Results						
Segment results	15,809	834	84	16,727	-	16,727
Unallocated income						742
Finance costs						321
Share of loss of associate						(1)
Profit before tax						17,789
Income tax expense						(3,975)
Profit for the period						13,814

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 2009 except for recognition of negative goodwill of RM4.6 million which arose from acquisition of remaining 25% equity interest in a subsidiary.

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

There were no dividend paid during the financial period ended 31 March 2009.

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 2008.

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 31 March 2009.

<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 1/1/2009	1,660	176	586	578	4,320	2,302	9,622
Granted	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-
Foregone	21	18	6	8	40	-	93
As at 31/3/2009	1,639	158	580	570	4,280	2,302	9,529
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 period ended 31 March 2009, the Company had repurchased a total of 1,000 ordinary shares of RM1 each of its issued share capital from the open market for a total consideration of RM586 at an average cost of RM0.60 per share. The repurchased transaction was 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 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 increased its equity interest in APS from 75% to 100%.

13. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 March 2009 is as follows:

	As At 31 March 2009 RM'000
Approved and contracted for:	
Property, plant and equipment	558
Future minimum rental payments for non-cancellable operating lease agreements	13,968

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 31 March 2009 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM81.1 million (31 December 2008: RM81.9 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 revenue for the reporting quarter was RM100.8 million with a loss before tax of RM0.3 million. In the corresponding period last year the revenue and profit before tax were RM159.1 million and RM17.8 million respectively.

In comparison with the corresponding quarter last year, the revenue dropped 37% during this reporting quarter. This was the result of the significant drop in demand due to the global economic crisis. With the low demand, capacity utilisation was affected which resulted in the loss for the reporting quarter.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue at RM100.8 million was a drop of 18% compared to the preceding quarter at RM 122.2 million. The loss of RM0.3 million for this reporting quarter was an improvement compared to a loss of RM3.4 million realised in quarter four in financial year 2008. This was the result of successful execution of cost reduction exercises throughout the Group's businesses during this reporting quarter.

18. Prospects

With a lower cost structure after the successful implementation of cost reduction exercise, the Group is better positioned to return to profitability. The order pattern from customers has stabilised of late but is not expected to increase significantly in the near term. This is seen as an improvement compared to conditions experienced a quarter ago. With a more stable condition going forward management is confident of achieving profitability for financial year 2009.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

	3 months period ended 31 March	
	2009 RM'000	2008 RM'000
Current tax:		
Malaysian income tax	119	1,239
Foreign income tax	155	199
	<u>274</u>	<u>1,438</u>
Underprovision of Malaysian income tax in prior year	3	-
	<u>277</u>	<u>1,438</u>
Deferred tax	(296)	2,263
(Over)/Under provision of deferred tax in prior year	(302)	274
	<u>(598)</u>	<u>2,537</u>
Total income tax expense	<u>(321)</u>	<u>3,975</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 March 2009 has reflected these changes.

The effective tax rate for the period ended 31 March 2009 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 31 March 2009.

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial period ended 31 March 2009 and no investment in quoted securities as at 31 March 2009.

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 2009 are as follows:

	As At 31 March 2009 RM'000	As At 31 December 2008 RM'000
Short term		
Secured	36,417	33,257
Unsecured	36,564	60,882
	<u>72,981</u>	<u>94,139</u>
Long term		
Secured	25,027	23,996
	<u>98,008</u>	<u>118,135</u>

Borrowings denominated in foreign currency:

	As At 31 March 2009		As At 31 December 2008	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 6,938	25,371	USD 7,105	24,673
Secured	THB 258	26	THB 375	37
Unsecured	USD 2,974	10,830	USD 1,820	6,316
Unsecured	HKD 8,952	4,223	HKD 5,625	2,520
Unsecured	THB 31,053	3,163	THB 35,008	3,487
Long term				
Secured	USD 4,728	17,292	USD 6,366	22,108

25. Off Balance Sheet Financial Instruments

Notional amount as at
20 May 2009
RM'000

Forward foreign exchange contracts:
Within 1 year 52,613

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 2008.

26. Changes in Material Litigation

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

27. Dividend

The directors do not recommend any interim dividend for the financial period ended 31 March 2009.

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 March	
	2009	2008
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	(84)	11,151
Weighted average number of ordinary shares in issue ('000)	119,108	119,101
Basic (loss)/earnings per share (sen)	(0.1)	9.4

(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 March	
	2009	2008
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	(84)	11,151
Weighted average number of ordinary shares in issue ('000)	119,108	119,101
Effects of dilution:		
Share options	-	265
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	119,108	119,366
Diluted (loss)/earnings per share (sen)	(0.1)	9.3

29. Authorisation for Issue

On 27 May 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
27 May 2009