

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
31 December 2009

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONTENTS

| | PAGE |
|--|-------------|
| 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 | |
| | | 2009 | 2008 | 2009 | 2008 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 143,110 | 122,203 | 474,889 | 554,861 |
| Cost of sales | | (110,459) | (104,664) | (387,629) | (454,042) |
| Gross profit | | 32,651 | 17,539 | 87,260 | 100,819 |
| Other income | | 1,682 | 1,459 | 9,720 | 7,257 |
| Administrative expenses | | (7,359) | (6,720) | (28,258) | (28,575) |
| Selling and marketing expenses | | (2,640) | (3,213) | (11,344) | (13,358) |
| Other expenses | | (1,130) | (10,992) | (3,959) | (16,028) |
| Operating profit/(loss) | | 23,204 | (1,927) | 53,419 | 50,115 |
| Finance costs | | (413) | (1,507) | (4,257) | (8,443) |
| Share of profit of associate | | 7 | - | 21 | - |
| Profit/(Loss) before tax | | 22,798 | (3,434) | 49,183 | 41,672 |
| Income tax expense | 20 | (1,519) | (1,000) | (4,950) | (12,767) |
| Profit/(Loss) for the period | | 21,279 | (4,434) | 44,233 | 28,905 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 21,061 | (3,840) | 43,464 | 24,473 |
| Minority interests | | 218 | (594) | 769 | 4,432 |
| | | 21,279 | (4,434) | 44,233 | 28,905 |
| Earnings/(Loss) per share attributable to equity holders of the Company: | | | | | |
| Basic, for profit/(loss) for the period (sen) | 28 | 17.7 | (3.3) | 36.5 | 20.5 |
| Diluted, for profit/(loss) for the period (sen) | 28 | 17.7 | (3.2) | 36.5 | 20.5 |
| The cost of sales, administrative expenses and other expenses were arrived at after:- | | | | | |
| (a) depreciation | | (10,294) | (11,194) | (42,000) | (43,246) |
| (b) amortisation | | (25) | (26) | (100) | (100) |
| Included in the other expenses was: | | | | | |
| (a) net foreign exchange loss | | (378) | (7,697) | (926) | (9,872) |
| Included in the finance costs were: | | | | | |
| (a) interest expense | | (600) | (1,577) | (3,480) | (5,725) |
| (b) net foreign exchange gain/(loss) arising from financing activities | | 313 | 212 | (85) | (1,962) |

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.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEETS

| | Note | As At 31 December 2009 RM'000 | As At 31 December 2008 RM'000 |
|--|------|--|--|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment | | 120,773 | 155,440 |
| Prepaid land lease payments | | 4,388 | 4,484 |
| Intangible assets | | 27,067 | 28,227 |
| Interest in an associate | | 2,636 | 2,574 |
| Other investments | | 15 | 41 |
| Retirement benefits plan assets | | 254 | 152 |
| Deferred tax assets | | 1,878 | 3,404 |
| | | <u>157,011</u> | <u>194,322</u> |
| Current Assets | | | |
| Inventories | | 43,675 | 60,938 |
| Trade receivables | | 114,325 | 105,820 |
| Other receivables | | 11,563 | 12,090 |
| Tax recoverables | | 5,913 | 4,459 |
| Cash and bank balances | | 60,057 | 47,314 |
| | | <u>235,533</u> | <u>230,621</u> |
| TOTAL ASSETS | | <u>392,544</u> | <u>424,943</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 119,272 | 119,187 |
| Share premium | | 1,042 | 1,003 |
| Treasury shares | | (198) | (87) |
| Other reserves | | (5,299) | (6,549) |
| Retained earnings | | 122,764 | 86,224 |
| | | <u>237,581</u> | <u>199,778</u> |
| Minority interests | | 2,204 | 24,547 |
| Total equity | | <u>239,785</u> | <u>224,325</u> |
| Non-current Liabilities | | | |
| Retirement benefits obligations | | 458 | 352 |
| Borrowings | 24 | 23,437 | 23,996 |
| Deferred tax liabilities | | 920 | 444 |
| | | <u>24,815</u> | <u>24,792</u> |
| Current Liabilities | | | |
| Borrowings | 24 | 44,979 | 94,139 |
| Trade payables | | 49,990 | 45,313 |
| Other payables | | 32,129 | 35,845 |
| Current tax payable | | 846 | 529 |
| | | <u>127,944</u> | <u>175,826</u> |
| Total liabilities | | <u>152,759</u> | <u>200,618</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>392,544</u> | <u>424,943</u> |
| Net assets per share (RM) | | 2.01 | 1.88 |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | | 1.99 | 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.
(Incorporated in Malaysia)

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 | - | - | - | 1,365 | - | 1,365 | - | 1,365 | | |
| Profit for the year | - | - | - | - | 43,464 | 43,464 | 769 | 44,233 | | |
| Total recognised income and expense for the year | - | - | - | 1,365 | 43,464 | 44,829 | 769 | 45,598 | | |
| Dividends | - | - | - | - | (7,143) | (7,143) | - | (7,143) | | |
| Forfeiture of vested ESOS | - | - | - | (219) | 219 | - | - | - | | |
| Issue of ordinary shares pursuant to ESOS | 85 | 12 | - | - | - | 97 | - | 97 | | |
| Purchase of additional shares in a subsidiary | - | - | - | - | - | - | (22,790) | (22,790) | | |
| Purchase of treasury shares | - | - | (111) | - | - | (111) | - | (111) | | |
| Share options granted under ESOS | - | - | - | 131 | - | 131 | 2 | 133 | | |
| Subsidiary's interim tax exempt dividend | - | - | - | - | - | - | (324) | (324) | | |
| Transfer to share premium arising from exercise of ESOS | - | 27 | - | (27) | - | - | - | - | | |
| At 31 December 2009 | 119,272 | 1,042 | (198) | (5,299) | 122,764 | 237,581 | 2,204 | 239,785 | | |

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 2008 | 119,097 | 963 | - | (3,080) | 76,043 | 193,023 | 20,307 | 213,330 | | |
| 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 | | |
| Dividends | - | - | - | - | (14,302) | (14,302) | - | (14,302) | | |
| Forfeiture of vested ESOS | - | - | - | (43) | 10 | (33) | 1 | (32) | | |
| Issue of ordinary shares pursuant to ESOS | 90 | 15 | - | - | - | 105 | - | 105 | | |
| 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) | - | - | - | - | | |
| At 31 December 2008 | 119,187 | 1,003 | (87) | (6,549) | 86,224 | 199,778 | 24,547 | 224,325 | | |

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.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2009 RM'000 | 2008 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 49,183 | 41,672 |
| Adjustments for non-cash items | 45,253 | 58,840 |
| Operating profit before working capital changes | 94,436 | 100,512 |
| Decrease/(increase) in inventories | 15,542 | (10,948) |
| (Increase)/decrease in receivables | (8,248) | 23,662 |
| Increase/(decrease) in payables | 5,525 | (19,981) |
| (Increase)/decrease in long term receivable | (40) | 232 |
| Cash generated from operations | 107,215 | 93,477 |
| Tax refunded | 111 | 1,655 |
| Interest paid | (3,514) | (5,807) |
| Retirement benefits paid | (108) | (108) |
| Tax paid | (4,074) | (5,019) |
| Net cash generated from operating activities | 99,630 | 84,198 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (10,764) | (62,711) |
| Dividend received | - | 5 |
| Interest received | 321 | 564 |
| Proceeds from disposal of investment | - | 21 |
| Proceeds from disposal of property, plant and equipment | 849 | 900 |
| Purchase of additional shares in a subsidiary | (18,154) | - |
| Registration of trademark | - | (3) |
| Net cash used in investing activities | (27,748) | (61,224) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid by subsidiaries to minority interests | (1,298) | (2,009) |
| Dividends paid by the Company | (7,143) | (14,302) |
| Drawdown of hire-purchase payables | - | 3,518 |
| Drawdown of term loans | 39,290 | 20,554 |
| Net change in bank borrowings | (37,840) | 6,883 |
| Proceeds from issuance of shares for ESOS exercised | 97 | 105 |
| Purchase of treasury shares | (111) | (87) |
| Repayment of lease and hire-purchase payables | (1,650) | (1,516) |
| Repayment of term loans | (48,308) | (23,921) |
| Net cash used in financing activities | (56,963) | (10,775) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 14,919 | 12,199 |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES | (135) | (6,385) |
| CASH AND CASH EQUIVALENTS AS AT 1 JANUARY | 45,011 | 39,197 |
| CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER | 59,795 | 45,011 |

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 | |
|------------------------|-------------------|----------------|
| | 2009 RM'000 | 2008 RM'000 |
| Cash and bank balances | 60,057 | 47,314 |
| Bank overdrafts | (262) | (2,303) |
| | <u>59,795</u> | <u>45,011</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, revised FRSs, Amendments to FRSs and Interpretations were issued 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 1 | First-time Adoption of Financial Reporting Standards (revised) | 1 July 2010 |
| FRS 3 | Business Combinations (revised) | 1 July 2010 |
| FRS 4 | Insurance Contracts | 1 January 2010 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2010 |
| FRS 8 | Operating Segments | 1 July 2009 |
| FRS 101 | Presentation of Financial Statements (revised) | 1 January 2010 |
| FRS 123 | Borrowing Costs (revised) | 1 January 2010 |
| FRS 127 | Consolidated and Separate Financial Statements (revised) | 1 July 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 2 | Share-based Payment | 1 July 2010 |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 7 | Financial Instruments: Disclosures | 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 |
| Amendments to FRS 132 | Financial Instruments: Presentation | 1 January 2010 |
| Amendments to FRS 138 | Intangible Assets | 1 July 2010 |
| Amendments to 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 |
| IC Interpretation 11 | FRS 2 – Group and Treasury Share Transactions | 1 January 2010 |
| IC Interpretation 12 | Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 13 | Customer Loyalty Programmes | 1 January 2010 |

2. Changes in Accounting Policies (cont'd)

| FRSs, Amendments to FRSs and Interpretations | | Effective for financial periods beginning on or after |
|--|--|---|
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2010 |
| IC Interpretation 15 | Agreements for the Construction of Real Estate | 1 July 2010 |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners | 1 July 2010 |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 January 2010 |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 July 2010 |

MASB also issued “Improvements to FRSs (2009)” which contain Amendments to twenty two FRSs and is effective for financial periods beginning on or after 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, FRS 139 and Amendments to FRS 139, FRS 7 and IC Interpretation 9.

The other new FRSs, revised FRSs, Amendments to FRSs 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 8, FRS 101 and Amendments to FRS 132.

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:

| Year ended 31 December 2009 | Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Amalgamated RM'000 | Elimination/ Adjustment RM'000 | Consolidated RM'000 |
|------------------------------|-------------------------|-------------------|------------------|-----------------------|--------------------------------------|------------------------|
| Revenue | | | | | | |
| External sales | 473,560 | 1,328 | - | 474,888 | - | 474,888 |
| Inter-segment sales | 14,459 | - | 1,697 | 16,156 | (16,156) | - |
| | 488,019 | 1,328 | 1,697 | 491,044 | (16,156) | 474,888 |
| Unallocated revenue | | | | | | 1 |
| Total revenue | | | | | | <u>474,889</u> |
| Results | | | | | | |
| Segment results | 48,575 | 201 | 380 | 49,156 | - | 49,156 |
| Unallocated income | | | | | | 4,263 |
| Finance costs | | | | | | (4,257) |
| Share of profit of associate | | | | | | 21 |
| Profit before tax | | | | | | <u>49,183</u> |
| Income tax expense | | | | | | (4,950) |
| Profit for the year | | | | | | <u>44,233</u> |

5. Segmental Information (Cont'd)

| Year ended 31 December 2008 | Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Amalgamated RM'000 | Elimination/ Adjustment RM'000 | Consolidated RM'000 |
|-----------------------------|-------------------------|-------------------|------------------|-----------------------|--------------------------------------|------------------------|
| Revenue | | | | | | |
| 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 | | | | | | 554,861 |
| Results | | | | | | |
| Segment results | 47,528 | (608) | 478 | 47,398 | - | 47,398 |
| Unallocated income | | | | | | 2,717 |
| Finance costs | | | | | | (8,443) |
| Share of loss of associate | | | | | | - |
| Profit before tax | | | | | | 41,672 |
| Income tax expense | | | | | | (12,767) |
| Profit for the year | | | | | | 28,905 |

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 2009 except for the followings:

- (a) Recognition of negative goodwill of RM4.6 million which arose from acquisition of remaining 25% equity interest in a subsidiary.
- (b) Impairment loss on goodwill of RM1.1 million was made on the premise of reduced revenue by a subsidiary in Malaysia.

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 2009 was as follows:

| | RM'000 |
|--|--------|
| In respect of the financial year ended 31 December 2008 as reported in the directors' report of that year: | |
| Final tax exempt dividend of 3%, paid on 26 June 2009 | 3,572 |
| In respect of the financial year ended 31 December 2009: | |
| Interim tax exempt dividend of 3%, paid on 28 October 2009 | 3,571 |
| | 7,143 |
| | 7,143 |

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 followings:

- (a) Employee Share Options Scheme ("ESOS")

During the financial year ended 31 December 2009, the Company issued 85,000 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 1/1/2009 | 1,660 | 176 | 586 | 578 | 4,320 | 2,302 | 9,622 |
| Granted | - | - | - | - | - | - | - |
| Exercised | - | - | - | - | - | 85 | 85 |
| Foregone | 221 | 21 | 211 | 8 | 662 | 450 | 1,573 |
| As at 31/12/2009 | 1,439 | 155 | 375 | 570 | 3,658 | 1,767 | 7,964 |
| 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 2009, the Company had repurchased a total of 110,800 ordinary shares of RM1 each of its issued share capital from the open market for a total consideration of RM110,895 at an average cost of RM1.00 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 December 2009 is as follows:

| | As At 31 December 2009 RM'000 |
|---|-------------------------------------|
| Approved and contracted for: | |
| Property, plant and equipment | 1,814 |
| Future minimum rental payments for non-cancellable operating lease agreements | 13,765 |

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 31 December 2009 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM54.4 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.
(Incorporated in Malaysia)

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

16. Performance Review

(a) For the reporting quarter

Group revenue for this reporting quarter was RM143.1 million with a profit before tax of RM22.8 million. This was a 17% improvement of revenue over the corresponding quarter in FY2008 of RM122.2 million. In the corresponding quarter in FY2008, the Group had a loss before tax of RM3.4 million.

(b) For the year ended 31 December 2009

Group revenue was RM474.9 million for FY2009. This was however a decrease of 14% compared to FY2008 of RM554.9 million. Profit before tax for FY2009 was RM49.2 million whilst correspondingly the Group achieved RM41.7 million in FY2008. This represents an 18% increase.

Although the revenue for FY2009 was lower compared to FY2008, the Group managed to improve its earnings significantly. This was achieved through very resolute and effective efforts in bringing the Group's cost down in tandem with the drop in demand in FY2009. The profit before tax achieved in FY2009 is the highest in the Group's history.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue rose to RM143.1 million from RM125.1 million in the immediate preceding quarter. Profit before tax improved significantly to RM22.8 million from RM13.6 million achieved in the preceding quarter.

With continued improvements in revenue and stable costs during the quarter, the Group was able to achieve better margins as compared with the preceding quarter. This was amidst strong growth in the demand of the hard disk drives globally.

18. Prospects

The Group maintains an optimistic business outlook because of strong demand predictions from its customers. Plans are underway to expand capacity to cater for such an increase in demand which would increase revenue and earnings. Barring any unforeseen circumstances, the Group looks forward to enhancing its revenue and earnings records in FY2010.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

| | 3 months period ended 31 December | | Year ended 31 December | |
|--|--------------------------------------|----------------|---------------------------|----------------|
| | 2009 RM'000 | 2008 RM'000 | 2009 RM'000 | 2008 RM'000 |
| Current tax: | | | | |
| Malaysian income tax | 1,089 | 391 | 2,225 | 4,023 |
| Foreign income tax | 127 | 117 | 739 | 1,209 |
| | <u>1,216</u> | <u>508</u> | <u>2,964</u> | <u>5,232</u> |
| Under/(Over)provision in prior year: | | | | |
| Malaysian income tax | - | (9) | (33) | (43) |
| Foreign income tax | - | (148) | 2 | (170) |
| | <u>-</u> | <u>(157)</u> | <u>(31)</u> | <u>(213)</u> |
| | <u>1,216</u> | <u>351</u> | <u>2,933</u> | <u>5,019</u> |
| Deferred tax | 249 | (1,018) | 2,403 | 5,076 |
| Deferred tax assets previously recognised, now derecognised | - | 1,591 | - | 1,591 |
| Under(Over)provision of deferred tax in prior year | 54 | 76 | (386) | 1,081 |
| | <u>303</u> | <u>649</u> | <u>2,017</u> | <u>7,748</u> |
| Total income tax expense | <u>1,519</u> | <u>1,000</u> | <u>4,950</u> | <u>12,767</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 December 2009 has reflected these changes.

The effective tax rate for the year ended 31 December 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 year ended 31 December 2009.

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial year ended 31 December 2009 and no investment in quoted securities as at 31 December 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 December 2009 are as follows:

| | As At 31 December 2009 RM'000 | As At 31 December 2008 RM'000 |
|-------------------|--|--|
| Short term | | |
| Secured | 22,396 | 33,257 |
| Unsecured | 22,583 | 60,882 |
| | <u>44,979</u> | <u>94,139</u> |
| Long term | | |
| Secured | 23,437 | 23,996 |
| | <u>68,416</u> | <u>118,135</u> |

Borrowings denominated in foreign currency:

| | As At 31 December 2009 | | As At 31 December 2008 | |
|-------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | Foreign currency '000 | RM'000 equivalent | Foreign currency '000 | RM'000 equivalent |
| Short term | | | | |
| Secured | USD 3,346 | 11,466 | USD 7,105 | 24,673 |
| Secured | - | - | THB 375 | 37 |
| Unsecured | USD 2,988 | 10,234 | USD 1,820 | 6,316 |
| Unsecured | HKD 3,000 | 1,325 | HKD 5,625 | 2,520 |
| Unsecured | THB 41,466 | 4,223 | THB 35,008 | 3,487 |
| Long term | | | | |
| Secured | USD 3,682 | 12,620 | USD 6,366 | 22,108 |

25. Off Balance Sheet Financial Instruments

Notional amount as at
17 February 2010
RM'000

Forward foreign exchange contracts:
Within 1 year 41,697

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

- (a) The directors recommend a final tax exempt dividend of 6% (6 sen per share) in respect of the financial year ended 31 December 2009 (2008: 3 sen per share tax exempt). 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 9 sen tax exempt.

28. Earnings/(Loss) Per Share

(a) Basic

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) 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 | |
|---|--------------------------------------|---------|---------------------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000) | 21,061 | (3,840) | 43,464 | 24,473 |
| Weighted average number of ordinary shares in issue ('000) | 119,063 | 119,139 | 119,063 | 119,139 |
| Basic earnings/(loss) per share (sen) | 17.7 | (3.3) | 36.5 | 20.5 |

(b) Diluted

For the purpose of calculating diluted earnings/(loss) per share, the profit/(loss) 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 | |
|--|--------------------------------------|---------|---------------------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000) | 21,061 | (3,840) | 43,464 | 24,473 |
| Weighted average number of ordinary shares in issue ('000) | 119,063 | 119,139 | 119,063 | 119,139 |
| Effects of dilution: | | | | |
| Share options | - | 270 | - | 270 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 119,063 | 119,409 | 119,063 | 119,409 |
| Diluted earnings/(loss) per share (sen) | 17.7 | (3.2) | 36.5 | 20.5 |

29. Authorisation for Issue

On 23 February 2010, 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
 23 February 2010