ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M

(Incorporated in Malaysia)

Interim Financial Statements

31 March 2010

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONTENTS

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS
Unaudited

	Note	3 months period ended 31 March 2010 RM'000	3 months period ended 31 March 2009 RM'000
Revenue		153,528	100,766
Cost of sales		(123,311)	(95,103)
Gross profit		30,217	5,663
Other income		1,736	5,325
Administrative expenses		(7,621)	(5,929)
Selling and marketing expenses		(2,380)	(3,252)
Other expenses		(2,339)	1,877
Operating profit		19,613	3,684
Finance costs		450	(3,934)
Share of profit of associate		4	-
Profit/(Loss) before tax		20,067	(250)
Income tax expense	20	(1,719)	321
Profit for the period		18,348	71
Profit attributable to:			
Owners of the parent		18,165	(84)
Minority interest		183	155
		18,348	71
Earnings per share attributable to owners of the parent:			
Basic, for profit/(loss) for the period (sen)	29	15.2	(0.1)
Diluted, for profit/(loss) for the period (sen)	29	15.0	(0.1)
The cost of sales, administrative expenses and other expenses were arrived at after:			
(a) depreciation		(9,969)	(11,109)
(b) amortisation		(29)	(25)
Included in the other expenses was:			
(a) net foreign exchange (loss)/gain		(2,001)	1,041
Included in the finance costs were:			
(a) interest expense		(441)	(1,262)
(b) net foreign exchange gain/(loss) arising from financing activities		1,106	(2,467)

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	3 months period ended 31 March	
	2010	2009
	RM'000	RM'000
Profit for the period	18,348	71
Foreign currency translation, representing other comprehensive income	(3,665)	3,736
Total comprehensive income for the period	14,683	3,807
Total comprehensive income attributable to :		
Owners of the parent	14,609	3,560
Minority interest	74	247
	14,683	3,807

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited

	Note	As At 31 March 2010 RM'000	As At 31 December 2009 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		112,215	120,773
Prepaid land lease payments		4,364	4,388
Intangible assets		27,034	27,067
Interest in an associate		2,568	2,636
Other investments		15	15
Retirement benefits plan assets		217	254
Deferred tax assets		1,652	1,878
		148,065	157,011
Current Assets			
Inventories		45,398	43,675
Trade receivables		120,841	114,325
Other receivables		3,530	11,563
Other current assets		6,352	-
Derivative financial assets		1,275	-
Tax recoverables		2,162	5,913
Cash and bank balances		70,281	60,057
		249,839	235,533
TOTAL ASSETS		397,904	392,544
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		120,026	119,272
Share premium		1,599	1,042
Treasury shares		(285)	(198)
Other reserves		(9,051)	(5,299)
Retained earnings		140,944	122,764
		253,233	237,581
Minority interest		2,278	2,204
Total equity		255,511	239,785
Non-current Liabilities			
Retirement benefits obligations		473	458
Borrowings	24	18,553	23,437
Deferred tax liabilities		974	920
		20,000	24,815

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)
Unaudited

	Note	As At 31 March 2010 RM'000	As At 31 December 2009 RM'000
Current Liabilities			
Borrowings	24	39,467	44,979
Trade payables		51,159	49,990
Other payables		23,307	32,129
Other current liabilities		6,565	-
Derivative financial liabilities		293	-
Current tax payable		1,602	846
		122,393	127,944
Total liabilities		142,393	152,759
TOTAL EQUITY AND LIABILITIES		397,904	392,544
Net assets per share (RM)		2.13	2.01
Net assets per share attributable to owners of the parent (RM)		2.11	1.99

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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
Unaudited

	Attributable to owners of the parent						Minority Interests	Total Equity
	Non-distributable				Distributable			
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
At 1 January 2010	119,272	1,042	(198)	(5,299)	122,764	237,581	2,204	239,785
Total comprehensive (expenses)/income for the period	-	-	-	(3,556)	18,165	14,609	74	14,683
Transactions with owners :								
Forfeiture of vested ESOS	-	-	-	(15)	15	-	-	-
Issue of ordinary shares pursuant to ESOS	754	350	-	-	-	1,104	-	1,104
Purchase of treasury shares	-	-	(87)	-	-	(87)	-	(87)
Share options granted under ESOS	-	-	-	26	-	26	-	26
Transfer to share premium arising from exercise of ESOS	-	207	-	(207)	-	-	-	-
Total transactions with owners	754	557	(87)	(196)	15	1,043	-	1,043
At 31 March 2010	120,026	1,599	(285)	(9,051)	140,944	253,233	2,278	255,511
At 1 January 2009	119,187	1,003	(87)	(6,549)	86,224	199,778	24,547	224,325
Total comprehensive income/(expenses) for the period	-	-	-	3,644	(84)	3,560	247	3,807
Transactions with owners :								
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)
Total transactions with owners	-	-	-	73	12	85	(22,789)	(22,704)
At 31 March 2009	119,187	1,003	(87)	(2,832)	86,152	203,423	2,005	205,428

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	3 months period ended 31 March 2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	20,067	(250)
Adjustments for non-cash items	10,734	12,120
Operating profit before working capital changes	30,801	11,870
(Increase)/decrease in inventories	(1,832)	23,051
(Increase)/decrease in receivables	(7,423)	11,064
Decrease in payables	(541)	(23,877)
Decrease/(increase) in long term receivable	70	(78)
Cash generated from operations	21,075	22,030
Tax refunded	3,740	114
Interest paid	(406)	(1,286)
Tax paid	(599)	(1,748)
Net cash generated from operating activities	23,810	19,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,284)	(1,839)
Acquisition of intangible assets	(39)	-
Interest received	87	105
Proceeds from disposal of property, plant and equipment	4	378
Purchase of additional shares in a subsidiary	-	(18,154)
Net cash used in investing activities	(3,232)	(19,510)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	-	14,694
Net change in bank borrowings	(3,649)	(31,397)
Proceeds from issuance of shares for ESOS exercised	1,104	-
Purchase of treasury shares	(87)	-
Repayment of lease and hire-purchase payables	(387)	(446)
Repayment of term loans	(5,043)	(8,649)
Net cash used in financing activities	(8,062)	(25,798)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,516	(26,198)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(2,030)	295
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	59,795	45,011
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	70,281	19,108

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed consolidated statements of cash flows comprise the following balance sheet amounts:

	As At 31 March	
	2010	2009
	RM'000	RM'000
Cash and bank balances	70,281	24,222
Bank overdrafts	-	(5,114)
	70,281	19,108

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 2009. 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 2009.

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 2009, except for the adoption of the following new Financial Reporting Standards ("FRSs"), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2010.

FRSs, Amendments to FRSs and Interpretations
- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment- Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other than the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in accounting policies and presentation of the financial results of the Group.

(a) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised directly in equity, either in one single statement, or in two statements. The Group has elected to present this statement in two-statement approach. This Standard does not have any impact on the financial position and results of the Group.

2. Changes in Accounting Policies (cont'd)

(b) FRS 139: Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments. A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instruments.

Financial Assets
Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial assets include cash and short-term deposits, loans and receivables and available for sale investments.

i. Loans and receivables
Prior to 1 January 2010, loans and receivables were stated at gross proceeds receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised, impaired or through the amortisation process.

Prior to 1 January 2010, allowances for doubtful debts were recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and this standard did not have any significant impact on the financial position and results of the Group.

ii. Available for sale
Prior to 1 January 2010, available for sale financial assets such as other investments were accounted for at cost less impairment losses. Under FRS 139, available for sale financial asset is measured (a) at fair value initially and subsequently with unrealised gains or losses recognised directly in equity until the investment is derecognised or impaired or (b) at cost if the unquoted equity instrument is not carried at fair value because its fair value cannot be reliably measured.

Financial Liabilities
Financial liabilities are initially recognised at fair value through profit or loss. All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit of loss. The Group's financial liabilities include trade and other payables and borrowings.

Derivatives
Prior to the adoption of FRS 139, derivative financial instruments were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative financial instruments are now categorised as fair value through profit or loss and measured at their fair value with the gain or loss recognised in the profit or loss. Derivatives are carried as assets when fair value is positive and liabilities when fair value is negative.

There were no significant changes to the interim financial report other than inclusion of off-balance sheet derivatives at their fair values, in the interim financial report in line with the accounting policy as disclosed under Note 25.

This standard did not have any significant impact on the financial position and results of the Group, except as disclosed in Note 25. In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated.

2. Changes in Accounting Policies (cont'd)

(c) FRS 8: Operating Segments

FRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group's chief operating decision maker, the Group's Board of Directors, relies on internal reports which are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group, which are:

Effective for financial periods beginning on or after 1 March 2010
- Amendments to FRS 132: Financial Instruments: Presentation, relating to Classification of Rights Issues.

Effective for financial periods beginning on or after 1 July 2010
- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011
- Limited Exemption from Comparative FRS 7: Disclosures for First-time Adopters (Amendments to FRS1) Improving Disclosures about Financial Instruments (Amendments to FRS 7)

The initial application of the above new FRSs and interpretations, and amendments to FRSs and Interpretations is not expected to have any significant impact on the Group.

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 2009 was not qualified.

5. Segmental Information

Analysis by business segments:

3 months period ended 31 March 2010	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	153,563	(53)	-	153,510	-	153,510
Inter-segment sales	(52)	-	421	369	(369)	-
	153,511	(53)	421	153,879	(369)	153,510
Unallocated revenue						18
Total revenue						153,528
Results						
Segment results	18,650	(78)	88	18,660	-	18,660
Unallocated income						953
Finance costs						450
Share of profit of associate						4
Profit before tax						20,067
Income tax expense						(1,719)
Profit for the period						18,348

5. Segmental Information (cont'd)

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						100,766
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						(250)
Income tax expense						321
Profit for the period						71

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 2010.

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 was no dividend paid during the financial period ended 31 March 2010.

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 2009.

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 period ended 31 March 2010, the Company issued 754,600 fully paid-up ordinary shares of RM1 each for cash pursuant to the Company's ESOS.

ESOS	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Total
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 1/1/2010	1,439	155	375	570	3,658	1,767	7,964
Granted	-	-	-	-	-	-	-
Exercised	45	-	67	-	290	352	754
Foregone	25	-	-	-	50	-	75
As at 31/03/2010	1,369	155	308	570	3,318	1,415	7,135
Option price per Ordinary Share (RM)	1.62	1.40	1.48	2.90	1.84	1.13	

(b) Shares held as Treasury Shares

During the financial period ended 31 March 2010, the Company had repurchased a total of 50,000 ordinary shares of RM1 each of its issued share capital from the open market for a total consideration of RM87,738 at an average cost of RM1.75 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 during the current quarter.

13. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 March 2010 is as follows:

	As At 31 March 2010 RM'000
Approved and contracted for:	
Property, plant and equipment	20,633
Future minimum rental payments for non-cancellable operating lease agreements	12,363

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 31 March 2010 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM52.9 million (31 December 2009: RM54.4 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 revenue for the reporting period was RM153.5 million. The revenue in the corresponding period last financial year was RM100.8 million. This was an improvement of 52%. Profit before tax for the reporting period was RM20.1 million whilst in the corresponding period last year, the Group had a loss before tax of RM0.3 million.

Compared to the corresponding quarter last year, Group revenue improved as a result of the increase in customer orders following the recovery of the hard disk drive industry. With such an improvement in demand and very effective cost management, the Group became profitable compared to a loss in the corresponding period last year.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue for the reporting quarter at RM153.5 million was approximately 7% higher than that in the preceding quarter at RM143.1 million. Profit before tax achieved in this reporting quarter was RM20.1 million compared to RM22.8 million achieved in the immediate preceding quarter. Profit margins were lower as result of adverse foreign exchange impacts, reduction in product selling prices and increase in raw material costs.

18. Prospects

The Group continues to maintain an optimistic business outlook. Orders from customers remain strong. Global hard disk drive demand has recovered and predicted to increase to a record level this year. In anticipation of this demand trend, the Group has planned additional capital expenditure as it is confident that it will capture larger allocations from its customers.

The industrial products business has been growing steadily. The Group seeks to expand further into new industrial products business. This would help lower the over dependency on the data storage business.

Meanwhile, the Group believes the adverse effects of the foreign exchange rates and increases in raw material costs experienced in the reporting quarter are expected to continue. As such, action plans are underway to counter such effects to maintain the margins of the products.

Nevertheless, prospects are bright and the Group expects strong earnings growth compared to the previous financial year.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

	3 months period ended 31 March	
	2010	2009
	RM'000	RM'000
Current tax:		
Malaysian income tax	1,030	119
Foreign income tax	386	155
	1,416	274
Underprovision of Malaysian income tax in prior year	-	3
	1,416	277
Deferred tax	303	(296)
Overprovision of deferred tax in prior year	-	(302)
	303	(598)
Total income tax expense	1,719	(321)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the period. The computation of deferred tax as at 31 March 2010 has reflected these changes.

The effective tax rate for the period ended 31 March 2010 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 2010.

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial period ended 31 March 2010 and no investment in quoted securities as at 31 March 2010.

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 2010 are as follows:

	As At 31 March 2010 RM'000	As At 31 December 2009 RM'000
Short term		
Secured	21,318	22,396
Unsecured	18,149	22,583
	39,467	44,979
Long term		
Secured	18,553	23,437
	58,020	68,416

Borrowings denominated in foreign currency:

	As At 31 March 2010		As At 31 December 2009	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 3,079	10,067	USD 3,346	11,466
Unsecured	USD 2,091	6,832	USD 2,988	10,234
Unsecured	HKD 3,000	1,263	HKD 3,000	1,325
Unsecured	THB 24,000	2,404	THB 41,466	4,223
Long term				
Secured	USD 2,986	9,766	USD 3,682	12,620

25. Derivative Financial Instruments

As at 31 March 2010, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivables and payables in foreign currencies are as follows:

Forward Foreign Currency Contracts	Contract Value RM'000	Fair Value RM'000	Gain/(Loss) RM'000
Less than 1 year:			
Used to hedge trade receivables	55,307	54,028	1,279
Used to hedge trade payables	18,201	17,904	(297)
Total			982

Prior to the adoption of FRS 139, derivative financial instruments were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative financial instruments are now categorised as fair value through profit or loss and measured at their fair value with the gain or loss recognised in the profit or loss.

Forward currency contracts are valued using a valuation technique with market observable inputs. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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.

25. Derivative Financial Instruments (cont'd)

There are no significant credit and market risks posed by the above derivative financial instruments.

The Group will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

26. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 18 May 2010, the latest practicable date which is not earlier than 7 days from the date of this quarterly report.

27. Changes in Material Litigation

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

28. Dividend

The directors do not recommend any interim dividend for the financial period ended 31 March 2010.

29. Earnings/(Loss) Per Share

(a) Basic

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months period ended 31 March	
	2010	2009
Profit/(Loss) attributable to owners of the parent (RM'000)	18,165	(84)
Weighted average number of ordinary shares in issue ('000)	119,313	119,108
Basic earnings/(loss) per share (sen)	15.2	(0.1)

(b) Diluted

For the purpose of calculating diluted earnings/(loss) per share, the profit/(loss) for the period attributable to owners 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 31 March	
	2010	2009
Profit/(Loss) attributable to owners of the parent (RM'000)	18,165	(84)
Weighted average number of ordinary shares in issue ('000)	119,313	119,108
Effects of dilution:		
Share options	1,998	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	121,311	119,108
Diluted earnings/(loss) per share (sen)	15.0	(0.1)

30. Authorisation for Issue

On 25 May 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
25 May 2010