

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 June 2010

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONTENTS

	PAGE
CONDENSED CONSOLIDATED INCOME STATEMENTS	1
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3 - 4
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	5 - 6
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	7 - 8
PART A - DISCLOSURE NOTES AS REQUIRED UNDER FRS 134	9 - 15
PART B - DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS	16 - 20

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS

Unaudited

	Note	3 months period ended		6 months period ended	
		30 June		30 June	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Revenue		134,600	105,934	288,128	206,700
Cost of sales		(114,688)	(84,382)	(237,999)	(179,485)
Gross profit		19,912	21,552	50,129	27,215
Other income		2,012	1,113	3,748	6,438
Administrative expenses		(7,250)	(6,087)	(14,871)	(12,016)
Selling and marketing expenses		(1,901)	(2,594)	(4,281)	(5,846)
Other expenses		774	(1,551)	(1,565)	326
Operating profit		13,547	12,433	33,160	16,117
Finance costs		(726)	579	(276)	(3,355)
Share of profit of associate		8	7	12	7
Profit before tax		12,829	13,019	32,896	12,769
Income tax expense	20	12	(1,317)	(1,707)	(996)
Profit for the period		12,841	11,702	31,189	11,773
Profit attributable to:					
Owners of the parent		12,626	11,450	30,791	11,366
Minority interests		215	252	398	407
		12,841	11,702	31,189	11,773

Earnings per share attributable to owners of the parent:

Basic, for profit for the period (sen)	29	10.4	9.6	25.6	9.5
Diluted, for profit for the period (sen)	29	10.3	9.6	25.3	9.5

The cost of sales, administrative expenses and other expenses were arrived at after:-

(a) depreciation	(6,921)	(10,402)	(16,890)	(21,511)
(b) amortisation	(30)	(25)	(59)	(50)

Included in the other expenses was:

(a) net foreign exchange gain/(loss)	1,894	(599)	(107)	442
--------------------------------------	-------	-------	-------	-----

Included in the finance costs were:

(a) interest expense	(380)	(844)	(821)	(2,106)
(b) net foreign exchange (loss)/gain arising from financing activities	(93)	1,619	1,013	(848)

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		6 months period ended	
	30 June		30 June	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit for the period	12,841	11,702	31,189	11,773
Foreign currency translation, representing other comprehensive income	(1,207)	(1,949)	(4,872)	1,787
Total comprehensive income for the period	11,634	9,753	26,317	13,560
Total comprehensive income attributable to:				
Owners of the parent	11,384	9,535	25,993	13,095
Minority interests	250	218	324	465
	11,634	9,753	26,317	13,560

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.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

	Note	As At 30 June 2010 RM'000	As At 31 December 2009 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		113,895	120,773
Prepaid land lease payments		4,340	4,388
Intangible assets		27,036	27,067
Interest in an associate		2,508	2,636
Other investments		14	15
Retirement benefits plan assets		182	254
Deferred tax assets		2,361	1,878
		<u>150,336</u>	<u>157,011</u>
Current Assets			
Inventories		54,493	43,675
Trade receivables		109,258	114,325
Other receivables		3,839	11,563
Other current assets		6,939	-
Derivative financial assets		895	-
Tax recoverables		1,220	5,913
Cash and bank balances		71,824	60,057
		<u>248,468</u>	<u>235,533</u>
TOTAL ASSETS		<u>398,804</u>	<u>392,544</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		121,942	119,272
Share premium		2,876	1,042
Treasury shares		(285)	(198)
Other reserves		(10,614)	(5,299)
Retained earnings		146,269	122,764
		<u>260,188</u>	<u>237,581</u>
Minority interest		2,173	2,204
Total equity		<u>262,361</u>	<u>239,785</u>
Non-current Liabilities			
Retirement benefits obligations		494	458
Borrowings	24	14,685	23,437
Deferred tax liabilities		1,105	920
		<u>16,284</u>	<u>24,815</u>

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

Unaudited

	Note	As At 30 June 2010 RM'000	As At 31 December 2009 RM'000
Current Liabilities			
Borrowings	24	27,427	44,979
Trade payables		55,451	49,990
Other payables		27,652	32,129
Other current liabilities		8,140	-
Derivative financial liabilities		9	-
Current tax payable		1,480	846
		<u>120,159</u>	<u>127,944</u>
Total liabilities		<u>136,443</u>	<u>152,759</u>
TOTAL EQUITY AND LIABILITIES		<u>398,804</u>	<u>392,544</u>
Net assets per share (RM)		2.15	2.01
Net assets per share attributable to owners of the parent (RM)		2.13	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.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

	← Attributable to owners of the parent →					Minority Interests	Total Equity	
	Share Capital RM'000	Non-distributable Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Distributable Retained Earnings RM'000			Total 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	-	-	-	(4,798)	30,791	25,993	324	26,317
Transactions with owners:								
Final tax exempt dividend	-	-	-	-	(7,301)	(7,301)	-	(7,301)
Forfeiture of vested ESOS	-	-	-	(15)	15	-	-	-
Issue of ordinary shares pursuant to ESOS	2,670	1,288	-	-	-	3,958	-	3,958
Purchase of treasury shares	-	-	(87)	-	-	(87)	-	(87)
Share options granted under ESOS	-	-	-	44	-	44	-	44
Subsidiary's interim tax exempt dividend	-	-	-	-	-	-	(355)	(355)
Transfer to share premium arising from exercise of ESOS	-	546	-	(546)	-	-	-	-
Total transactions with owners	2,670	1,834	(87)	(517)	(7,286)	(3,387)	(355)	(3,741)
At 30 June 2010	121,942	2,876	(285)	(10,614)	146,269	260,188	2,173	262,361

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to the 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		
At 1 January 2009	119,187	1,003	(87)	(6,549)	86,224	199,778	24,547	224,325
Total comprehensive income for the period	-	-	-	1,729	11,366	13,095	465	13,560
Transactions with owners:								
Final tax exempt dividend	-	-	-	-	(3,572)	(3,572)	-	(3,572)
Forfeiture of vested ESOS	-	-	-	(219)	219	-	-	-
Purchase of additional shares in a subsidiary	-	-	-	-	-	-	(22,790)	(22,790)
Purchase of treasury shares	-	-	(60)	-	-	(60)	-	(60)
Share options granted under ESOS	-	-	-	54	-	54	1	55
Subsidiary's interim tax exempt dividend	-	-	-	-	-	-	(324)	(324)
Total transactions with owners	-	-	(60)	(165)	(3,353)	(3,578)	(23,113)	(26,691)
At 30 June 2009	119,187	1,003	(147)	(4,985)	94,237	209,295	1,899	211,194

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.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	6 months period ended 30 June	
	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	32,896	12,769
Adjustments for non-cash items	14,520	20,788
Operating profit before working capital changes	47,416	33,557
(Increase)/decrease in inventories	(11,303)	24,549
Decrease in receivables	6,465	20,351
Increase/(decrease) in payables	3,567	(16,106)
Decrease/(increase) in long term receivable	136	(4)
Cash generated from operations	46,281	62,347
Tax refunded	4,582	113
Interest paid	(789)	(2,125)
Retirement benefits paid	-	(110)
Tax paid	(1,359)	(2,508)
Net cash generated from operating activities	48,715	57,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,196)	(4,594)
Acquisition of intangible assets	(49)	-
Interest received	245	178
Proceeds from disposal of property, plant and equipment	245	584
Purchase of additional shares in a subsidiary	-	(18,154)
Net cash used in investing activities	(5,755)	(21,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid by a subsidiary to minority interest	(319)	(1,032)
Dividend paid by the Company	(7,301)	(3,572)
Drawdown of term loans	-	28,256
Net change in bank borrowings	(14,830)	(31,805)
Proceeds from issuance of shares for ESOS exercised	3,958	-
Purchase of treasury shares	(87)	(60)
Repayment of lease and hire-purchase payables	(799)	(870)
Repayment of term loans	(9,804)	(20,630)
Net cash used in financing activities	(29,182)	(29,713)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,778	6,018
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(1,749)	829
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	59,795	45,011
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	71,824	51,858

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 30 June	
	2010 RM'000	2009 RM'000
Cash and bank balances	71,824	52,273
Bank overdrafts	-	(415)
	<u>71,824</u>	<u>51,858</u>

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.

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

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)
- FRS 1: Additional Exemptions for First-time Adopters (Amendments to FRS 1)
- FRS 2: Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)
- IC Interpretation 4: Determining Whether an Arrangement contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- Technical Release 3: Guidance on Disclosures of Transition to IFRSs

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:

6 months period ended 30 June 2010	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	288,108	(64)	-	288,044	-	288,044
Inter-segment sales	(44)	-	836	792	(792)	-
	288,064	(64)	836	288,836	(792)	288,044
Unallocated revenue						84
Total revenue						<u>288,128</u>
Results						
Segment results	29,145	456	240	29,841	-	29,841
Unallocated income						3,319
Finance costs						(276)
Share of profit of associate						12
Profit before tax						<u>32,896</u>
Income tax expense						(1,707)
Profit for the period						<u>31,189</u>

5. Segmental Information (cont'd)

6 months period ended 30 June 2009	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	205,427	1,273	-	206,700	-	206,700
Inter-segment sales	627	-	856	1,483	(1,483)	-
	206,054	1,273	856	208,183	(1,483)	206,700
Unallocated revenue						-
Total revenue						206,700
Results						
Segment results	10,635	30	185	10,850	-	10,850
Unallocated income						5,267
Finance costs						(3,355)
Share of profit of associate						7
Profit before tax						12,769
Income tax expense						(996)
Profit for the period						11,773

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 30 June 2010.

7. Changes in Estimates

The FRS 116: Property, Plant and Equipment requires the review of the residual value, useful life and depreciation method of an item of property, plant and equipment at least at each financial year end and adjusted prospectively, if appropriate. The Group has reviewed and revised the estimated useful lives of certain plant and machinery from five to eight years with effect from 1 April 2010. The revisions arose from a change in accounting estimates and as a result, the depreciation charges for the current quarter and the current financial period ended 30 June 2010 have been reduced by RM2,698,103.

There were no other changes in estimates that have had a material effect on the current quarter's 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 period ended 30 June 2010 was as follows:

	RM'000
In respect of the financial year ended 31 December 2009 as reported in the directors' report of that year:	
Final tax exempt dividend of 6%, paid on 28 June 2010	7,301

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 30 June 2010, the Company issued 2,670,600 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 1/1/2010	1,439	155	375	570	3,658	1,767	7,964
Granted	-	-	-	-	-	-	-
Exercised	635	130	207	-	735	963	2,670
Foregone	25	-	-	-	50	-	75
As at 30/06/2010	779	25	168	570	2,873	804	5,219
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 30 June 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 30 June 2010 is as follows:

	As At 30 June 2010 RM'000
Approved and contracted for:	
Property, plant and equipment	16,982
Future minimum rental payments for non-cancellable operating lease agreements	11,355

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 30 June 2010 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM41.3 million (31 December 2009: RM54.4 million).

15. Subsequent Events

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

- (a) On 21 July 2010, the Company entered into a Memorandum of Understanding ("MOU") with Evergrown Technology Sdn Bhd to establish the principles that reflect their intention to establish a joint venture via the incorporation of a joint venture company ("JVCo") with the proposed initial issued and paid up share capital of RM1,500,000 comprising 1,500,000 ordinary shares of RM1.00 each upon the terms and conditions as stipulated in the MOU. In the MOU, the Company intends to subscribe for 40% of the equity of the JVCo.
- (b) On 6 August 2010, with reference to the MOU signed on 21 July 2010, the Company entered into a Shareholders' Agreement with Evergrown Technology Sdn Bhd. Pursuant to the aforesaid intention, the parties agreed that Evergrown Coating Sdn Bhd ("ECSB") to be the intended joint venture company and it will undertake the business of plating services, primarily to the subsidiaries of the Company. The authorised and paid up capital of ECSB shall be RM3,000,000 and RM1,500,000 respectively. The Company shall subscribe for 40% of the paid up capital equivalent to 600,000 ordinary shares at RM1.00 each for cash at par. Other terms and conditions are stipulated in the Shareholders' Agreement.

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 revenue and profit before tax for the reporting period were RM134.6 million and RM12.8 million. The revenue for this reporting period was 27% higher than that achieved in the corresponding quarter in 2009 at RM105.9 million. The profit before tax was however lower by 1% compared to the corresponding quarter last year.

Overall demand for hard disk drives have improved compared to corresponding period last year. However, adverse foreign exchange impacts and increased raw material costs have affected the margins of the Group's products compared to previous year.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue and profit before tax for this reporting quarter have reduced 12% and 36% respectively against the preceding quarter.

The reduction in revenue was due to seasonality and overstocked situation in the hard disk drive sector as volume shipments dropped as adjustments take place. This has impacted the Group that resulted in its lower earnings. Other impacts to the profit were the adverse foreign exchange impacts and the increased raw material costs compared to the preceding quarter.

18. Prospects

The Group experienced a seasonality low in demand and overstocked situation in the hard disk drive sector in this reporting period. However, it predicts that the normal growth trend would return in the second half of 2010 once adjustment for stocks in the industry is completed. With that the total year global shipment for 2010 should still exceed that of previous year.

The Group's industrial products sector is performing well and several new businesses will be added by this year end.

Barring any unforeseen circumstances, the Group is confident of both revenue and earnings growth compared to the previous year.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

	3 months period ended		6 months period ended	
	30 June		30 June	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	290	(28)	1,320	91
Foreign income tax	275	248	661	403
	<u>565</u>	<u>220</u>	<u>1,981</u>	<u>494</u>
Underprovision of Malaysian income tax in prior year	-	-	-	3
	<u>565</u>	<u>220</u>	<u>1,981</u>	<u>497</u>
Deferred tax	(577)	1,097	(274)	801
Overprovision of deferred tax in prior year	-	-	-	(302)
	<u>(577)</u>	<u>1,097</u>	<u>(274)</u>	<u>499</u>
Total income tax expense	<u>(12)</u>	<u>1,317</u>	<u>1,707</u>	<u>996</u>

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 30 June 2010 has reflected these changes.

The effective tax rate for the period ended 30 June 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 30 June 2010.

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial period ended 30 June 2010 and no investment in quoted securities as at 30 June 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 30 June 2010 are as follows:

	As At 30 June 2010 RM'000	As At 31 December 2009 RM'000
Short term		
Secured	18,348	22,396
Unsecured	9,079	22,583
	<u>27,427</u>	<u>44,979</u>
Long term		
Secured	14,685	23,437
	<u>42,112</u>	<u>68,416</u>

Borrowings denominated in foreign currency:

	As At 30 June 2010		As At 31 December 2009	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 2,849	9,314	USD 3,346	11,466
Secured	THB 384	38	-	-
Unsecured	USD 2,285	7,465	USD 2,988	10,234
Unsecured	-	-	HKD 3,000	1,325
Unsecured	-	-	THB 41,466	4,223
Long term				
Secured	USD 2,332	7,625	USD 3,682	12,620
Secured	THB 1,219	122	-	-

25. Derivative Financial Instruments

As at 30 June 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:

	Contract Value RM'000	Fair Value RM'000	Assets/ (Liabilities) RM'000
Forward Foreign Currency Contracts			
Less than 1 year:			
Used to hedge trade receivables	78,901	78,009	892
Used to hedge trade payables	13,580	13,574	(6)
Total			<u>886</u>

The fair value changes of derivative financial assets/ liabilities had resulted in a loss of RM98,135 for the current quarter and a gain of RM881,145 for the 6 months period ended 30 June 2010.

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.

25. Derivative Financial Instruments (cont'd)

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.

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 17 August 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

(a) An interim tax exempt dividend of 6% (6 sen per share) in respect of the financial year ending 31 December 2010 (2009: 3 sen per share tax exempt) has been declared on 24 August 2010 and to be paid on 22 October 2010 to depositors registered in the Records of Depositors at the close of business on 30 September 2010.

(b) The total dividend per share to date for the current financial year is 6 sen tax exempt.

29. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit 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 30		6 months period ended 30	
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	12,626	11,450	30,791	11,366
Weighted average number of ordinary shares in issue ('000)	120,357	119,097	120,357	119,097
Basic earnings per share (sen)	10.4	9.6	25.6	9.5

29. Earnings Per Share (cont'd)

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit 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 30 June		6 months period ended 30 June	
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	12,626	11,450	30,791	11,366
Weighted average number of ordinary shares in issue ('000)	120,357	119,097	120,357	119,097
Effects of dilution:				
Share options	1,450	-	1,450	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	121,807	119,097	121,807	119,097
Diluted earnings per share (sen)	10.3	9.6	25.3	9.5

30. Authorisation for Issue

On 24 August 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
24 August 2010