ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 September 2010

234669 M

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

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ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS
Unaudited

	Note	3 months period ended 30 September		9 months period ended 30 September	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Revenue		132,594	125,079	420,722	331,779
Cost of sales		(116,720)	(97,685)	(354,719)	(277,170)
Gross profit		15,874	27,394	66,003	54,609
Other income		1,569	1,600	5,317	8,038
Administrative expenses		(5,493)	(8,883)	(20,364)	(20,899)
Selling and marketing expenses		(1,818)	(2,858)	(6,099)	(8,704)
Other expenses		(2,019)	(3,155)	(3,584)	(2,829)
Operating profit		8,113	14,098	41,273	30,215
Finance costs		753	(489)	477	(3,844)
Share of (loss)/profit of associates		(66)	7	(54)	14
Profit before tax		8,800	13,616	41,696	26,385
Income tax expense	20	(314)	(2,435)	(2,021)	(3,431)
Profit for the period		8,486	11,181	39,675	22,954
Profit attributable to:					
Owners of the parent		8,204	11,037	38,995	22,403
Minority interests		282	144	680	551
		8,486	11,181	39,675	22,954
Earnings per share attributable to owners of the parent:					
Basic, for profit for the period (sen)	29	6.7	9.3	32.3	18.8
Diluted, for profit for the period (sen)	29	6.7	9.3	32.0	18.8
The cost of sales, administrative expenses and other expenses were arrived at after:-					
(a) depreciation		(7,039)	(10,195)	(23,929)	(31,706)
(b) amortisation		(30)	(25)	(89)	(75)
Included in the other expenses was:					
(a) net foreign exchange loss		(1,700)	(990)	(1,807)	(548)
Included in the finance costs were:					
(a) interest expense		(360)	(774)	(1,181)	(2,880)
(b) net foreign exchange gain/(loss) arising from financing activities		1,289	450	2,302	(398)

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.
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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	3 months period ended 30 September		9 months period ended 30 September	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit for the period	8,486	11,181	39,675	22,954
Foreign currency translation, representing other comprehensive income	(631)	(459)	(5,503)	1,328
Total comprehensive income for the period	7,855	10,722	34,172	24,282
Total comprehensive income attributable to:				
Owners of the parent	7,651	10,604	33,644	23,699
Minority interests	204	118	528	583
	7,855	10,722	34,172	24,282

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 30 September 2010 RM'000	As At 31 December 2009 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		117,874	120,773
Prepaid land lease payments		4,316	4,388
Intangible assets		28,102	27,067
Interest in associates		3,038	2,636
Other investments		14	15
Retirement benefits plan assets		290	254
Deferred tax assets		2,504	1,878
		156,138	157,011
Current Assets			
Inventories		51,746	43,675
Trade receivables		108,595	114,325
Other receivables		4,398	11,563
Other current assets		8,146	-
Derivative financial assets		1,748	-
Tax recoverables		1,389	5,913
Cash and bank balances		80,241	60,057
		256,263	235,533
TOTAL ASSETS		412,401	392,544
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		122,015	119,272
Share premium		2,909	1,042
Treasury shares		(1,450)	(198)
Other reserves		(11,171)	(5,299)
Retained earnings		147,201	122,764
		259,504	237,581
Minority interest		2,034	2,204
Total equity		261,538	239,785
Non-current Liabilities			
Retirement benefits obligations		521	458
Borrowings	24	10,834	23,437
Deferred tax liabilities		1,494	920
		12,849	24,815

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

	Note	As At 30 September 2010 RM'000	As At 31 December 2009 RM'000
Current Liabilities			
Borrowings	24	37,553	44,979
Trade payables		45,474	49,990
Other payables		46,005	32,129
Other current liabilities		7,420	-
Derivative financial liabilities		583	-
Current tax payable		979	846
		138,014	127,944
Total liabilities		150,863	152,759
TOTAL EQUITY AND LIABILITIES		412,401	392,544
Net assets per share (RM)		2.14	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.

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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 income for the period	-	-	-	(5,351)	38,995	33,644	528	34,172
Transactions with owners:								
Dividends	-	-	-	-	(14,573)	(14,573)	-	(14,573)
Forfeiture of vested ESOS	-	-	-	(15)	15	-	-	-
Issue of ordinary shares pursuant to ESOS	2,743	1,300	-	-	-	4,043	-	4,043
Purchase of treasury shares	-	-	(1,252)	-	-	(1,252)	-	(1,252)
Share options granted under ESOS	-	-	-	61	-	61	-	61
Subsidiary's interim tax exempt dividends	-	-	-	-	-	-	(698)	(698)
Transfer to share premium arising from exercise of ESOS	-	567	-	(567)	-	-	-	-
Total transactions with owners	2,743	1,867	(1,252)	(521)	(14,558)	(11,721)	(698)	(12,419)
At 30 September 2010	122,015	2,909	(1,450)	(11,171)	147,201	259,504	2,034	261,538

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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	RM'000	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	-	-	-	1,296	22,403	23,699	583	24,282
Transactions with owners:								
Dividends	-	-	-	-	(7,143)	(7,143)	-	(7,143)
Forfeiture of vested ESOS	-	-	-	(219)	219	-	-	-
Purchase of additional shares in a subsidiary	-	-	-	-	-	-	(22,790)	(22,790)
Purchase of treasury shares	-	-	(85)	-	-	(85)	-	(85)
Share options granted under ESOS	-	-	-	97	-	97	2	99
Subsidiary's interim tax exempt dividend	-	-	-	-	-	-	(324)	(324)
Total transactions with owners	-	-	(85)	(122)	(6,924)	(7,131)	(23,112)	(30,243)
At 30 September 2009	119,187	1,003	(172)	(5,375)	101,703	216,346	2,018	218,364

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.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	9 months period ended 30 September 2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	41,696	26,385
Adjustments for non-cash items	20,105	33,677
Operating profit before working capital changes	61,801	60,062
(Increase)/decrease in inventories	(8,874)	19,150
Decrease in receivables	5,676	71
Decrease in payables	(5,459)	(2,349)
Decrease/(increase) in long term receivable	139	(2)
Cash generated from operations	53,283	76,932
Tax refunded	4,633	112
Interest paid	(1,144)	(2,917)
Retirement benefits paid	(137)	(108)
Tax paid	(2,127)	(3,092)
Net cash generated from operating activities	54,508	70,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(8,502)	(8,566)
Acquisition of intangible assets	(929)	-
Interest received	450	249
Investment in an associate	(600)	-
Proceeds from disposal of property, plant and equipment	693	616
Purchase of additional shares in a subsidiary	-	(18,154)
Net cash used in investing activities	(8,888)	(25,855)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid by a subsidiary to minority interest	(628)	(1,313)
Dividend paid by the Company	(7,301)	(3,572)
Drawdown of term loans	-	29,715
Net change in bank borrowings	(3,225)	(46,609)
Proceeds from issuance of shares for ESOS exercised	4,043	-
Purchase of treasury shares	(1,252)	(85)
Repayment of lease and hire-purchase payables	(1,097)	(1,267)
Repayment of term loans	(14,191)	(29,431)
Net cash used in financing activities	(23,651)	(52,562)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21,969	(7,490)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(1,523)	1,088
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	59,795	45,011
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	80,241	38,609

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 September	
	2010	2009
	RM'000	RM'000
Cash and bank balances	80,241	38,925
Bank overdrafts	-	(316)
	80,241	38,609

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 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

Effective for financial periods beginning on or after 1 January 2012
- IC Interpretation 15: Agreements for the Construction of Real Estate

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:

9 months period ended 30 September 2010	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	420,603	(75)	-	420,528	-	420,528
Inter-segment sales	(55)	-	1,245	1,190	(1,190)	-
	420,548	(75)	1,245	421,718	(1,190)	420,528
Unallocated revenue						194
Total revenue						420,722
Results						
Segment results	36,861	780	363	38,004	-	38,004
Unallocated income						3,269
Finance costs						477
Share of loss of associates						(54)
Profit before tax						41,696
Income tax expense						(2,021)
Profit for the period						39,675

5. Segmental Information (cont'd)

9 months period ended 30 September 2009	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	330,484	1,295	-	331,779	-	331,779
Inter-segment sales	14,342	-	1,277	15,619	(15,619)	-
	344,826	1,295	1,277	347,398	(15,619)	331,779
Unallocated revenue						-
Total revenue						331,779
Results						
Segment results	26,907	(80)	300	27,127	-	27,127
Unallocated income						3,088
Finance costs						(3,844)
Share of profit of associate						14
Profit before tax						26,385
Income tax expense						(3,431)
Profit for the period						22,954

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 September 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 September 2010 have been reduced by RM2,637,657 and RM5,335,760 respectively.

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 September 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 September 2010, the Company issued 2,743,600 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	635	130	215	-	735	1,028	2,743
Foregone	25	-	-	-	50	-	75
As at 30/09/2010	779	25	160	570	2,873	739	5,146
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 September 2010, the Company had repurchased a total of 641,600 ordinary shares of RM1 each of its issued share capital from the open market for a total consideration of RM1,252,496 at an average cost of RM1.95 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 13 September 2010, the Company subscribed for 600,000 ordinary shares of RM1.00 each representing 40% of the issued and paid-up share capital of Evergrown Coating Sdn Bhd ("ECSB") for a total cash consideration of RM600,000, thus making ECSB an associate company.

13. Commitments

The amount of commitments not provided for in the interim financial statements as at 30 September 2010 is as follows:

	As At 30 September 2010 RM'000
Approved and contracted for:	
Property, plant and equipment	2,272
Intangible assets	1,343
Future minimum rental payments for non-cancellable operating lease agreements	10,063

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 30 September 2010 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM49.0 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 18 October 2010, the Company entered into a Memorandum of Understanding ("MOU") with the existing shareholders of Ceedtec Sdn Bhd ("Ceedtec") to establish a strategic alliance with objectives, terms and conditions as stipulated in the MOU. In the MOU, the Company intends to subscribe for 49% of the equity of Ceedtec.

(b) On 28 October 2010, an application to strike off Engtek Venture (M) Sdn Bhd ("EVSB"), a dormant wholly owned subsidiary of the Company, was submitted to the Companies Commission of Malaysia pursuant to Section 308 of the Companies Act, 1965.

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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 RM132.6 million with a profit before tax of RM8.8 million. In the corresponding quarter last year the revenue and profit before tax were RM125.1 million and 13.6 million respectively.

(b) For the nine months ended 30 September 2010

Group revenue was RM420.7 million with a profit before tax of RM41.7 million. The previous year's corresponding period's revenue and profit before tax were RM331.8 million and RM26.4 million respectively.

Revenue for the reporting quarter was 6% higher than that of last year. However, profit before tax was lower by 35%. The reduced profit margin was mainly attributed to adverse foreign exchange impacts where the USD depreciated against the Ringgit by approximately 11% over the last twelve months. The margin however was cushioned by better delivery quantities and cost efficiency measures taken by management.

For the nine months period, the Group's revenue and profit before tax were 27% and 58% higher in comparison with the corresponding period last year. The Group achieved better profitability for the period as it has better economies of scale with increasing demand. The Group's profitability growth could have been better if not for the weaker USD starting from quarter one this year.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group's revenue was stable at RM132.6 million compared to RM134.6 million in the preceding quarter amidst an over capacity situation in global hard disk drive demand. Profit before tax at RM8.8 million was lower than the RM12.8 million achieved in the preceding quarter mainly due to the foreign exchange impacts and average selling price reductions.

18. Prospects

Overall global hard disk drive demand remains healthy and is growing at a steady pace. The overstocked situation is believed to be reducing and the supply chain should be normalised in the fourth quarter of 2010. This augurs well for all suppliers of hard disk drives as there would be less pricing pressure once this is achieved with steady demand trend.

The industrial products sector of the Group is doing well and should achieve growth for this year.

After this third quarter reporting and barring further major adverse foreign exchange impacts, the Group maintains a growth forecast for the year.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

	3 months period ended 30 September		9 months period ended 30 September	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	30	1,045	1,350	1,136
Foreign income tax	161	209	822	612
	191	1,254	2,172	1,748
(Over)/Underprovision in prior year:				
Malaysian income tax	(109)	(36)	(109)	(33)
Foreign income tax	(51)	2	(51)	2
	(160)	(34)	(160)	(31)
	31	1,220	2,012	1,717
Deferred tax	264	1,353	(10)	2,154
Under/(Over)provision of deferred tax in prior year	19	(138)	19	(440)
	283	1,215	9	1,714
Total income tax expense	314	2,435	2,021	3,431

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 September 2010 has reflected these changes.

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

22. Quoted Securities

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

	As At 30 September 2010 RM'000	As At 31 December 2009 RM'000
Short term		
Secured	30,055	22,396
Unsecured	7,498	22,583
	37,553	44,979
Long term		
Secured	10,834	23,437
	48,387	68,416

Borrowings denominated in foreign currency:

	As At 30 September 2010		As At 31 December 2009	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 7,188	22,169	USD 3,346	11,466
Secured	THB 388	39	-	-
Unsecured	USD 2,110	6,498	USD 2,988	10,234
Unsecured	-	-	HKD 3,000	1,325
Unsecured	-	-	THB 41,466	4,223
Long term				
Secured	USD 1,695	5,227	USD 3,682	12,620
Secured	THB 1,121	113	-	-

25. Derivative Financial Instruments

As at 30 September 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	Assets/ (Liabilities) RM'000
Less than 1 year:			
Used to hedge trade receivables	29,033	27,285	1,748
Used to hedge trade payables	17,590	17,007	(583)
Total			1,165

The fair value changes of derivative financial assets/ liabilities had resulted in a gain of RM283,417 for the current quarter and a gain of RM1,164,562 for the 9 months period ended 30 September 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 16 November 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) was declared by the directors on 24 August 2010 and paid on 22 October 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 September		9 months period ended 30 September	
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	8,204	11,037	38,995	22,403
Weighted average number of ordinary shares in issue ('000)	120,695	119,071	120,695	119,071
Basic earnings per share (sen)	6.7	9.3	32.3	18.8

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 September		9 months period ended 30 September	
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	8,204	11,037	38,995	22,403
Weighted average number of ordinary shares in issue ('000)	120,695	119,071	120,695	119,071
Effects of dilution:				
Share options	1,203	-	1,203	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	121,898	119,071	121,898	119,071
Diluted earnings per share (sen)	6.7	9.3	32.0	18.8

30. Authorisation for Issue

On 23 November 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 November 2010