ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
31 December 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 31 December		Year ended 31 December	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue		136,549	143,110	557,271	474,889
Cost of sales		(117,568)	(110,459)	(472,287)	(387,629)
Gross profit		18,981	32,651	84,984	87,260
Other income		1,654	1,682	6,971	9,720
Administrative expenses		(7,253)	(7,359)	(27,617)	(28,258)
Selling and marketing expenses		(2,598)	(2,640)	(8,697)	(11,344)
Other expenses		(557)	(1,130)	(4,141)	(3,959)
Operating profit		10,227	23,204	51,500	53,419
Finance costs		(705)	(413)	(228)	(4,257)
Share of profit/(loss) of associates		34	7	(20)	21
Profit before tax		9,556	22,798	51,252	49,183
Income tax expense	20	(49)	(1,519)	(2,070)	(4,950)
Profit for the period		9,507	21,279	49,182	44,233
Profit attributable to:					
Owners of the parent		9,313	21,061	48,308	43,464
Minority interests		194	218	874	769
		9,507	21,279	49,182	44,233
Earnings per share attributable to owners of the parent:					
Basic, for profit for the period (sen)	30	7.7	17.7	40.0	36.5
Diluted, for profit for the period (sen)	30	7.6	17.7	39.6	36.5
The cost of sales, administrative expenses and other expenses were arrived at after:-					
(a) depreciation		(7,417)	(10,318)	(31,418)	(42,096)
(b) amortisation		(54)	(1)	(71)	(4)
Included in the other expenses was:					
(a) net foreign exchange gain/(loss)		893	(378)	(914)	(926)
Included in the finance costs were:					
(a) interest expense		(346)	(600)	(1,527)	(3,480)
(b) net foreign exchange (loss)/gain arising from financing activities		(210)	313	2,092	(85)

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 31 December		Year ended 31 December	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit for the period	9,507	21,279	49,182	44,233
Foreign currency translation, representing other comprehensive income	667	37	(4,836)	1,365
Total comprehensive income for the period	10,174	21,316	44,346	45,598
Total comprehensive income attributable to:				
Owners of the parent	9,965	21,130	43,609	44,829
Minority interests	209	186	737	769
	10,174	21,316	44,346	45,598

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 December 2010 RM'000	As At 31 December 2009 RM'000 restated
ASSETS			
Non-current Assets			
Property, plant and equipment		116,817	125,161
Intangible assets		28,637	27,067
Interest in associates		3,070	2,636
Other investments		12	15
Retirement benefits plan assets		260	254
Deferred tax assets		3,303	1,878
		152,099	157,011
Current Assets			
Inventories		45,035	43,675
Trade receivables		107,044	114,325
Other receivables		4,147	11,563
Other current assets		8,326	-
Derivative financial assets		916	-
Tax recoverables		1,601	5,913
Cash and bank balances		89,272	60,057
		256,341	235,533
TOTAL ASSETS		408,440	392,544
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		122,042	119,272
Share premium		2,922	1,042
Treasury shares		(1,533)	(198)
Other reserves		(10,510)	(5,299)
Retained earnings		156,514	122,764
		269,435	237,581
Minority interest		2,074	2,204
Total equity		271,509	239,785
Non-current Liabilities			
Retirement benefits obligations		543	458
Borrowings	24	9,293	23,437
Deferred tax liabilities		1,249	920
		11,085	24,815

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

	Note	As At 31 December 2010 RM'000	As At 31 December 2009 RM'000
Current Liabilities			
Borrowings	24	39,135	44,979
Trade payables		46,121	49,990
Other payables		30,538	32,129
Other current liabilities		9,750	-
Derivative financial liabilities		1	-
Current tax payable		301	846
		125,846	127,944
Total liabilities		136,931	152,759
TOTAL EQUITY AND LIABILITIES		408,440	392,544
Net assets per share (RM)		2.22	2.01
Net assets per share attributable to owners of the parent (RM)		2.21	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	Share Premium	Treasury Shares	Other Reserves	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	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 year	-	-	-	(4,699)	48,308	43,609	737	44,346
Transactions with owners:								
Dividends	-	-	-	-	(14,573)	(14,573)	-	(14,573)
Forfeiture of vested ESOS	-	-	-	(15)	15	-	-	-
Issue of ordinary shares pursuant to ESOS	2,770	1,305	-	-	-	4,075	-	4,075
Purchase of treasury shares	-	-	(1,335)	-	-	(1,335)	-	(1,335)
Share options granted under ESOS	-	-	-	78	-	78	-	78
Subsidiary's interim tax exempt dividends	-	-	-	-	-	-	(867)	(867)
Transfer to share premium arising from exercise of ESOS	-	575	-	(575)	-	-	-	-
Total transactions with owners	2,770	1,880	(1,335)	(512)	(14,558)	(11,755)	(867)	(12,622)
At 31 December 2010	122,042	2,922	(1,533)	(10,510)	156,514	269,435	2,074	271,509

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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	Share Premium	Treasury Shares	Other Reserves	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	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 year	-	-	-	1,365	43,464	44,829	769	45,598
Transactions with owners:								
Dividends	-	-	-	-	(7,143)	(7,143)	-	(7,143)
Forfeiture of vested ESOS	-	-	-	(219)	219	-	-	-
Issue of ordinary shares pursuant to ESOS	85	12	-	-	-	97	-	97
Purchase of additional shares in a subsidiary	-	-	-	-	-	-	(22,790)	(22,790)
Purchase of treasury shares	-	-	(111)	-	-	(111)	-	(111)
Share options granted under ESOS	-	-	-	131	-	131	2	133
Subsidiary's interim tax exempt dividend	-	-	-	-	-	-	(324)	(324)
Transfer to share premium arising from exercise of ESOS	-	27	-	(27)	-	-	-	-
Total transactions with owners	85	39	(111)	(115)	(6,924)	(7,026)	(23,112)	(30,138)
At 31 December 2009	119,272	1,042	(198)	(5,299)	122,764	237,581	2,204	239,785

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

	Year ended 31 December 2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	51,252	49,183
Adjustments for non-cash items	28,030	44,953
Operating profit before working capital changes	79,282	94,136
(Increase)/decrease in inventories	(2,288)	15,822
Decrease/(increase) in receivables	9,242	(8,248)
(Decrease)/increase in payables	(5,950)	5,367
Decrease/(increase) in long term receivable	141	(40)
Cash generated from operations	80,427	107,037
Tax refunded	5,083	111
Interest paid	(1,492)	(3,514)
Retirement benefits paid	(137)	(108)
Tax paid	(3,656)	(3,986)
Net cash generated from operating activities	80,225	99,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(18,005)	(10,183)
Acquisition of intangible assets	(1,737)	-
Interest received	719	321
Investment in an associate	(600)	-
Proceeds from disposal of investment	-	4
Proceeds from disposal of property, plant and equipment	829	850
Purchase of additional shares in a subsidiary	-	(18,154)
Net cash used in investing activities	(18,794)	(27,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid by a subsidiary to minority interest	(622)	(1,298)
Dividends paid by the Company	(14,573)	(7,143)
Drawdown of term loans	3,344	39,290
Net change in bank borrowings	(2,366)	(37,840)
Proceeds from issuance of shares for ESOS exercised	4,075	97
Purchase of treasury shares	(1,335)	(111)
Repayment of lease and hire-purchase payables	(1,458)	(1,650)
Repayment of term loans	(17,875)	(48,308)
Net cash used in financing activities	(30,810)	(56,963)
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,621	15,415
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(1,144)	(631)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	59,795	45,011
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	89,272	59,795

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 December	
	2010 RM'000	2009 RM'000
Cash and bank balances	89,272	60,057
Bank overdrafts	-	(262)
	89,272	59,795

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.

(d) Amendment to FRS 117: Leases

The amendment clarifies the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of this amendment will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. The reclassification of leasehold land from prepaid land lease payments to property, plant and equipment has been accounted for retrospectively and certain comparatives have been restated as disclosed in Note 3.

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
- Amendments to FRSs 'Improvements to FRSs (2010)'

2. Changes in Accounting Policies (cont'd)

Effective for financial periods beginning on or after 1 July 2011
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

Effective for financial periods beginning on or after 1 January 2012
- IC Interpretation 15: Agreements for the Construction of Real Estate
- FRS 124 : Related Party Disclosures

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 following comparative amounts have been restated due to the adoption of revised FRS:

	Previously stated RM'000	Increase/ (Decrease) FRS 117 (Note 2(d)) RM'000	Restated RM'000
As at 31 December 2009:			
Property, plant and equipment	120,773	4,388	125,161
Prepaid land lease payments	4,388	(4,388)	-
3 months ended 31 December 2009:			
Depreciation	10,294	24	10,318
Amortisation of prepaid land lease payments	24	(24)	-
Year ended 31 December 2009:			
Depreciation	42,000	96	42,096
Amortisation of prepaid land lease payments	96	(96)	-

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:

Year ended 31 December 2010	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	556,978	(75)	-	556,903	-	556,903
Inter-segment sales	(55)	-	1,661	1,606	(1,606)	-
	556,923	(75)	1,661	558,509	(1,606)	556,903
Unallocated revenue						368
Total revenue						557,271
Results						
Segment results	45,603	743	508	46,854	-	46,854
Unallocated income						4,646
Finance costs						(228)
Share of loss of associates						(20)
Profit before tax						51,252
Income tax expense						(2,070)
Profit for the year						49,182

5. Segmental Information (cont'd)

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

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

6. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year ended 31 December 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 year ended 31 December 2010 have been reduced by RM2,650,263 and RM7,986,023 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 year ended 31 December 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
In respect of the financial year ended 31 December 2010:	
Interim tax exempt dividend of 6%, paid on 22 October 2010	7,272
	14,573

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 year ended 31 December 2010, the Company issued 2,770,800 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	220	-	735	1,051	2,771
Foregone	25	-	-	-	50	-	75
As at 31/12/2010	779	25	155	570	2,873	716	5,118
Option price per Ordinary Share (RM)	1.62	1.40	1.48	2.90	1.84	1.13	

11. Debt and Equity Securities (cont'd)

(b) Shares held as Treasury Shares

During the financial year ended 31 December 2010, the Company had repurchased a total of 686,500 ordinary shares of RM1 each of its issued share capital from the open market for a total consideration of RM1,335,631 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 31 December 2010 is as follows:

	As At 31 December 2010 RM'000
Approved and contracted for:	
Property, plant and equipment	7,182
Intangible assets	1,200
Future minimum rental payments for non-cancellable operating lease agreements	9,069

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 31 December 2010 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM46.7 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 17 January 2011, the Company entered into a Supplemental Memorandum of Understanding ("Supplemental MOU") with the shareholders of Ceedtec Sdn Bhd to amend certain terms and conditions as stipulated in the MOU entered into on 18 October 2010 and extend the MOU for a further three (3) months from the date of the Supplemental MOU.

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

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

16. Performance Review

a) For the reporting quarter

Group revenue for the reporting quarter was RM136.5 million with a profit before tax of RM9.6 million. In the corresponding quarter last year, the revenue was RM143.1 million whilst the profit before tax was RM22.8 million. Revenue for the reporting quarter was lower compared to corresponding quarter by 5% whilst the profit before tax dropped by 58%.

Business during the reporting period was difficult with adverse foreign exchange rates impacts and product price erosions. The consequence was a significant drop in margin achieved.

b) For the year ended 31 December 2010

Group revenue was RM557.3 million for FY2010 with a profit before tax of RM51.3 million. The FY2010 revenue and profit before tax are the highest ever achieved by the Group. Revenue for FY2009 was RM474.9 million, whilst the profit before tax was RM49.2 million. Revenue for the year rose 17% versus previous year whilst the profit before tax was higher by 4%.

The performance for FY2010 was better compared to FY2009 as demand for the Group's products improved. This was reflected in the increase in the revenue of 17%. Profit before tax for FY2010 was better by 4% compared to FY2009. Global HDD demand in FY2010 was better compared to FY2009.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue and profit before tax of RM136.5 million and RM9.6 million were an improvement over the preceding quarter's revenue and profit before tax of RM132.6 million and RM8.8 million. Global hard disk drive demand improved slightly in terms of shipment quantities. However, USD continued to decline versus MYR. Nevertheless the Group managed to register an improvement in the margin with successful cost reductions.

18. Prospects

The Group looks to further growth in FY2011. Efforts in increasing market shares in all the Group's business sectors i.e. HDD, IPG and new markets will ensure continuous top line growth for the Group in FY2011 and beyond. Plans and strategies in R&D and mechanization programs to reduce cost of operations will continuously be developed and installed in stages. These will mitigate expected adverse foreign exchange impacts while improving productivity and profitability.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

	3 months period ended 31 December		Year ended 31 December	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	419	1,089	1,769	2,225
Foreign income tax	643	127	1,465	739
	1,062	1,216	3,234	2,964
Under/(Over)provision in prior year:				
Malaysian income tax	40	-	(69)	(33)
Foreign income tax	-	-	(51)	2
	40	-	(120)	(31)
	1,102	1,216	3,114	2,933
Deferred tax	(916)	249	(926)	2,403
(Over)/Underprovision of deferred tax in prior year	(137)	54	(118)	(386)
	(1,053)	303	(1,044)	2,017
Total income tax expense	49	1,519	2,070	4,950

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

The effective tax rate for the year ended 31 December 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 year ended 31 December 2010.

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial year ended 31 December 2010 and no investment in quoted securities as at 31 December 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 December 2010 are as follows:

	As At 31 December 2010 RM'000	As At 31 December 2009 RM'000
Short term		
Secured	20,006	22,396
Unsecured	19,129	22,583
	39,135	44,979
Long term		
Secured	9,293	23,437
	48,428	68,416

Borrowings denominated in foreign currency:

	As At 31 December 2010		As At 31 December 2009	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 4,028	12,440	USD 3,346	11,466
Secured	THB 392	40	-	-
Unsecured	USD 6,196	19,129	USD 2,988	10,234
Unsecured	-	-	HKD 3,000	1,325
Unsecured	-	-	THB 41,466	4,223
Long term				
Secured	USD 1,769	5,463	USD 3,682	12,620
Secured	THB 1,021	104	-	-

25. Derivative Financial Instruments

As at 31 December 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 RM'000
Less than 1 year:			
Used to hedge trade receivables	66,414	65,510	904
Used to hedge trade payables	4,510	4,521	11
Total			915

The fair value changes of derivative financial assets/ liabilities had resulted in a loss of RM237,204 for the current quarter and a gain of RM927,358 for the year ended 31 December 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. Disclosure of Realised and Unrealised Profits

	As At 31 December 2010 RM'000	As At 30 September 2010 RM'000
Total retained profits of the Company and its subsidiaries:		
Realised	248,337	238,451
Unrealised	3,565	4,096
	251,902	242,547
Total share of retained profits from associated companies:		
Realised	(29)	(64)
Unrealised	34	35
	251,907	242,518
Less: Consolidation adjustments	(95,393)	(95,317)
Total Group retained profits as per consolidated accounts	156,514	147,201

27. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 16 February 2011, the latest practicable date which is not earlier than 7 days from the date of this quarterly report.

28. Changes in Material Litigation

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

29. Dividend

(a) A 2nd interim tax exempt dividend of 4% (4 sen per share) in respect of the financial year ended 31 December 2010 (2009: final tax exempt dividend of 6 sen per share) has been declared on 22 February 2011 and to be paid on 28 April 2011 to depositors registered in the Records of Depositors at the close of business on 31 March 2011.

(b) The total dividend per share to date for the current financial year is 10 sen tax exempt.

30. 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 31 December		Year ended 31 December	
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	9,313	21,061	48,308	43,464
Weighted average number of ordinary shares in issue ('000)	120,813	119,063	120,813	119,063
Basic earnings per share (sen)	7.7	17.7	40.0	36.5

(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 31 December		Year ended 31 December	
	2010	2009	2010	2009
Profit attributable to owners of the parent (RM'000)	9,313	21,061	48,308	43,464
Weighted average number of ordinary shares in issue ('000)	120,813	119,063	120,813	119,063
Effects of dilution:				
Share options	1,115	-	1,115	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	121,928	119,063	121,928	119,063
Diluted earnings per share (sen)	7.6	17.7	39.6	36.5

31. Authorisation for Issue

On 22 February 2011, 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
22 February 2011