

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 June 2011

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		6 months period ended	
		30 June		30 June	
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Revenue		133,441	134,600	253,740	288,128
Cost of sales		(118,156)	(114,688)	(224,492)	(237,999)
Gross profit		15,285	19,912	29,248	50,129
Other items of income					
Other income		1,535	2,012	2,998	3,748
Other items of expense					
Administrative expenses		(5,501)	(7,250)	(11,568)	(14,871)
Selling and marketing expenses		(2,501)	(1,901)	(5,105)	(4,281)
Other expenses		(1,760)	774	(2,813)	(1,565)
Finance costs		(497)	(726)	(667)	(276)
Share of (loss)/profit of associates		(68)	8	(12)	12
Profit before tax		6,493	12,829	12,081	32,896
Income tax expense	20	(771)	12	(1,463)	(1,707)
Profit net of tax		5,722	12,841	10,618	31,189
Profit attributable to:					
Owners of the parent		5,566	12,626	10,364	30,791
Minority interests		156	215	254	398
		5,722	12,841	10,618	31,189

Earnings per share attributable to owners of the parent:

Basic, for profit for the period (sen)	30	4.5	10.4	8.5	25.6
Diluted, for profit for the period (sen)	30	4.5	10.3	8.5	25.3

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

(a) depreciation	(7,208)	(6,945)	(14,355)	(16,938)
(b) amortisation	(97)	(6)	(194)	(11)

Included in the other expenses was:

(a) net foreign exchange gain/(loss)	154	1,894	(157)	(107)
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Included in the finance costs were:

(a) interest expense	(329)	(380)	(663)	(821)
(b) net foreign exchange (loss)/gain arising from financing activities	(55)	(93)	233	1,013

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	5,722	12,841	10,618	31,189
Other comprehensive income, net of tax:				
Foreign currency translation	(1,031)	(1,207)	(3,855)	(4,872)
Total comprehensive income for the period	<u>4,691</u>	<u>11,634</u>	<u>6,763</u>	<u>26,317</u>
Total comprehensive income attributable to:				
Owners of the parent	4,523	11,384	6,540	25,993
Minority interests	168	250	223	324
	<u>4,691</u>	<u>11,634</u>	<u>6,763</u>	<u>26,317</u>

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 June 2011 RM'000	As At 31 December 2010 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		110,614	116,817
Intangible assets		28,411	28,637
Interest in associates		3,046	3,070
Other investments		12	12
Retirement benefits plan assets		309	260
Deferred tax assets		3,509	3,303
		<u>145,901</u>	<u>152,099</u>
Current Assets			
Inventories		50,767	45,035
Trade receivables		114,938	107,044
Other receivables		4,090	4,147
Other current assets		10,175	8,326
Derivatives		591	916
Tax recoverable		1,976	1,601
Cash and bank balances		80,832	89,272
		<u>263,369</u>	<u>256,341</u>
TOTAL ASSETS		<u>409,270</u>	<u>408,440</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		122,501	122,042
Share premium		3,131	2,922
Treasury shares		(1,533)	(1,533)
Other reserves		(14,463)	(10,510)
Retained earnings		162,015	156,514
		<u>271,651</u>	<u>269,435</u>
Minority interest		<u>2,187</u>	<u>2,074</u>
Total equity		<u>273,838</u>	<u>271,509</u>
Non-current Liabilities			
Retirement benefits obligations		575	543
Loans and borrowings	24	7,244	9,293
Deferred tax liabilities		1,373	1,249
		<u>9,192</u>	<u>11,085</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

Unaudited

	Note	As At 30 June 2011 RM'000	As At 31 December 2010 RM'000
Current Liabilities			
Loans and borrowings	24	48,983	39,135
Trade payables		47,611	46,121
Other payables		25,418	30,538
Other current liabilities		3,551	9,750
Derivatives		36	1
Income tax payable		641	301
		<u>126,240</u>	<u>125,846</u>
Total liabilities		<u>135,432</u>	<u>136,931</u>
TOTAL EQUITY AND LIABILITIES		<u>409,270</u>	<u>408,440</u>
Net assets per share (RM)		2.24	2.22
Net assets per share attributable to owners of the parent (RM)		2.22	2.21

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

	← Attributable to owners of the parent →					Minority Interest	Total Equity	
	Share Capital	Non-distributable Share Premium	Treasury Shares	Other Reserves	Distributable Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2011	122,042	2,922	(1,533)	(10,510)	156,514	269,435	2,074	271,509
Total comprehensive income	-	-	-	(3,824)	10,364	6,540	223	6,763
Transactions with owners								
Interim tax exempt dividend	-	-	-	-	(4,863)	(4,863)	-	(4,863)
Issue of ordinary shares pursuant to ESOS	459	71	-	-	-	530	-	530
Share options granted under ESOS	-	-	-	9	-	9	-	9
Subsidiary's interim tax exempt dividend	-	-	-	-	-	-	(110)	(110)
Transfer to share premium, arising from exercise of ESOS	-	138	-	(138)	-	-	-	-
Total transactions with owners	459	209	-	(129)	(4,863)	(4,324)	(110)	(4,434)
At 30 June 2011	122,501	3,131	(1,533)	(14,463)	162,015	271,651	2,187	273,838

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to the owners of the parent →					Minority Interest	Total Equity	
	← Non-distributable →		Treasury Shares	Other Reserves	Distributable Retained Earnings			
	Share Capital	Share Premium						
	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	-	-	-	(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)	(3,386)	(355)	(3,741)
At 30 June 2010	121,942	2,876	(285)	(10,614)	146,269	260,188	2,173	262,361

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	6 months period ended 30 June	
	2011	2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,081	32,896
Adjustments for non-cash items	15,946	14,520
Operating profit before working capital changes	28,027	47,416
Increase in inventories	(6,189)	(11,303)
(Increase)/decrease in receivables	(8,100)	6,465
(Decrease)/increase in payables	(5,005)	3,567
Decrease in long term receivable	23	136
Cash generated from operations	8,756	46,281
Tax refunded	166	4,582
Interest paid	(657)	(789)
Retirement benefits paid	(128)	-
Tax paid	(1,749)	(1,359)
Net cash generated from operating activities	6,388	48,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(16,291)	(6,196)
Acquisition of intangible assets	(85)	(49)
Interest received	518	245
Investment in an associate	(11)	-
Proceeds from disposal of property, plant and equipment	100	245
Net cash used in investing activities	(15,769)	(5,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid by a subsidiary to minority interest	(243)	(319)
Dividend paid by the Company	(4,863)	(7,301)
Drawdown of loans	7,441	-
Net change in bank borrowings	7,643	(14,830)
Proceeds from issuance of shares for ESOS exercised	530	3,958
Purchase of treasury shares	-	(87)
Repayment of obligations under finance lease	(526)	(799)
Repayment of term loans	(9,513)	(9,804)
Net cash generated from/(used in) financing activities	469	(29,182)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(8,912)	13,778
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		
	(1,879)	(1,749)
CASH AND CASH EQUIVALENTS AS AT		
1 JANUARY	89,272	59,795
CASH AND CASH EQUIVALENTS AS AT		
30 JUNE	78,481	71,824

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	
	2011 RM'000	2010 RM'000
Cash and bank balances	80,832	71,824
Bank overdrafts	(2,351)	-
	<u>78,481</u>	<u>71,824</u>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2010. 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 2010.

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 2010, 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 2011.

FRSs, Amendments to FRSs and Interpretations

- Amendments to FRS 132 Classification of Rights Issues
- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 3 Business Combinations (Revised)
- Amendments to FRS 2 Share-based Payment
- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127 Consolidated and Separate Financial Statements
- 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
- 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 and Interpretation ‘Improvements to FRSs (2010)’

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.

2. Changes in Accounting Policies (cont'd)

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 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 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 2010 was not qualified.

5. Segmental Information

Analysis by business segments:

6 months period ended 30 June 2011	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	253,366	-	-	253,366	-	253,366
Inter-segment sales	76,038	-	819	76,857	(76,857)	-
	329,404	-	819	330,223	(76,857)	253,366
Unallocated revenue						374
Total revenue						<u>253,740</u>
Results						
Segment results	10,927	(56)	327	11,198	-	11,198
Interest income						517
Unallocated income						1,045
Finance costs						(667)
Share of loss of associates						(12)
Profit before tax						<u>12,081</u>
Income tax expense						(1,463)
Profit for the period						<u>10,618</u>

5. Segmental Information (cont'd)

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						288,128
Results						
Segment results	29,145	456	240	29,841	-	29,841
Interest income						272
Unallocated income						3,047
Finance costs						(276)
Share of profit of associate						12
Profit before tax						32,896
Income tax expense						(1,707)
Profit for the period						31,189

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 2011.

7. Changes in Estimates

There were no 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 2011 was as follows:

	RM'000
In respect of the financial year ended 31 December 2010 as reported in the directors' report of that year:	
Second interim tax exempt dividend of 4%, paid on 28 April 2011	4,863

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 2010.

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 2011, the Company issued 458,800 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 1/1/2011	779	25	155	570	2,873	716	5,118
Granted	-	-	-	-	-	-	-
Exercised	11	-	18	-	-	430	459
Foregone	-	-	-	-	-	-	-
As at 30/06/2011	768	25	137	570	2,873	286	4,659
Option price per Ordinary Share (RM)	1.62	1.40	1.48	2.90	1.84	1.13	

(b) Shares held as Treasury Shares

During the financial period ended 30 June 2011, there were no repurchase of issued share capital from the open market.

12. Changes in Composition of the Group

There were no changes in the composition of the Group except for the following:

- (a) On 21 June 2011, Eng Teknologi Holdings Bhd had incorporated a foreign subsidiary, namely Engtek Dongguan Electronics Limited (“ETDG”), a company incorporated in the People’s Republic of China. ETDG is a wholly owned subsidiary of Engtek International Limited, which in turn is a 90% owned subsidiary of ETHB.

13. Commitments

The amount of commitments not provided for in the interim financial statements as at 30 June 2011 is as follows:

	As At 30 June 2011 RM’000
Approved and contracted for:	
Property, plant and equipment	6,419
Intangible assets	750
Future minimum rental payments for non-cancellable operating lease agreements	7,342

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 30 June 2011 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM53.7million (31 December 2010: RM46.7million).

15. Subsequent Events

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

- (a) Striking-off of Engtek Venture (M) Sdn Bhd

On 19 July 2011, the Board of Directors of ETHB announced that Engtek Venture (M) Sdn Bhd, a wholly owned dormant subsidiary company of the Company has been struck off from the Register of Companies Commission of Malaysia pursuant to Section 308(4) of the Companies Act, 1965.

- (b) Disposal of The Entire Business and Undertakings of the Company to TYK Capital Sdn Bhd

On 18 July 2011, the Company announced that it has been notified by certain major shareholders of the Company that they were in discussion in relation to a corporate scheme which may lead to the privatisation of the Company.

On 22 July 2011, the Company announced the receipt of a letter dated 22 July 2011 from TYK Capital Sdn Bhd (“TYK Capital”) by the Board of Directors (“Board”) (“Letter of Offer”) detailing TYK Capital’s offer to acquire the entire business and undertakings (including all the assets and liabilities) of ETHB (“ETHB Business”) (“Offer”) upon the terms and conditions contained in Letter of Offer.

On 4 August 2011, HwangDBS Investment Bank Berhad announced on behalf of the Board that the non-interested Directors (save for the Executive Directors), after careful deliberation and considering, inter-alia, the advice of the Independent Adviser, Kenanga Investment Bank Berhad, have resolved to accept the Offer from TYK Capital, subject to the execution of the Sale of Business Agreement.

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**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 second quarter FY2011 were RM133.4 million and RM6.5 million respectively. In the corresponding quarter in the previous year, the Group revenue and profit before tax were RM134.6 million and RM12.8 million respectively. In comparison, there is little change in revenue. However, the profit before tax was down by 49%.

The Group revenue and profit before tax for the six months period to date were RM253.7 million and RM12.1 million respectively. In the corresponding period last year, the Group revenue and profit before tax were RM288.1 million and RM32.9 million respectively.

The Group revenue for the reporting quarter and period, in comparison to the corresponding periods last year were significantly impacted by the depreciation of USD, price erosion of hard disk drive products and lower industrial products revenue.

17. Material Change in Profit Before Tax Against Preceding Quarter

Comparing against the immediate preceding reporting quarter, the Group revenue rose 11%. The profit before tax was up by 16%. This was the effect of slightly better economies of scale achieved in this reporting quarter although selling price pressure continued to affect the margins.

18. Prospects

Overall the Group remains positive in the hard disk drive industry and expects further improvements in the long term. In the short term however, growth trend is subject to industry consolidation process amongst the major customers that has taken longer than expected. Global economic uncertainties may also have an impact on the demand for the Group's products. Meanwhile, management treads carefully on investments and cost decisions to remain lean and competitive.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

	3 months period ended		6 months period ended	
	30 June		30 June	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	318	290	758	1,320
Foreign income tax	545	275	787	661
	<u>863</u>	<u>565</u>	<u>1,545</u>	<u>1,981</u>
Deferred tax	(92)	(577)	(82)	(274)
Total income tax expense	<u>771</u>	<u>(12)</u>	<u>1,463</u>	<u>1,707</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the period. The computation of deferred tax as at 30 June 2011 has reflected these changes.

The effective tax rate for the period ended 30 June 2011 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 2011.

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial period ended 30 June 2011 and no investment in quoted securities as at 30 June 2011.

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 2011 are as follows:

	As At 30 June 2011 RM'000	As At 31 December 2010 RM'000
Short term		
Secured	21,403	20,006
Unsecured	27,580	19,129
	<u>48,983</u>	<u>39,135</u>
Long term		
Secured	7,244	9,293
	<u>56,227</u>	<u>48,428</u>

Borrowings denominated in foreign currency:

	As At 30 June 2011		As At 31 December 2010	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 3,969	12,003	USD 4,028	12,440
Secured	THB 432	42	THB 392	40
Unsecured	USD 7,216	21,814	USD 6,196	19,129
Unsecured	HKD 6,212	2,413	-	-
Unsecured	THB 18,000	1,753	-	-
Long term				
Secured	USD 2,308	6,978	USD 1,769	5,463
Secured	THB 788	77	THB 1,021	104

25. Derivative Financial Instruments

As at 30 June 2011, 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 RM'000
Forward Foreign Currency Contracts			
Less than 1 year:			
Used to hedge trade receivables	129,918	129,599	319
Used to hedge trade payables	15,273	15,509	236
Total			<u>555</u>

The fair value changes of derivative financial assets/ liabilities had resulted in a loss of RM578,964 for the current quarter and a loss of RM357,001 for the 6 months period ended 30 June 2011.

Derivative financial instruments are 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 30 June 2011 RM'000	As At 31 December 2010 RM'000
Total retained profits of the Company and its subsidiaries:		
Realised	254,118	248,337
Unrealised	4,309	3,565
	<u>258,427</u>	<u>251,902</u>
Total share of retained profits from associated companies:		
Realised	(40)	(29)
Unrealised	33	34
	<u>258,420</u>	<u>251,907</u>
Less: Consolidation adjustments	(96,405)	(95,393)
Total Group retained profits as per consolidated accounts	<u>162,015</u>	<u>156,514</u>

27. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 15 August 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

The directors do not recommend any interim dividend for the financial period ended 30 June 2011.

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 30		6 months period ended 30	
	June		June	
	2011	2010	2011	2010
Profit attributable to owners of the parent (RM'000)	5,566	12,626	10,364	30,791
Weighted average number of ordinary shares in issue ('000)	121,455	120,357	121,455	120,357
Basic earnings per share (sen)	4.5	10.4	8.5	25.6

(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		6 months period ended 30	
	June		June	
	2011	2010	2011	2010
Profit attributable to owners of the parent (RM'000)	5,566	12,626	10,364	30,791
Weighted average number of ordinary shares in issue ('000)	121,455	120,357	121,455	120,357
Effects of dilution:				
Share options	219	1,450	219	1,450
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	121,674	121,807	121,674	121,807
Diluted earnings per share (sen)	4.5	10.3	8.5	25.3

31. Authorisation for Issue

On 22 August 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 August 2011