ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 September 2011

234669 M

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONTENTS

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS
Unaudited

	Note	3 months period ended 30 September		9 months period ended 30 September	
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Revenue		137,734	132,594	391,474	420,722
Cost of sales		(123,074)	(116,720)	(347,566)	(354,719)
Gross profit		14,660	15,874	43,908	66,003
Other items of income					
Other income		1,363	1,569	4,361	5,317
Other items of expense					
Administrative expenses		(5,539)	(5,493)	(17,107)	(20,364)
Selling and marketing expenses		(2,971)	(1,818)	(8,076)	(6,099)
Other expenses		(4,566)	(2,019)	(7,379)	(3,584)
Finance costs		(2,318)	753	(2,985)	477
Share of profit/(loss) of associates		44	(66)	32	(54)
Profit before tax		673	8,800	12,754	41,696
Income tax expense	20	(201)	(314)	(1,664)	(2,021)
Profit net of tax		472	8,486	11,090	39,675
Profit attributable to:					
Owners of the parent		512	8,204	10,876	38,995
Non-controlling interest		(40)	282	214	680
		472	8,486	11,090	39,675
Earnings per share attributable to owners of the parent:					
Basic, for profit for the period (sen)	30	0.4	6.7	8.9	32.3
Diluted, for profit for the period (sen)	30	0.4	6.7	8.9	32.0
The cost of sales, administrative expenses and other expenses were arrived at after:-					
(a) depreciation		(6,932)	(7,063)	(21,287)	(24,001)
(b) amortisation		(78)	(6)	(272)	(17)
Included in the other expenses were:					
(a) net foreign exchange gain/(loss)		2,517	(1,700)	2,360	(1,807)
(b) net fair value (loss)/gain on derivatives		(6,432)	283	(6,789)	1,165
Included in the finance costs were:					
(a) interest expense		(368)	(360)	(1,031)	(1,181)
(b) net foreign exchange (loss)/gain arising from financing activities		(1,831)	1,289	(1,598)	2,302

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.
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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	3 months period ended 30 September		9 months period ended 30 September	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit net of tax	472	8,486	11,090	39,675
Other comprehensive income, net of tax:				
Foreign currency translation	6,982	(631)	3,127	(5,503)
Total comprehensive income for the period	7,454	7,855	14,217	34,172
Total comprehensive income attributable to:				
Owners of the parent	7,386	7,651	13,926	33,644
Non-controlling interest	68	204	291	528
	7,454	7,855	14,217	34,172

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 September 2011 RM'000	As At 31 December 2010 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		113,311	116,817
Intangible assets		28,495	28,637
Interest in associates		3,209	3,070
Other investments		13	12
Retirement benefits plan assets		284	260
Deferred tax assets		3,298	3,303
		148,610	152,099
Current Assets			
Inventories		48,723	45,035
Trade receivables		129,452	107,044
Other receivables		4,469	4,147
Other current assets		11,373	8,326
Derivatives		-	916
Tax recoverable		3,053	1,601
Cash and bank balances		87,016	89,272
		284,086	256,341
TOTAL ASSETS		432,696	408,440
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		122,590	122,042
Share premium		3,201	2,922
Treasury shares		(1,533)	(1,533)
Other reserves		(7,620)	(10,510)
Retained earnings		162,527	156,514
		279,165	269,435
Non-controlling interest		2,255	2,074
Total equity		281,420	271,509
Non-current Liabilities			
Retirement benefits obligations		625	543
Loans and borrowings	24	7,592	9,293
Deferred tax liabilities		1,184	1,249
		9,401	11,085

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

	Note	As At 30 September 2011 RM'000	As At 31 December 2010 RM'000
Current Liabilities			
Loans and borrowings	24	51,398	39,135
Trade payables		54,328	46,121
Other payables		26,319	30,538
Other current liabilities		3,349	9,750
Derivatives		5,868	1
Income tax payable		613	301
		141,875	125,846
Total liabilities		151,276	136,931
TOTAL EQUITY AND LIABILITIES		432,696	408,440
Net assets per share (RM)		2.30	2.22
Net assets per share attributable to owners of the parent (RM)		2.28	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.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

	Attributable to owners of the parent						Non-controlling Interest	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 2011	122,042	2,922	(1,533)	(10,510)	156,514	269,435	2,074	271,509
Total comprehensive income	-	-	-	3,050	10,876	13,926	291	14,217
Transactions with owners								
Interim tax exempt dividend	-	-	-	-	(4,863)	(4,863)	-	(4,863)
Issue of ordinary shares pursuant to ESOS	548	110	-	-	-	658	-	658
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	-	169	-	(169)	-	-	-	-
Total transactions with owners	548	279	-	(160)	(4,863)	(4,196)	(110)	(4,306)
At 30 September 2011	122,590	3,201	(1,533)	(7,620)	162,527	279,165	2,255	281,420

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the parent						Non-controlling Interest	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	-	-	-	(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

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.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	9 months period ended 30 September	
	2011	2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,754	41,696
Adjustments for non-cash items	28,978	20,105
Operating profit before working capital changes	41,732	61,801
Increase in inventories	(4,221)	(8,874)
(Increase)/decrease in receivables	(23,534)	5,676
Increase/(decrease) in payables	4,230	(5,459)
(Increase)/decrease in long term receivable	(92)	139
Cash generated from operations	18,115	53,283
Tax refunded	165	4,633
Interest paid	(1,023)	(1,144)
Retirement benefits paid	(128)	(137)
Tax paid	(3,053)	(2,127)
Net cash generated from operating activities	14,076	54,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(25,761)	(8,502)
Acquisition of intangible assets	(100)	(929)
Interest received	795	450
Investment in an associate	(11)	(600)
Proceeds from disposal of property, plant and equipment	805	693
Net cash used in investing activities	(24,272)	(8,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid by a subsidiary to non-controlling interest	(243)	(628)
Dividend paid by the Company	(4,863)	(7,301)
Drawdown of loans	10,129	-
Net change in bank borrowings	11,120	(3,225)
Proceeds from issuance of shares for ESOS exercised	658	4,043
Purchase of treasury shares	-	(1,252)
Repayment of obligations under finance lease	(604)	(1,097)
Repayment of term loans	(14,970)	(14,191)
Net cash generated from/(used in) financing activities	1,227	(23,651)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,969)	21,969
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	4,471	(1,523)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	89,272	59,795
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	84,774	80,241

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	
	2011	2010
	RM'000	RM'000
Cash and bank balances	87,016	80,241
Bank overdrafts	(2,242)	-
	84,774	80,241

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.

The Malaysian Accounting Standards Board (MASB) has on 19 November 2011 issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on 1 January 2012. It also comprises new/revised Standards recently issued by the IASB that will be effective after 1 January 2012 such as Standards on financial instruments, consolidation, joint arrangements, fair value measurement and employee benefits, amongst others. The Group is in the process of making an assessment of the impact of this new framework.

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:

9 months period ended 30 September 2011	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	390,845	-	-	390,845	-	390,845
Inter-segment sales	116,717	-	1,231	117,948	(117,948)	-
	507,562	-	1,231	508,793	(117,948)	390,845
Unallocated revenue						629
Total revenue						391,474
Results						
Segment results	13,672	(80)	493	14,085	-	14,085
Interest income						822
Unallocated income						800
Finance costs						(2,985)
Share of profit of associates						32
Profit before tax						12,754
Income tax expense						(1,664)
Profit for the period						11,090

5. Segmental Information (cont'd)

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
Interest income						481
Unallocated income						2,788
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

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 2011 except as disclosed in Note 25.

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 September 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 September 2011, the Company issued 547,800 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 1/1/2011	779	25	155	570	2,873	716	5,118
Granted	-	-	-	-	-	-	-
Exercised	11	-	18	-	39	480	548
Foregone	-	-	-	-	-	-	-
As at 30/09/2011	768	25	137	570	2,834	236	4,570
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 September 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.

(b) 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.

13. Commitments

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

	As At 30 September 2011 RM'000
Approved and contracted for:	
Property, plant and equipment	6,310
Intangible assets	632
Future minimum rental payments for non-cancellable operating lease agreements	6,701

14. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 30 September 2011 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM56.7million (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) Flood incident at the premises of subsidiaries of the Company in Thailand

On 11 October 2011, 13 October 2011 and 18 October 2011, the Board of Directors of ETHB announced the status of its wholly-owned subsidiaries, Engtek (Thailand) Co., Ltd. ("ETCL") and Altum Precision Co., Ltd. ("APT"), both located at Ayutthaya, Thailand, which had temporarily shut down their operations due to severe flood condition in Ayutthaya, Thailand.

For the financial year ended 31 December 2010, the Thai operations contributed approximately 40% to the ETHB Group's revenue. Thus the floods will have a negative impact on the ETHB Group's revenue for the financial year ended 31 December 2011. In addition, ETHB's subsidiaries in China and Philippines have also experienced disruption to their production as a certain proportion of their output was meant for their major customers in Thailand situated in the flood affected areas. The hard disk drive industry in Thailand is facing major disruptions as a result of the floods. In the meantime, certain of ETHB Group's production have been redirected to other plants to maintain supply to unaffected customers.

The above will negatively impact ETHB Group's overall performance in 4Q 2011. The management views the loss to be significant since Thailand's plants house half of ETHB Group's machining capacity. However the management is unable to determine the extent of this loss at this point and whether the Group would be profitable for the entire financial year 2011. This will depend largely on the overall damage incurred and subsequent degree of success of insurance claims as well as the timing of reimbursements of these claims which could only be ascertained once the floods subside.

15. Subsequent Events (cont'd)

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

On 13 October 2011, HwangDBS Investment Bank Berhad announced that TYK Capital has sought to extend both the Due Diligence Period and Funding Confirmation Period by forty five (45) days which has subsequently been agreed by ETHB.

On 18 November 2011, HwangDBS Investment Bank Berhad announced that TYK Capital has sought to extend both the Due Diligence Period and Funding Confirmation Period by a further one hundred and twenty (120) days with effect from 20 November 2011 which has subsequently been agreed by ETHB.

Both extension of time is to provide TYK Capital's financiers more time to complete the Due Diligence in view of the floods in Ayutthaya, Thailand which has restricted access to the manufacturing facilities of both ETCL and APT, thus hampering the progress of the Due Diligence exercise. The Company and TYK Capital are working together to assess the flood situation, the impact on the financial position and prospects of the ETHB Group and how this may affect the terms and conditions and/or the viability of this corporate exercise.

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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 RM137.7 million with a profit before tax of RM0.7 million. In the corresponding quarter last year the revenue and profit before tax were RM132.6 million and RM8.8 million respectively.

(b) For the nine months ended 30 September 2011

Group revenue for this reporting period was RM391.5 million. Profit before tax was RM12.8 million. The corresponding period previous year's revenue and profit before tax were RM420.7 million and RM41.7 million.

Revenue for the reporting quarter was up by 4% versus corresponding quarter last year. However, profit before tax was down by 92%. The significant reduction of profit before tax was due to the appreciation of Ringgit Malaysia (RM) versus the United States Dollar (USD) and selling price erosion. In addition, during the reporting quarter, the Group recognized a charge of RM6.4 million as a result of fair value changes in derivatives of foreign exchange currency hedge. The loss from the fair value changes was unrealized and resulting from management decision to lock in the RM/USD exchange for the Group's Malaysian operations. Management believes that the loss incurred may be reversed in subsequent periods on the expectation that RM may appreciate against the USD.

For the nine month period, the Group's revenue was down 7% compared to previous corresponding period. Profit before tax for the same comparison was down by 69%. The significant reduction in profitability was mainly due to the same causes cited above.

17. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue at RM137.7 million was up 3% from RM133.4 million in the immediate preceding quarter. The profit before tax for this reporting quarter was RM0.7 million down 89% compared to the preceding quarter of RM6.5 million. This was mainly due to the foreign exchange derivative loss as explained above.

18. Prospects

Hard disk drive global demand was seen to be growing at a healthy pace up to quarter three of FY2011 amidst global economic uncertainties. In October 2011, widespread floods have caused both our plants situated in Ayutthaya to be inundated and operations there have ceased. As operations in Ayutthaya, Thailand constituted significantly to the Group, this interruption would impact the Group's profitability in FY2011 significantly. Flood water has not subsided for clearer assessment of damages. However, it is believed that there would be total loss as the assets and inventories have been covered by water for more than a month. The total book value of property plant and equipment and inventories affected is approximately RM57.0 million before the floods. There is insurance cover for all property, plant and equipment and inventories affected by the floods. However, insurance claims cannot be processed until clearer assessment of damages is performed.

In addition, the Group's Malaysia, China and Philippines operations have also been impacted by the floods in Thailand as their customers are situated in Thailand. The management has decided to use the other available capacities within the Group as an alternative locations to continue to supply customers. The Group's operations would be affected by at least two quarters. This is also subject to the overall supply chain recovering from the floods as well.

Whilst the floods have impacted the hard disk drive industry in the short term, the management believes there is still potential growth in the longer term. All efforts are now focused on recovering as fast as possible to at least maintain market share of the components supply.

19. Profit Forecast or Profit Guarantee

Not applicable.

20. Income Tax Expense

	3 months period ended 30 September 2011 RM'000	3 months period ended 30 September 2010 RM'000	9 months period ended 30 September 2011 RM'000	9 months period ended 30 September 2010 RM'000
Current tax:				
Malaysian income tax	92	30	850	1,350
Foreign income tax	134	161	921	822
	226	191	1,771	2,172
Overprovision in prior year:				
Malaysian income tax	(32)	(109)	(32)	(109)
Foreign income tax	-	(51)	-	(51)
	(32)	(160)	(32)	(160)
	194	31	1,739	2,012
Deferred tax	365	264	283	(10)
(Over)/Underprovision of deferred tax in prior year	(358)	19	(358)	19
	7	283	(75)	9
Total income tax expense	201	314	1,664	2,021

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 September 2011 has reflected these changes.

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

22. Quoted Securities

There were no purchase or sales of quoted securities during the financial period ended 30 September 2011 and no investment in quoted securities as at 30 September 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 September 2011 are as follows:

	As At 30 September 2011 RM'000	As At 31 December 2010 RM'000
Short term		
Secured	17,748	20,006
Unsecured	33,650	19,129
	51,398	39,135
Long term		
Secured	7,592	9,293
	58,990	48,428

Borrowings denominated in foreign currency:

	As At 30 September 2011		As At 31 December 2010	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 3,881	12,354	USD 4,028	12,440
Secured	THB 456	46	THB 392	40
Unsecured	USD 5,973	19,003	USD 6,196	19,129
Unsecured	HKD 5,599	2,286	-	-
Unsecured	THB 122,209	12,361	-	-
Long term				
Secured	USD 2,318	7,378	USD 1,769	5,463
Secured	THB 665	67	THB 1,021	104

25. Derivative Financial Instruments

As at 30 September 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:

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/ anticipated sales	231,991	238,703	(6,712)
Used to hedge trade payables	22,698	23,542	844
Total			(5,868)

Included in the above are forward exchange contracts entered by the Group for its anticipated sales from Q4 2011 until Q4 2012 to stabilise its future margin as the United States Dollar (USD) has strengthened against the Ringgit Malaysia (RM) since September 2011. The average rate for the forward contracts denominated in USD was 3.12. As the USD continues to strengthen against RM until end of September 2011, the average fair value rate as at 30 September 2011 for the outstanding forward contracts denominated in USD was 3.20 which is higher than the average contract rate. The overall fair value changes of derivative financial assets/ liabilities had resulted in an unrealised loss of RM6,432,353 for the current quarter and a loss of RM6,789,354 for the 9 months period ended 30 September 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 September 2011 RM'000	As At 31 December 2010 RM'000
Total retained profits of the Company and its subsidiaries:		
Realised	255,623	248,337
Unrealised	3,521	3,565
	259,144	251,902
Total share of retained profits from associated companies:		
Realised	9	(29)
Unrealised	27	34
	259,180	251,907
Less: Consolidation adjustments	(96,653)	(95,393)
Total Group retained profits as per consolidated accounts	162,527	156,514

27. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 15 November 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 September 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 September		9 months period ended 30 September	
	2011	2010	2011	2010
Profit attributable to owners of the parent (RM'000)	512	8,204	10,876	38,995
Weighted average number of ordinary shares in issue ('000)	121,523	120,695	121,523	120,695
Basic earnings per share (sen)	0.4	6.7	8.9	32.3

(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	
	2011	2010	2011	2010
Profit attributable to owners of the parent (RM'000)	512	8,204	10,876	38,995
Weighted average number of ordinary shares in issue ('000)	121,523	120,695	121,523	120,695
Effects of dilution:				
Share options	501	1,203	501	1,203
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	122,024	121,898	122,024	121,898
Diluted earnings per share (sen)	0.4	6.7	8.9	32.0

31. Authorisation for Issue

On 22 November 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 November 2011