

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
31 December 2011

**ENG TEKNOLOGI HOLDINGS BHD.**  
**(Incorporated in Malaysia)**

**CONTENTS**

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

**ENG TEKNOLOGI HOLDINGS BHD.**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

*Unaudited*

	Note	3 months period ended		Year ended	
		31 December		31 December	
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		68,940	136,549	460,414	557,271
Cost of sales		(81,551)	(117,568)	(429,117)	(472,287)
<b>Gross (loss)/profit</b>		(12,611)	18,981	31,297	84,984
<b>Other items of income</b>					
Other income		4,898	1,654	9,259	6,971
<b>Other items of expense</b>					
Administrative expenses		(7,729)	(7,253)	(24,836)	(27,617)
Selling and marketing expenses		(1,635)	(2,598)	(9,711)	(8,697)
Other expenses		(33,396)	(557)	(40,775)	(4,141)
Finance costs		(362)	(705)	(3,347)	(228)
Share of (loss)/profit of associates		(179)	34	(147)	(20)
<b>(Loss)/Profit before tax</b>		(51,014)	9,556	(38,260)	51,252
Income tax expense	20	(2,721)	(49)	(4,385)	(2,070)
<b>(Loss)/Profit net of tax</b>		(53,735)	9,507	(42,645)	49,182
<b>(Loss)/Profit attributable to:</b>					
Owners of the parent		(53,817)	9,313	(42,941)	48,308
Non-controlling interest		82	194	296	874
		(53,735)	9,507	(42,645)	49,182

**(Loss)/Earnings per share attributable to owners of the parent:**

Basic, for (loss)/profit for the period (sen)	27	(44.2)	7.7	(35.3)	40.0
Diluted, for (loss)/profit for the period (sen)	27	(44.2)	7.6	(35.3)	39.6

The followings had been included in arriving at profit before tax:

Interest income		362	282	1,184	763
Interest expense		(359)	(346)	(1,390)	(1,527)
Depreciation		(5,972)	(7,409)	(27,259)	(31,410)
Amortisation		(97)	(62)	(369)	(79)
Reversal of impairment of receivables		-	95	145	2,068
Receivables written off		(2)	-	(2)	-
Inventories written down		(11,314)	3	(11,416)	(243)
Inventories written off		(52)	(126)	(486)	(594)
Impairment of property, plant and equipment		(30,698)	-	(30,698)	-
Property, plant and equipment written off		(3,567)	(6)	(3,830)	(14)
Impairment of other investment		-	(2)	-	(2)
Net foreign exchange (loss)/gain		(6)	683	756	1,178
Net fair value gain/(loss) on derivatives		2,188	(237)	(4,601)	927

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		Year ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>(Loss)/Profit net of tax</b>	(53,735)	9,507	(42,645)	49,182
<b>Other comprehensive income, net of tax:</b>				
Foreign currency translation	(754)	667	2,373	(4,836)
<b>Total comprehensive income for the period</b>	<u>(54,489)</u>	<u>10,174</u>	<u>(40,272)</u>	<u>44,346</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	(54,574)	9,965	(40,648)	43,609
Non-controlling interest	85	209	376	737
	<u>(54,489)</u>	<u>10,174</u>	<u>(40,272)</u>	<u>44,346</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.**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*Unaudited*

	Note	As At 31 December 2011 RM'000	As At 31 December 2010 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		104,098	116,817
Intangible assets		28,400	28,637
Interest in associates		3,008	3,070
Other investments		13	12
Retirement benefits plan assets		242	260
Deferred tax assets		1,453	3,303
		<u>137,214</u>	<u>152,099</u>
<b>Current Assets</b>			
Inventories		54,685	45,035
Trade receivables		72,708	107,044
Other receivables		3,515	4,147
Other current assets		20,745	8,326
Derivatives		-	916
Tax recoverable		2,439	1,601
Cash and bank balances		90,093	89,272
		<u>244,185</u>	<u>256,341</u>
<b>TOTAL ASSETS</b>		<u>381,399</u>	<u>408,440</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		122,882	122,042
Share premium		3,335	2,922
Treasury shares		(1,533)	(1,533)
Other reserves		(9,105)	(10,510)
Retained earnings		109,363	156,514
		<u>224,942</u>	<u>269,435</u>
<b>Non-controlling interest</b>		<u>2,340</u>	<u>2,074</u>
<b>Total equity</b>		<u>227,282</u>	<u>271,509</u>
<b>Non-current Liabilities</b>			
Retirement benefits obligations		39	543
Loans and borrowings	22	7,016	9,293
Deferred tax liabilities		1,575	1,249
		<u>8,630</u>	<u>11,085</u>

**ENG TEKNOLOGI HOLDINGS BHD.**  
**(Incorporated in Malaysia)**

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

*Unaudited*

	Note	As At 31 December 2011 RM'000	As At 31 December 2010 RM'000
<b>Current Liabilities</b>			
Retirement benefits obligations		228	-
Loans and borrowings	22	41,020	39,135
Trade payables		37,608	46,121
Other payables		56,425	30,538
Other current liabilities		6,429	9,750
Derivatives		3,680	1
Income tax payable		97	301
		<u>145,487</u>	<u>125,846</u>
<b>Total liabilities</b>		<u>154,117</u>	<u>136,931</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>381,399</u>	<u>408,440</u>
Net assets per share (RM)		1.85	2.22
Net assets per share attributable to owners of the parent (RM)		1.83	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.**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Unaudited

	← Attributable to owners of the parent →				Distributable Retained Earnings RM'000	Total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Non-distributable Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000				
<b>At 1 January 2011</b>	122,042	2,922	(1,533)	(10,510)	156,514	269,435	2,074	271,509
<b>Total comprehensive income</b>	-	-	-	2,293	(42,941)	(40,648)	376	(40,272)
<b>Transactions with owners</b>								
Forfeiture of vested ESOS	-	-	-	(923)	923	-	-	-
Interim tax exempt dividend	-	-	-	-	(4,862)	(4,862)	-	(4,862)
Issue of ordinary shares pursuant to ESOS	840	168	-	-	-	1,008	-	1,008
Share options granted under ESOS	-	-	-	9	-	9	-	9
Subsidiary's tax exempt dividend	-	-	-	-	-	-	(110)	(110)
Transfer to legal reserve	-	-	-	271	(271)	-	-	-
Transfer to share premium, arising from exercise of ESOS	-	245	-	(245)	-	-	-	-
<b>Total transactions with owners</b>	<b>840</b>	<b>413</b>	<b>-</b>	<b>(888)</b>	<b>(4,210)</b>	<b>(3,845)</b>	<b>(110)</b>	<b>(3,955)</b>
<b>At 31 December 2011</b>	<b>122,882</b>	<b>3,335</b>	<b>(1,533)</b>	<b>(9,105)</b>	<b>109,363</b>	<b>224,942</b>	<b>2,340</b>	<b>227,282</b>

**ENG TEKNOLOGI HOLDINGS BHD.**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to the owners of the parent →					Non-controlling Interest	Total Equity	
	← Non-distributable →		Distributable					
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Retained Earnings RM'000			Total RM'000
<b>At 1 January 2010</b>	119,272	1,042	(198)	(5,299)	122,764	237,581	2,204	239,785
<b>Total comprehensive income</b>	-	-	-	(4,699)	48,308	43,609	737	44,346
<b>Transactions with owners</b>								
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 tax exempt dividends	-	-	-	-	-	-	(867)	(867)
Transfer to share premium, arising from exercise of ESOS	-	575	-	(575)	-	-	-	-
<b>Total transactions with owners</b>	2,770	1,880	(1,335)	(512)	(14,558)	(11,755)	(867)	(12,622)
<b>At 31 December 2010</b>	122,042	2,922	(1,533)	(10,510)	156,514	269,435	2,074	271,509

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.**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*Unaudited*

	Year ended 31 December	
	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	(38,260)	51,252
Adjustments for non-cash items	79,397	27,943
Operating profit before working capital changes	41,137	79,195
Increase in inventories	(21,552)	(2,197)
Decrease in receivables	33,437	9,262
Decrease in payables	(8,913)	(6,095)
(Increase)/decrease in long term receivable	(72)	141
Cash generated from operations	44,037	80,306
Tax refunded	166	5,082
Interest paid	(1,382)	(1,520)
Retirement benefits paid	(129)	(140)
Tax paid	(3,552)	(4,615)
Net cash generated from operating activities	39,140	79,113
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(34,800)	(17,178)
Acquisition of intangible assets	(114)	(1,414)
Interest received	1,150	727
Investment in an associate	(11)	(600)
Proceeds from disposal of property, plant and equipment	853	829
Net cash used in investing activities	(32,922)	(17,636)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid by a subsidiary to non-controlling interest	(245)	(621)
Dividend paid by the Company	(4,862)	(14,574)
Drawdown of loans	12,012	3,344
Net change in bank borrowings	2,006	(2,366)
Proceeds from issuance of shares for ESOS exercised	1,008	4,076
Purchase of treasury shares	-	(1,336)
Repayment of obligations under finance lease	(660)	(1,548)
Repayment of term loans	(19,684)	(17,875)
Net cash used in financing activities	(10,425)	(30,900)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,207)	30,577
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	918	(1,100)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	89,272	59,795
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	85,983	89,272

## 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	
	2011 RM'000	2010 RM'000
Cash and bank balances	90,093	89,272
Bank overdrafts	(4,110)	-
	<u>85,983</u>	<u>89,272</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.

**ENG TEKNOLOGI HOLDINGS BHD.**  
**(Incorporated in Malaysia)**

**PART A – DISCLOSURE NOTES AS REQUIRED UNDER FRS 134**

**1. Basis of Preparation**

The interim financial statements have been prepared under the historical cost convention except for the revaluation of a property included in property, plant and equipment.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 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

- Amendments to FRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to FRS 7 Transfers of Financial Assets
- Amendments to FRS 112 Deferred Tax: Recovery of Underlying Assets
- FRS 124 Related Party Disclosures

Effective for financial periods beginning on or after 1 July 2012

- Amendments to FRS 101 Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

- FRS 9 Financial Instruments
- FRS 10 Consolidated Financial Statements
- FRS 11 Joint Arrangements
- FRS 12 Disclosure of Interests in Other Entities
- FRS 13 Fair Value Measurement
- FRS 119 Employee Benefits
- FRS 127 Separate Financial Statements
- FRS 128 Investment In Associates and Joint Ventures
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

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:

Year ended 31 December 2011	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	459,500	-	-	459,500	-	459,500
Inter-segment sales	-	-	1,650	1,650	(1,650)	-
	459,500	-	1,650	461,150	(1,650)	459,500
Unallocated revenue						914
Total revenue						<u>460,414</u>
<b>Results</b>						
Segment results	(31,503)	(109)	(390)	(32,002)	-	(32,002)
Interest income						1,184
Unallocated income						(3,948)
Finance costs						(3,347)
Share of profit of associates						(147)
Loss before tax						<u>(38,260)</u>
Income tax expense						(4,385)
Loss for the year						<u>(42,645)</u>

## 5. Segmental Information (cont'd)

Year ended 31 December 2010	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	556,978	(75)	-	556,903	-	556,903
Inter-segment sales	(55)	-	1,661	1,606	(1,606)	-
	<u>556,923</u>	<u>(75)</u>	<u>1,661</u>	<u>558,509</u>	<u>(1,606)</u>	<u>556,903</u>
Unallocated revenue						368
Total revenue						<u>557,271</u>
<b>Results</b>						
Segment results	45,603	743	508	46,854	-	46,854
Interest income						763
Unallocated income						3,883
Finance costs						(228)
Share of loss of associates						(20)
Profit before tax						<u>51,252</u>
Income tax expense						<u>(2,070)</u>
Profit for the year						<u>49,182</u>

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 2011 except for the following:

(a) Fair value changes of derivative financial assets/ liabilities as disclosed in Note 23.

(b) Flood incident in Thailand

	3 months period/ year ended 31 December 2011 RM'000
Inventories written down	11,627
Impairment of property, plant and equipment	30,653
Property, plant and equipment written off	3,567

**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 year ended 31 December 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	4,862

**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 year ended 31 December 2011, the Company issued 839,400 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	28	24	32	-	39	716	839
Foregone	-	-	-	-	-	-	-
Expired	751	1	123	570	2,834	-	4,279
As at 31/12/2011	-	-	-	-	-	-	-
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 year ended 31 December 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 followings:

(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 31 December 2011 is as follows:

	As At 31 December 2011 RM’000
Approved and contracted for:	
Property, plant and equipment	30,096
Intangible assets	543
Future minimum rental payments for non-cancellable operating lease agreements	5,927



#### **14. Changes in Contingent Liabilities and Contingent Assets**

The total contingent liabilities as at 31 December 2011 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM39.7 million (31 December 2010: RM46.7 million).

#### **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

Both wholly-owned subsidiaries located at Ayutthaya, Thailand, Engtek (Thailand) Co., Ltd. and Altum Precision Co., Ltd., have filed their insurance claims in January 2012. However, the timing and amount of reimbursements of these claims are still subject to assessment by the insurance companies.

**ENG TEKNOLOGI HOLDINGS BHD.**

(Incorporated in Malaysia)

**PART B – DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS****16. Performance Review**

	3 months period ended		Year ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM Mil	RM Mil	RM Mil	RM Mil
Revenue	68.9	136.5	460.4	557.3
(Loss)/Profit before tax	(51.0)	9.6	(38.3)	51.3

## a) For the reporting quarter

The Group revenue for the reporting quarter decreased significantly to RM68.9 million with a loss before tax of RM51.0 million. The revenue was 50% lower than the corresponding quarter of the previous year RM136.5 million. The loss suffered in the reporting quarter was mainly because of the loss of revenue due to the floods in Thailand and impairment and write off of property, plant and equipment and writedown of inventories of RM45.8 million arising from the floods. Operations in the Group's Thailand, China and Malaysia have been badly impacted since the floods inundated much of Thailand's hard disk drive industry. The reason that the China and Malaysia operations were impacted as well was because a significant portion of their revenue derived from sales to customers located in Thailand.

## Revenue by Geographical Segments (RM Mil)

3 months period ended:	Malaysia	Thailand	Hong Kong/		Elimination/		Total
			China	Philippines	Unallocated		
31 December 2011	38.0	4.6	20.6	6.9	(1.2)	68.9	
31 December 2010	64.8	58.5	26.1	10.7	(23.6)	136.5	

Insurance claims have been filed and the management expects these claims to be paid in the second half of 2012. In accordance with the relevant accounting standards, the writedown of inventories and the impairment and write off of property, plant and equipment have been made in the current quarter, as these assets have been damaged. However, any amounts receivable from the insurance claims in relation to these assets would only be recognised subsequently, when the claims are virtually certain, upon the receipt of written confirmation of the amounts to be reimbursed by the insurance companies.

Had the effects of the impairment and writedown of the assets been excluded, the Group would have still incurred a loss of RM5.2 million for the quarter mainly due to the reduced revenue.

## b) For the year ended 31 December 2011

The group revenue for the year totaled RM460.4 million was 17% down compared to previous year of RM557.3 million. Revenue was much lower as the fourth quarter revenue was significantly lower as a result of the floods in Thailand and the resulting impairment of property plant and equipment as mentioned above. Taking out the impact of the impairment the Group would have a slight profit before tax of RM7.5 million.

**17. Material Change in Profit Before Tax Against Preceding Quarter**

At RM68.9 million, the reporting quarter's revenue was down by 50% compared to the preceding quarter's of RM137.7 million. This was caused by the significant disruptions to the operations due to the floods that hit Thailand from October to November 2011. The loss before tax for the reporting quarter was RM51.0 million whilst in the preceding quarter the Group had a profit before tax of RM0.7 million.

## Revenue by Geographical Segments (RM Mil)

3 months period ended:	Malaysia	Thailand	Hong Kong/		Elimination/		Total
			China	Philippines	Unallocated		
31 December 2011	38.0	4.6	20.6	6.9	(1.2)	68.9	
30 September 2011	71.3	72.0	29.9	6.3	(41.8)	137.7	

## 18. Prospects

As a result of the floods, the Group has redirected certain capacities to Malaysia and Philippines whilst the Thailand operations are being rebuilt. The alternative capacities are gradually commencing operations and are ready to supply fresh parts in quarter one 2012. The Thailand plants are expected to restart operation in quarter three 2012. Insurance claims have been submitted and loss adjusters surveys are expected to complete by end February 2012.

Management has executed major cost reviews group wide to prevent deterioration in cash flow of the Group. The operations in Thailand have instituted a separation scheme for about 950 employees as operations has stopped after the floods. Work force will be gradually rehired depending on operational needs.

The landscape of the hard disk drive industry has changed significantly as a result of the floods. The Group's major customers have been hard hit by the floods and whilst capacities have been gradually restored, the overall supply chain is still unable to return to normalcy of pre-flood level. Management expects the supply chain issues to fully recover in two quarters at the least.

The floods have caused worldwide shortages in hard disk drives and prices have been adjusted upwards. While this is positive and assist in the rebuilding of lost capacities, the Group's sales volume is hindered by loss of capital equipment and lower demand from its direct customers for the time being.

The main action plans for the Group now are to maximize insurance claims, rebuild loss capacities as fast as possible so as not to lose customers' allocation to competitors and to run the operations at the leanest cost possible.

As pricing has been adjusted, management feels that the margins are returning for the components suppliers of the hard disk drive industry. Once recovery is achieved, the group should be profitable once again. It is expected that the Group will resume pre-flood capacities in quarter three 2012.

## 19. Profit Forecast or Profit Guarantee

Not applicable.

## 20. Income Tax Expense

	3 months period ended		Year ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	247	419	1,097	1,769
Foreign income tax	250	643	1,171	1,465
	<u>497</u>	<u>1,062</u>	<u>2,268</u>	<u>3,234</u>
(Over)/Underprovision in prior year:				
Malaysian income tax	-	40	(32)	(69)
Foreign income tax	(11)	-	(11)	(51)
	<u>(11)</u>	<u>40</u>	<u>(43)</u>	<u>(120)</u>
	<u>486</u>	<u>1,102</u>	<u>2,225</u>	<u>3,114</u>
Deferred tax	2,358	(916)	2,641	(926)
Overprovision of deferred tax in prior year	(123)	(137)	(481)	(118)
	<u>2,235</u>	<u>(1,053)</u>	<u>2,160</u>	<u>(1,044)</u>
Total income tax expense	<u>2,721</u>	<u>49</u>	<u>4,385</u>	<u>2,070</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 31 December 2011 has reflected these changes.

**20. Income Tax Expense (cont'd)**

The effective tax rate for the year ended 31 December 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. Corporate Proposals**

There have been no further developments to corporate proposals other than that already announced to Bursa Malaysia.

**22. Borrowings**

Details of the Group's borrowings as at 31 December 2011 are as follows:

	As At 31 December 2011 RM'000	As At 31 December 2010 RM'000
<b>Short term</b>		
Secured	19,383	20,006
Unsecured	21,637	19,129
	<u>41,020</u>	<u>39,135</u>
<b>Long term</b>		
Secured	7,016	9,293
	<u>48,036</u>	<u>48,428</u>

Borrowings denominated in foreign currency:

	As At 31 December 2011		As At 31 December 2010	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
<b>Short term</b>				
Secured	USD 4,655	14,758	USD 4,028	12,440
Secured	THB 410	40	THB 392	40
Unsecured	USD 4,774	15,126	USD 6,196	19,129
Unsecured	HKD 10,080	4,110	-	-
<b>Long term</b>				
Secured	USD 2,162	6,852	USD 1,769	5,463
Secured	THB 611	61	THB 1,021	104

**23. Derivative Financial Instruments**

As at 31 December 2011, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivables in foreign currencies are as follows:

<b>Forward Foreign Currency Contracts</b>	Contract Value RM'000	Fair Value RM'000	Liabilities RM'000
Less than 1 year:			
Used to hedge trade receivables/ anticipated sales	185,281	188,961	3,680

**23. Derivative Financial Instruments (cont'd)**

Included in the above are forward exchange contracts entered by the Group for its anticipated sales from Q1 2012 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 3.13. As the USD continues to strengthen against RM until end of December 2011, the average fair value rate as at 31 December 2011 for the outstanding forward contracts denominated in USD was 3.19 which is higher than the average contract rate. The overall fair value changes of derivative financial assets/ liabilities had resulted in an unrealised gain of RM2,188,237 for the current quarter and a loss of RM4,601,117 for the year ended 31 December.

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.

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.

**24. Disclosure of Realised and Unrealised Profits**

	As At 31 December 2011 RM'000	As At 31 December 2010 RM'000
Total retained profits of the Company and its subsidiaries:		
Realised	208,239	248,337
Unrealised	(191)	3,565
	<u>208,048</u>	<u>251,902</u>
Total share of retained profits from associated companies:		
Realised	(168)	(29)
Unrealised	26	34
	<u>207,906</u>	<u>251,907</u>
Less: Consolidation adjustments	(98,543)	(95,393)
Total Group retained profits as per consolidated accounts	<u>109,363</u>	<u>156,514</u>

**25. Changes in Material Litigation**

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

**26. Dividend**

The directors do not recommend any dividend for the financial year ended 31 December 2011.

**27. (Loss)/Earnings Per Share**

## (a) Basic

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/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	
	2011	2010	2011	2010
(Loss)/Profit attributable to owners of the parent (RM'000)	(53,817)	9,313	(42,941)	48,308
Weighted average number of ordinary shares in issue ('000)	121,645	120,813	121,645	120,813
Basic (loss)/earnings per share (sen)	(44.2)	7.7	(35.3)	40.0

## (b) Diluted

For the purpose of calculating diluted (loss)/earnings per share, the (loss)/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. The Company's ESOS had expired on 22 October 2011.

	3 months period ended 31 December		Year ended 31 December	
	2011	2010	2011	2010
(Loss)/Profit attributable to owners of the parent (RM'000)	(53,817)	9,313	(42,941)	48,308
Weighted average number of ordinary shares in issue ('000)	121,645	120,813	121,645	120,813
Effects of dilution:				
Share options	-	1,115	-	1,115
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	121,645	121,928	121,645	121,928
Diluted (loss)/earnings per share (sen)	(44.2)	7.6	(35.3)	39.6

**28. Authorisation for Issue**

On 21 February 2012, 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  
21 February 2012