ENG TEKNOLOGI HOLDINGS BHD.
Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
31 March 2012

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 31 March 2012 RM'000	3 months period ended 31 March 2011 RM'000
Revenue		102,931	120,299
Cost of sales		(93,236)	(106,336)
Gross profit		9,695	13,963
Other items of income			
Other income		10,844	1,463
Other items of expense			
Administrative expenses		(5,936)	(6,067)
Selling and marketing expenses		(2,595)	(2,604)
Other expenses		5,785	(1,053)
Finance costs		174	(170)
Share of (loss)/profit of associates		(54)	56
Profit before tax	21	17,913	5,588
Income tax expense	22	(920)	(692)
Profit net of tax		16,993	4,896
Profit attributable to:			
Owners of the parent		16,818	4,798
Non-controlling interest		175	98
		16,993	4,896
Earnings per share attributable to owners of the parent:			
Basic, for profit for the period (sen)	29	13.8	4.0
Diluted, for profit for the period (sen)	29	13.8	3.9

These Condensed Consolidated Income Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	3 months period ended 31 March	
	2012	2011
	RM'000	RM'000
Profit net of tax	16,993	4,896
Other comprehensive income, net of tax:		
Foreign currency translation	(1,684)	(2,824)
Total comprehensive income for the period	15,309	2,072
Total comprehensive income attributable to:		
Owners of the parent	15,153	2,017
Non-controlling interest	156	55
	15,309	2,072

These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited

	Note	As At 31 March 2012 RM'000	As At 31 December 2011 RM'000 (restated)	As At 1 January 2011 RM'000 (restated)
ASSETS				
Non-current Assets				
Property, plant and equipment		138,107	104,098	116,817
Intangible assets		28,257	28,400	28,637
Interest in associates		2,919	3,008	3,070
Other investments		13	13	12
Retirement benefits plan assets		189	242	260
Deferred tax assets		2,812	1,453	3,303
		172,297	137,214	152,099
Current Assets				
Inventories		55,728	54,685	45,035
Trade receivables		102,284	72,708	107,044
Other receivables		4,008	3,517	4,147
Other current assets		13,720	20,745	8,326
Derivatives		2,156	-	916
Tax recoverable		2,981	2,819	1,601
Cash and bank balances		82,619	90,093	89,272
		263,496	244,567	256,341
TOTAL ASSETS		435,793	381,781	408,440
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		122,882	122,882	122,042
Share premium		3,335	3,335	2,922
Treasury shares		(1,533)	(1,533)	(1,533)
Other reserves		8,613	10,278	8,655
Retained earnings		106,950	90,132	137,349
		240,247	225,094	269,435
Non-controlling interest		2,496	2,340	2,074
Total equity		242,743	227,434	271,509
Non-current Liabilities				
Retirement benefits obligations		45	39	543
Loans and borrowings	24	10,316	7,016	9,293
Deferred tax liabilities		1,625	1,575	1,249
		11,986	8,630	11,085

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)
Unaudited

	Note	As At 31 March 2012 RM'000	As At 31 December 2011 RM'000 (restated)	As At 1 January 2011 RM'000 (restated)
Current Liabilities				
Retirement benefits obligations		-	228	-
Loans and borrowings	24	38,611	41,020	39,135
Trade payables		54,893	37,608	46,121
Other payables		76,877	56,428	30,538
Other current liabilities		7,687	6,429	9,750
Derivatives		664	3,680	1
Income tax payable		2,332	324	301
		181,064	145,717	125,846
Total liabilities		193,050	154,347	136,931
TOTAL EQUITY AND LIABILITIES		435,793	381,781	408,440
Net assets per share (RM)		1.98	1.85	2.22
Net assets per share attributable to owners of the parent (RM)		1.96	1.83	2.21

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these 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						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 2012	122,882	3,335	(1,533)	10,278	90,132	225,094	2,340	227,434
Total comprehensive income	-	-	-	(1,665)	16,818	15,153	156	15,309
At 31 March 2012	122,882	3,335	(1,533)	8,613	106,950	240,247	2,496	242,743
At 1 January 2011	122,042	2,922	(1,533)	8,655	137,349	269,435	2,074	271,509
Total comprehensive income	-	-	-	(2,781)	4,798	2,017	55	2,072
Transactions with owners								
Interim tax exempt dividend	-	-	-	-	(4,863)	(4,863)	-	(4,863)
Issue of ordinary shares pursuant to ESOS	402	58	-	-	-	460	-	460
Share options granted under ESOS	-	-	-	9	-	9	-	9
Transfer to share premium, arising from exercise of ESOS	-	123	-	(123)	-	-	-	-
Total transactions with owners	402	181	-	(114)	(4,863)	(4,394)	-	(4,394)
At 31 March 2011	122,444	3,103	(1,533)	5,760	137,284	267,058	2,129	269,187

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	3 months period ended 31 March	
	2012	2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	17,913	5,588
Adjustments for:		
Amortisation of intangible assets	104	97
Bad debts written off	-	11
Depreciation of property, plant and equipment	5,424	7,147
Gain on disposal of property, plant and equipment	(160)	(87)
Impairment of property, plant and equipment	(10)	-
Impairment/(reversal of impairment) of receivables	2	(145)
Increase in liability for defined benefit plan	56	66
Interest expense	402	334
Interest income	(312)	(256)
Inventories written down	746	291
Inventories written off	161	78
Net fair value gains on derivatives	(5,172)	(222)
Property, plant and equipment written off	-	1
Proceeds from insurance claims	(10,015)	-
Share of loss/(profit) of associates	54	(56)
Share options granted under ESOS	-	9
Short term accumulating compensated absences	(30)	(24)
Unrealised foreign exchange gain	(2,636)	(290)
Total adjustments	(11,386)	6,954
Operating profit before working capital changes	6,527	12,542
Increase in inventories	(1,949)	(6,114)
(Increase)/decrease in receivables	(32,826)	3,594
Increase in payables	20,642	3,163
Decrease in long term receivable	33	28
Cash (used in)/generated from operations	(7,573)	13,213
Interest paid	(369)	(321)
Retirement benefits paid	(225)	-
Tax paid	(372)	(857)
Net cash (used in)/generated from operating activities	(8,539)	12,035
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(9,894)	(11,942)
Acquisition of intangible assets	(61)	(52)
Interest received	324	249
Investment in an associate	-	(11)
Proceeds from disposal of property, plant and equipment	171	101
Proceeds from insurance claims	10,015	-
Net cash generated from/(used in) investing activities	555	(11,655)

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	3 months period ended 31 March	
	2012	2011
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid by a subsidiary to non-controlling interest	-	(147)
Drawdown of loans	10,529	6,005
Net change in bank borrowings	(1,819)	(146)
Proceeds from issuance of shares for ESOS exercised	-	460
Repayment of obligations under finance lease	(51)	(353)
Repayment of term loans	(4,409)	(4,645)
Net cash generated from financing activities	4,250	1,174
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,734)	1,554
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(567)	(1,013)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	85,983	89,272
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	81,682	89,813

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 March	
	2012	2011
	RM'000	RM'000
Cash and bank balances	82,619	89,813
Bank overdrafts	(937)	-
	81,682	89,813

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Corporate Information

Eng Teknologi Holdings Bhd. is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

2. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements, for the period ended 31 March 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated 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 year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows is set out in Note 3 below. These notes include reconciliations of equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has no impact on the statements of comprehensive income and statements of cash flows.

3. Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

<u>Acquisition before date of transition</u>
The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(i) The classification of former business combinations under FRS is maintained;
(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

3. Significant accounting policies and application of MFRS 1 (cont'd)

(b) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virture of this transitional provision, the Group had recorded certain leasehold land and buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those leasehold land and buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon the transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition of MFRS, the Group elected to regard the revalued amounts of leasehold land and buildings in 1992 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. There is no adjustment to the revaluation surplus and retained earnings, as the revaluation surplus was a pre-acqusition reserve.

(c) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM19,165,059 were adjusted to retained earnings.

(d) Share-based payment

Under FRS, the Group had applied FRS 2 in accordance with its transitional provisions which allow the application of requirements of FRS 2 to share options that were granted after 31 December 2004 but not yet vested on 1 January 2006.Upon transition to MFRS, first-time adopters are not required to apply MFRS 2 Share-based Payments to (a) share options granted on or before 7 November 2002 and (b) share options granted after 7 November 2002 and vested before the date of transition. As such, the Group had elected not to apply MFRS 2 to such share options, except for the amounts which had already been accounted for under FRS 2. Hence, no further adjustments have been made for such share options upon the transition from FRS to MFRS.

There are no adjustments made to the total comprehensive income and statement of cash flows upon the transition to MFRS. Consequently, a reconciliation of the effects of the total comprehensive income and statement of cash flows has not been presented.

The reconciliation of equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS is provided below:

3. Significant accounting policies and application of MFRS 1 (cont'd)

(i) Reconciliation of equity as at 1 January 2011

	FRS as at 1 January 2011 RM'000	Note 3(c) Foreign currency translation reserve RM'000	MFRS as at 1 January 2011 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	116,817		116,817
Intangible assets	28,637		28,637
Interest in associates	3,070		3,070
Other investments	12		12
Retirement benefits plan assets	260		260
Deferred tax assets	3,303		3,303
	152,099		152,099
Current Assets			
Inventories	45,035		45,035
Trade receivables	107,044		107,044
Other receivables	4,147		4,147
Other current assets	8,326		8,326
Derivatives	916		916
Tax recoverable	1,601		1,601
Cash and bank balances	89,272		89,272
	256,341		256,341
TOTAL ASSETS	408,440		408,440
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	122,042		122,042
Share premium	2,922		2,922
Treasury shares	(1,533)		(1,533)
Other reserves	(10,510)	19,165	8,655
Retained earnings	156,514	(19,165)	137,349
	269,435		269,435
Non-controlling interest	2,074		2,074
Total equity	271,509		271,509
Non-current Liabilities			
Retirement benefits obligations	543		543
Loans and borrowings	9,293		9,293
Deferred tax liabilities	1,249		1,249
	11,085		11,085
Current Liabilities			
Loans and borrowings	39,135		39,135
Trade payables	46,121		46,121
Other payables	30,538		30,538
Other current liabilities	9,750		9,750
Derivatives	1		1
Income tax payable	301		301
	125,846		125,846
Total liabilities	136,931		136,931
TOTAL EQUITY AND LIABILITIES	408,440		408,440

3. Significant accounting policies and application of MFRS 1 (cont'd)

(ii) Reconciliation of equity as at 31 March 2011

	FRS as at 31 March 2011 RM'000	Note 3(c) Foreign currency translation reserve RM'000	MFRS as at 31 March 2011 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	115,367		115,367
Intangible assets	28,474		28,474
Interest in associates	3,109		3,109
Other investments	12		12
Retirement benefits plan assets	219		219
Deferred tax assets	3,356		3,356
	150,537		150,537
Current Assets			
Inventories	50,780		50,780
Trade receivables	102,873		102,873
Other receivables	4,341		4,341
Other current assets	10,687		10,687
Derivatives	1,272		1,272
Tax recoverable	1,988		1,988
Cash and bank balances	89,813		89,813
	261,754		261,754
TOTAL ASSETS	412,291		412,291
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	122,444		122,444
Share premium	3,103		3,103
Treasury shares	(1,533)		(1,533)
Other reserves	(13,405)	19,165	5,760
Retained earnings	156,449	(19,165)	137,284
	267,058		267,058
Non-controlling interest	2,129		2,129
Total equity	269,187		269,187
Non-current Liabilities			
Retirement benefits obligations	556		556
Loans and borrowings	9,888		9,888
Deferred tax liabilities	1,312		1,312
	11,756		11,756
Current Liabilities			
Loans and borrowings	39,399		39,399
Trade payables	51,962		51,962
Other payables	33,605		33,605
Other current liabilities	5,728		5,728
Derivatives	137		137
Income tax payable	517		517
	131,348		131,348
Total liabilities	143,104		143,104
TOTAL EQUITY AND LIABILITIES	412,291		412,291

3. Significant accounting policies and application of MFRS 1 (cont'd)

(iii) Reconciliation of equity as at 31 December 2011

	FRS as at 31 December 2011 RM'000	Note 3(c) Foreign currency translation reserve RM'000	MFRS as at 31 December 2011 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	104,098		104,098
Intangible assets	28,400		28,400
Interest in associates	3,008		3,008
Other investments	13		13
Retirement benefits plan assets	242		242
Deferred tax assets	1,453		1,453
	137,214		137,214
Current Assets			
Inventories	54,685		54,685
Trade receivables	72,708		72,708
Other receivables	3,517		3,517
Other current assets	20,745		20,745
Tax recoverable	2,819		2,819
Cash and bank balances	90,093		90,093
	244,567		244,567
TOTAL ASSETS	381,781		381,781
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	122,882		122,882
Share premium	3,335		3,335
Treasury shares	(1,533)		(1,533)
Other reserves	(8,887)	19,165	10,278
Retained earnings	109,297	(19,165)	90,132
	225,094		225,094
Non-controlling interest	2,340		2,340
Total equity	227,434		227,434
Non-current Liabilities			
Retirement benefits obligations	39		39
Loans and borrowings	7,016		7,016
Deferred tax liabilities	1,575		1,575
	8,630		8,630
Current Liabilities			
Retirement benefits obligations	228		228
Loans and borrowings	41,020		41,020
Trade payables	37,608		37,608
Other payables	56,428		56,428
Other current liabilities	6,429		6,429
Derivatives	3,680		3,680
Income tax payable	324		324
	145,717		145,717
Total liabilities	154,347		154,347
TOTAL EQUITY AND LIABILITIES	381,781		381,781

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

5. Segmental Information

Analysis by business segments:

3 months period ended 31 March 2012	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	71,756	30,911	-	102,667	-	102,667
Inter-segment sales	19,190	-	414	19,604	(19,604)	-
	90,946	30,911	414	122,271	(19,604)	102,667
Unallocated revenue						264
Total revenue						102,931
Results						
Segment results	11,158	6,513	156	17,827	-	17,827
Interest income						312
Unallocated expenses						(346)
Finance costs						174
Share of loss of associates						(54)
Profit before tax						17,913
Income tax expense						(920)
Profit for the period						16,993

5. Segmental Information (cont'd)

3 months period ended 31 March 2011	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
External sales	120,112	-	-	120,112	-	120,112
Inter-segment sales	-	-	409	409	(409)	-
	120,112	-	409	120,521	(409)	120,112
Unallocated revenue						187
Total revenue						120,299
Results						
Segment results	5,030	(26)	165	5,169	-	5,169
Interest income						256
Unallocated income						277
Finance costs						(170)
Share of profit of associates						56
Profit before tax						5,588
Income tax expense						(692)
Profit for the period						4,896

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 31March 2012 except for the following:

	3 months period ended 31 March 2012 RM'000
Net fair value gain on derivatives (Note 25)	5,172
Interim proceeds from insurance claims	10,015

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

There was no dividend paid during the financial period ended 31 March 2012.

10. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 March 2012.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter.

12. Property, plant and equipment

During the three month ended 31 March 2012, the Group acquired assets at a cost of RM40,281,495 (31 March 2011: RM7,015,161). Included in the total assets acquired is an amount of capital work-in-progress of RM10,291,845 (31 March 2011: RM206,998).

During the three month ended 31 March 2012, the Group disposed some of its fully depreciated and fully impaired assets with net carrying amount of RMNil (31 March 2011: RM13,066) at a gain on disposal of RM160,229 (31 March 2011: RM87,306), recognised and included in other income in the income statements.

13. Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data

As at the reporting date, the analysis of financial assets and liabilities carried at fair value by level of fair value hierarchy are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2012				
Derivative				
Financial assets	-	2,156	-	2,156
Financial liabilities	-	(664)	-	(664)
31 December 2011				
Derivative				
Financial liabilities	-	(3,680)	-	(3,680)
1 January 2011				
Derivative				
Financial assets	-	915	-	915
Financial liabilities	-	(1,144)	-	(1,144)

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

14. Commitments

The amount of commitments not provided for in the interim financial statements as at 31 March 2012 is as follows:

	As At 31 March 2012 RM'000
Approved and contracted for:	
Property, plant and equipment	16,126
Intangible assets	611
Future minimum rental payments for non-cancellable operating lease agreements	7,919

15. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 31 March 2012 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM36.3million (31 December 2011: RM40.2million).

16. Subsequent Events

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

(a) Proposed disposal of the assets and liabilities of the Company

On 18 May 2012, HwangDBS Investment Bank Berhad ("HwangDBS") on behalf of the Board, announced that TYK Capital Sdn Bhd ("TYK Capital") has sought to extend the period to satisfy the conditions precedent of the conditional sale of business agreement between the Company and TYK Capital by a further period of 3 months. The Company has subsequently on 18 May 2012 agreed to the extension sought by TYK Capital

On 18 May 2012, HwangDBS, on behalf of the Board, announced that the Extraordinary General Meeting ("EGM") will be held on 12 June 2012, for the purpose of considering and, if thought fit, passing the resolutions as set out in the notice of EGM.

ENG TEKNOLOGI HOLDINGS BHD.

(Incorporated in Malaysia)

PART B – EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A

17. Performance Review

	3 months period ended 31 March 2012 RM Mil	2011 RM Mil
Revenue	102.9	120.3
Profit before tax	17.9	5.6

The Group revenue for the reporting quarter was RM102.9 million whilst the profit before tax was RM17.9 million. Compared to the corresponding quarter in the previous financial year, revenue was lower by 14%. Profit before tax however was higher comparing the same periods by 220%.

The revenue for the reporting quarter was lower as the operations in Thailand, which is a significant production centre for the Group was still recovering from the effects of the floods. Although, alternative plants from outside of Thailand were used, it was not enough to fill up the lost capacities.

The profit before tax was significantly higher this reporting quarter versus the corresponding quarter last year as there were insurance proceeds received and derivative gains amounting to RM15.2 million during the reporting quarter. Without the effects of the one off gains, the Group profit before tax would be RM2.7 million.

Revenue by Geograhical Segments (RM Mil)

3 months period ended:	Malaysia	Thailand	Hong Kong/ China	Philippines	Elimination/ Unallocated	Total
31 March 2012	67.2	0.4	50.1	11.4	(26.2)	102.9
31 March 2011	68.4	58.9	21.7	6.6	(35.3)	120.3

18. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue at RM102.9 million was 49% higher than the preceding quarter's revenue of RM68.9 million. The significant increase in revenue was due to resumption of orders from customers as the hard disk drive industry recovers from the Thailand floods. In quarter four 2011, the Group's Thailand operations had minimal shipments as factories and the overall supply chain were inundated by floods.

With the increase in revenue in this reporting quarter over the preceding quarter, the Group managed a profit before tax of RM17.9 million compared to a loss of RM51.0 million. The loss of RM51.0 million was mainly due to the effects of the floods as the Group had major impairments and write offs amounting to RM45.8 million.

Revenue by Geograhical Segments (RM Mil)

3 months period ended:	Malaysia	Thailand	Hong Kong/ China	Philippines	Elimination/ Unallocated	Total
31 March 2012	67.2	0.4	50.1	11.4	(26.2)	102.9
31 December 2011	38.0	4.6	20.6	6.9	(1.2)	68.9

19. Prospects

The rebuilding of the Thailand operations is underway as scheduled. Alternative capacities which were utilised whilst the plants in Thailand were incapacitated have commenced shipments to customers. Management is finalizing the insurance claims for assets and inventories damaged by the Thailand flood with the insurance adjusters. Insurance claims are expected to be finalised and received by quarter three this year. All proceeds from the insurance claims would be regarded as gains in this financial year as all the damaged assets and inventories have been impaired or written off in the previous financial year.

19. Prospects (cont'd)

The hard disk drive market is expected to improve in its demand. For quarter four 2011, the global shipments was only at 120 million units. It is expected to improve further in subsequent quarters. Whilst the industry is recovering, Engtek aims to regain its position as a significant component supplier. This can be achieved once Thailand's operations are fully recovered. Hence, management is directing its attention to achieving this with major cost measures being executed, redesigning operations for better efficiencies and maintaining customer confidence with effective and timely recovery plans.

Whilst revenue has not returned to pre-flood level, the Group achieved a slight operational profit in quarter one 2012. Management is therefore confident that the Group would attain profitability for financial year 2012.

20. Profit Forecast or Profit Guarantee

Not applicable.

21. Profit Before Tax

Included in the profit before tax are the following items:

	3 months period ended 31 March	
	2012 RM'000	2011 RM'000
Interest income	(312)	(256)
Interest expense	402	334
Depreciation	5,424	7,147
Amortisation	104	97
Bad debts written off	-	11
Impairment/(Reversal of impairment) of receivables	2	(145)
Inventories written down	746	291
Inventories written off	161	78
Gain on disposal of property, plant and equipment	(160)	(87)
Property, plant and equipment written off	-	1
Reversal of impairment of property, plant and equipment	(10)	-
Net foreign exchange (gain)/loss	(2,176)	23
Net fair value gain on derivatives	(5,172)	(222)

22. Income Tax Expense

	3 months period ended 31 March	
	2012 RM'000	2011 RM'000
Current tax:		
Malaysian income tax	1,019	440
Foreign income tax	1,319	242
	2,338	682
Overprovision in prior year:		
Foreign income tax	(137)	-
	2,201	682
Deferred tax	(1,281)	10
Total income tax expense	920	692

22. Income Tax Expense (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the period. The computation of deferred tax as at 31 March 2012 has reflected these changes.

The effective tax rate for the period ended 31 March 2012 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.

23. Corporate Proposals

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

24. Borrowings

Details of the Group's borrowings as at 31 March 2012 are as follows:

	As At 31 March 2012 RM'000	As At 31 December 2011 RM'000
Short term		
Secured	13,064	20,903
Unsecured	25,547	20,117
	38,611	41,020
Long term		
Secured	10,316	7,016
	48,927	48,036

Borrowings denominated in foreign currency:

	As At 31 March 2012		As At 31 December 2011	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
Short term				
Secured	USD 3,232	9,909	USD 4,655	14,758
Secured	THB 421	41	THB 410	40
Secured	-	-	HKD 3,726	1,520
Unsecured	USD 4,546	13,910	USD 4,774	15,126
Unsecured	HKD 1,986	784	HKD 6,354	2,590
Unsecured	THB 1,562	154	-	-
Long term				
Secured	USD 3,329	10,206	USD 2,162	6,852
Secured	THB 515	51	THB 611	61

25. Derivative Financial Instruments

As at 31 March 2012, the foreign currency contracts which have been entered into by the Group to hedge its foreign receivables and payables in foreign currencies are as follows:

Forward Foreign Currency Contracts	Contract Value RM'000	Fair Value RM'000	Assets RM'000
Less than 1 year:			
Used to hedge trade receivables/ anticipated sales	156,461	154,313	2,148
Used to hedge payables	43,194	42,538	(656)
			1,492

The fair value changes of derivative financial assets/ liabilities had resulted in a gain of RM5,171,959 for the current quarter ended 31 March 2012.

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.

26. Disclosure of Realised and Unrealised Profits

	As At 31 March 2012 RM'000	As At 31 December 2011 RM'000 (restated)
Total retained profits of the Company and its subsidiaries:		
Realised	204,667	192,595
Unrealised	6,559	(191)
	211,226	192,404
Total share of retained profits from associated companies:		
Realised	(222)	(168)
Unrealised	25	26
	211,029	192,262
Less: Consolidation adjustments	(104,079)	(102,130)
Total Group retained profits as per consolidated accounts	106,950	90,132

27. Changes in Material Litigation

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

28. Dividend

The directors do not recommend any interim dividend for the financial period ended 31 March 2012.

29. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months period ended 31 March	
	2012	2011
Profit attributable to owners of the parent (RM'000)	16,818	4,798
Weighted average number of ordinary shares in issue ('000)	122,007	121,312
Basic earnings per share (sen)	13.8	4.0

(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. The Company's ESOS had expired on 22 October 2011.

	3 months period ended 31 March	
	2012	2011
Profit attributable to owners of the parent (RM'000)	16,818	4,798
Weighted average number of ordinary shares in issue ('000)	122,007	121,312
Effects of dilution:		
Share options	-	237
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	122,007	121,549
Diluted earnings per share (sen)	13.8	3.9

30. Authorisation for Issue

On 29 May 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
29 May 2012