

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
30 June 2012

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

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

*Unaudited*

	Note	3 months period ended 30 June		6 months period ended 30 June	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b><u>Discontinued Operations</u></b>					
<b>Revenue</b>		122,276	133,441	225,207	253,740
Cost of sales		(101,293)	(118,156)	(194,529)	(224,492)
<b>Gross profit</b>		20,983	15,285	30,678	29,248
<b>Other items of income</b>					
Other income		8,284	1,535	19,128	2,998
<b>Other items of expense</b>					
Administrative expenses		(6,733)	(5,501)	(12,669)	(11,568)
Selling and marketing expenses		(3,029)	(2,501)	(5,624)	(5,105)
Other expenses		(19,516)	(1,760)	(13,731)	(2,813)
Finance costs		(1,383)	(497)	(1,209)	(667)
Share of loss of associates		(10)	(68)	(64)	(12)
<b>(Loss)/Profit before tax</b>	22	(1,404)	6,493	16,509	12,081
Income tax expense	23	1,244	(771)	324	(1,463)
<b>(Loss)/Profit net of tax</b>		(160)	5,722	16,833	10,618
<b>(Loss)/Profit attributable to:</b>					
Owners of the parent		(792)	5,566	16,026	10,364
Non-controlling interest		632	156	807	254
		(160)	5,722	16,833	10,618
<b>(Loss)/Earnings per share attributable to owners of the parent:</b>					
Basic, for (loss)/profit for the period (sen)	30	(0.7)	4.5	13.1	8.5
Diluted, for (loss)/profit for the period (sen)	30	(0.7)	4.5	13.1	8.5

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.**  
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**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*Unaudited*

	3 months period ended		6 months period ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b><u>Discontinued Operations</u></b>				
<b>(Loss)/Profit net of tax</b>	(160)	5,722	16,833	10,618
<b>Other comprehensive income, net of tax:</b>				
Foreign currency translation	4,664	(1,031)	2,980	(3,855)
<b>Total comprehensive income for the period</b>	<b>4,504</b>	<b>4,691</b>	<b>19,813</b>	<b>6,763</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	3,766	4,523	18,919	6,540
Non-controlling interest	738	168	894	223
	<b>4,504</b>	<b>4,691</b>	<b>19,813</b>	<b>6,763</b>

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 30 June 2012 RM'000	As At 31 December 2011 RM'000 (restated)	As At 1 January 2011 RM'000 (restated)
<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>-</u>	<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		-	3,517	4,147
Other current assets		-	20,745	8,326
Derivatives		-	-	916
Tax recoverable		-	2,819	1,601
Cash and bank balances		-	90,093	89,272
		<u>-</u>	<u>244,567</u>	<u>256,341</u>
Assets of disposal group classified as held for sale	4	444,091	-	-
<b>TOTAL ASSETS</b>		<u>444,091</u>	<u>381,781</u>	<u>408,440</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		122,007	122,882	122,042
Share premium		1,802	3,335	2,922
Treasury shares		-	(1,533)	(1,533)
Other reserves		-	10,278	8,655
Retained earnings		106,158	90,132	137,349
Reserve of disposal group classified as held for sale	4	14,046	-	-
		<u>244,013</u>	<u>225,094</u>	<u>269,435</u>
<b>Non-controlling interest</b>		<u>3,234</u>	<u>2,340</u>	<u>2,074</u>
<b>Total equity</b>		<u>247,247</u>	<u>227,434</u>	<u>271,509</u>
<b>Non-current Liabilities</b>				
Retirement benefits obligations		-	39	543
Loans and borrowings	25	-	7,016	9,293
Deferred tax liabilities		-	1,575	1,249
		<u>-</u>	<u>8,630</u>	<u>11,085</u>

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

*Unaudited*

	Note	As At 30 June 2012 RM'000	As At 31 December 2011 RM'000 (restated)	As At 1 January 2011 RM'000 (restated)
<b>Current Liabilities</b>				
Retirement benefits obligations		-	228	-
Loans and borrowings	25	-	41,020	39,135
Trade payables		-	37,608	46,121
Other payables		-	56,428	30,538
Other current liabilities		-	6,429	9,750
Derivatives		-	3,680	1
Income tax payable		-	324	301
		<u>-</u>	<u>145,717</u>	<u>125,846</u>
Liabilities of disposal group classified as held for sale	4	<u>196,844</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u>196,844</u>	<u>154,347</u>	<u>136,931</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>444,091</u>	<u>381,781</u>	<u>408,440</u>
Net assets per share (RM)		2.03	1.85	2.22
Net assets per share attributable to owners of the parent (RM)		2.00	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 RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	Reserve of Disposal Group Classified As Held For Sale RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
<b>At 1 January 2012</b>	122,882	3,335	(1,533)	10,278	-	90,132	225,094	2,340	227,434
<b>Total comprehensive income</b>	-	-	-	2,893	-	16,026	18,919	894	19,813
<b>Transaction with owners</b>									
Cancellation of treasury shares	(875)	(1,533)	1,533	875	-	-	-	-	-
Reserve attributable to disposal Group classified as held for sale	-	-	-	(14,046)	14,046	-	-	-	-
	(875)	(1,533)	1,533	(13,171)	14,046	-	-	-	-
<b>At 30 June 2012</b>	122,007	1,802	-	-	14,046	106,158	244,013	3,234	247,247

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont'd)**

Unaudited

	← Attributable to owners of the parent →					Distributable	Non-controlling Interest	Total Equity	
	← Non-distributable →			Reserve of Disposal Group Classified As Held For Sale					
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
<b>At 1 January 2011</b>	122,042	2,922	(1,533)	8,655	-	137,349	269,435	2,074	271,509
<b>Total comprehensive income</b>	-	-	-	(3,824)	-	10,364	6,540	223	6,763
<b>Transactions with owners</b>									
Interim tax exempt dividend	-	-	-	-	-	(4,863)	(4,863)	-	(4,863)
Issue of ordinary shares pursuant to ESOS	459	71	-	-	-	-	530	-	530
Share options granted under ESOS	-	-	-	9	-	-	9	-	9
Subsidiary's interim tax exempt dividend	-	-	-	-	-	-	-	(110)	(110)
Transfer to share premium, arising from exercise of ESOS	-	138	-	(138)	-	-	-	-	-
<b>Total transactions with owners</b>	<b>459</b>	<b>209</b>	<b>-</b>	<b>(129)</b>	<b>-</b>	<b>(4,863)</b>	<b>(4,324)</b>	<b>(110)</b>	<b>(4,434)</b>
<b>At 30 June 2011</b>	<b>122,501</b>	<b>3,131</b>	<b>(1,533)</b>	<b>4,702</b>	<b>-</b>	<b>142,850</b>	<b>271,651</b>	<b>2,187</b>	<b>273,838</b>

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*

	6 months period ended 30 June	
	2012	2011
	RM'000	RM'000
<b><u>Discontinued Operations</u></b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	16,509	12,081
<u>Adjustments for:</u>		
Amortisation of intangible assets	197	194
Bad debts written off	-	2
Depreciation of property, plant and equipment	11,994	14,355
Gain on disposal of property, plant and equipment	(253)	(88)
Impairment/(reversal of impairment) of receivables	8	(156)
Impairment of goodwill	12,334	-
Increase in liability for defined benefit plan	111	131
Interest expense	911	663
Interest income	(642)	(517)
Inventories written down	691	151
Inventories written off	188	316
Net fair value (gain)/loss on derivatives	(2,196)	357
Property, plant and equipment written off	2	249
Proceeds from insurance claims	(16,977)	-
Reversal of impairment of property, plant and equipment	(10)	-
Share of loss of associates	64	12
Share options granted under ESOS	-	9
Short term accumulating compensated absences	(30)	(24)
Unrealised foreign exchange loss	1,709	301
Total adjustments	<u>8,101</u>	<u>15,955</u>
Operating profit before working capital changes	24,610	28,036
Increase in inventories	(14,455)	(6,198)
Increase in receivables	(38,528)	(8,100)
Increase/(decrease) in payables	19,414	(5,005)
(Increase)/decrease in long term receivable	(108)	23
Cash (used in)/generated from operations	<u>(9,067)</u>	<u>8,756</u>
Tax refunded	829	166
Interest paid	(880)	(657)
Retirement benefits paid	(226)	(128)
Tax paid	(950)	(1,749)
Net cash (used in)/generated from operating activities	<u>(10,294)</u>	<u>6,388</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(22,542)	(16,291)
Acquisition of intangible assets	(79)	(85)
Interest received	661	518
Investment in an associate	-	(11)
Proceeds from disposal of property, plant and equipment	261	100
Proceeds from insurance claims	16,977	-
Net cash used in investing activities	<u>(4,722)</u>	<u>(15,769)</u>

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*Unaudited*

	6 months period ended 30 June	
	2012	2011
	RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid by a subsidiary to non-controlling interest	-	(243)
Dividend paid by the Company	-	(4,863)
Drawdown of loans	13,652	7,441
Net change in bank borrowings	4,350	7,643
Proceeds from issuance of shares for ESOS exercised	-	530
Repayment of obligations under finance lease	(98)	(526)
Repayment of term loans	(9,090)	(9,513)
Net cash generated from financing activities	<u>8,814</u>	<u>469</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(6,202)	(8,912)
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	(240)	(1,879)
<b>CASH AND CASH EQUIVALENTS AS AT</b>		
<b>1 JANUARY</b>	85,983	89,272
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AS AT</b>		
<b>30 JUNE</b>	<u>79,541</u>	<u>78,481</u>

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the condensed consolidated statements of cash flows comprise the following balance sheet amounts:

	As At 30 June	
	2012	2011
	RM'000	RM'000
Cash and bank balances	80,279	80,832
Bank overdrafts	(738)	(2,351)
	<u>79,541</u>	<u>78,481</u>

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 30 June 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.

Acquisition before date of transition

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 virtue 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-acquisition 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
<b>ASSETS</b>			
<b>Non-current Assets</b>			
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
	<u>152,099</u>		<u>152,099</u>
<b>Current Assets</b>			
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
	<u>256,341</u>		<u>256,341</u>
<b>TOTAL ASSETS</b>	<u>408,440</u>		<u>408,440</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
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
	<u>269,435</u>		<u>269,435</u>
<b>Non-controlling interest</b>	<u>2,074</u>		<u>2,074</u>
<b>Total equity</b>	<u>271,509</u>		<u>271,509</u>
<b>Non-current Liabilities</b>			
Retirement benefits obligations	543		543
Loans and borrowings	9,293		9,293
Deferred tax liabilities	1,249		1,249
	<u>11,085</u>		<u>11,085</u>
<b>Current Liabilities</b>			
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
	<u>125,846</u>		<u>125,846</u>
<b>Total liabilities</b>	<u>136,931</u>		<u>136,931</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>408,440</u>		<u>408,440</u>

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

(ii) Reconciliation of equity as at 30 June 2011

	FRS as at 30 June 2011 RM'000	Note 3(c) Foreign currency translation reserve RM'000	MFRS as at 30 June 2011 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	110,614		110,614
Intangible assets	28,411		28,411
Interest in associates	3,046		3,046
Other investments	12		12
Retirement benefits plan assets	309		309
Deferred tax assets	3,509		3,509
	<u>145,901</u>		<u>145,901</u>
<b>Current Assets</b>			
Inventories	50,767		50,767
Trade receivables	114,938		114,938
Other receivables	4,090		4,090
Other current assets	10,175		10,175
Derivatives	591		591
Tax recoverable	1,976		1,976
Cash and bank balances	80,832		80,832
	<u>263,369</u>		<u>263,369</u>
<b>TOTAL ASSETS</b>	<u>409,270</u>		<u>409,270</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	122,501		122,501
Share premium	3,131		3,131
Treasury shares	(1,533)		(1,533)
Other reserves	(14,463)	19,165	4,702
Retained earnings	162,015	(19,165)	142,850
	<u>271,651</u>		<u>271,651</u>
<b>Non-controlling interest</b>	<u>2,187</u>		<u>2,187</u>
<b>Total equity</b>	<u>273,838</u>		<u>273,838</u>
<b>Non-current Liabilities</b>			
Retirement benefits obligations	575		575
Loans and borrowings	7,244		7,244
Deferred tax liabilities	1,373		1,373
	<u>9,192</u>		<u>9,192</u>
<b>Current Liabilities</b>			
Loans and borrowings	48,983		48,983
Trade payables	47,611		47,611
Other payables	25,418		25,418
Other current liabilities	3,551		3,551
Derivatives	36		36
Income tax payable	641		641
	<u>126,240</u>		<u>126,240</u>
<b>Total liabilities</b>	<u>135,432</u>		<u>135,432</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>409,270</u>		<u>409,270</u>

## 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
<b>ASSETS</b>			
<b>Non-current Assets</b>			
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
	<u>137,214</u>		<u>137,214</u>
<b>Current Assets</b>			
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
	<u>244,567</u>		<u>244,567</u>
<b>TOTAL ASSETS</b>	<u>381,781</u>		<u>381,781</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
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
	<u>225,094</u>		<u>225,094</u>
<b>Non-controlling interest</b>	2,340		2,340
<b>Total equity</b>	<u>227,434</u>		<u>227,434</u>
<b>Non-current Liabilities</b>			
Retirement benefits obligations	39		39
Loans and borrowings	7,016		7,016
Deferred tax liabilities	1,575		1,575
	<u>8,630</u>		<u>8,630</u>
<b>Current Liabilities</b>			
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
	<u>145,717</u>		<u>145,717</u>
<b>Total liabilities</b>	<u>154,347</u>		<u>154,347</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>381,781</u>		<u>381,781</u>

#### 4. Disposal Group Classified as Held for Sale

During the Extraordinary General Meeting held on 12 June 2012, the shareholders of the Company had approved the disposal of the entire business and undertakings (including all the assets and liabilities) of the Company to TYK Capital Sdn Bhd. Consequently, the management have determined that the criteria for the assets and liabilities to be classified as a disposal group which is held for sale under MFRS 5: Non-current Assets (And Disposal Group) Held For Sale have been met as at the end of the reporting date.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss. Hence, impairment of goodwill amounting of RM12,333,601 is recognised in profit or loss during the current quarter.

##### Statement of financial position disclosures

The assets and liabilities of the Group classified as held for sale and the related reserves as at reporting date are as follows:

	Note	As At 30 June 2012 RM'000
<b>ASSETS</b>		
Property, plant and equipment		139,347
Intangible assets		15,919
Interest in associates		3,060
Other investments		13
Retirement benefits plan assets		147
Deferred tax assets		5,615
Inventories		68,261
Trade receivables		104,928
Other receivables		5,088
Other current assets		18,210
Derivatives		798
Tax recoverable		2,426
Cash and bank balances		80,279
Assets of disposal group classified as held for sale		<u>444,091</u>
<b>LIABILITIES</b>		
Retirement benefits obligations		51
Loans and borrowings	25	54,444
Deferred tax liabilities		1,029
Trade payables		51,375
Other payables		74,926
Other current liabilities		8,615
Derivatives		2,281
Income tax payable		4,123
Liabilities of disposal group classified as held for sale		<u>196,844</u>
<b>RESERVES</b>		
Other reserves		14,046
Reserve of disposal group classified as held for sale		<u>14,046</u>



## 5. Auditors' Report on Preceding Annual Financial Statements

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

## 6. Segmental Information

Analysis by business segments:

6 months period ended 30 June 2012	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	154,626	70,073	-	224,699	-	224,699
Inter-segment sales	44,907	-	834	45,741	(45,741)	-
	199,533	70,073	834	270,440	(45,741)	224,699
Unallocated revenue						508
Total revenue						225,207
<b>Results</b>						
Segment results	12,711	15,609	310	28,630	-	28,630
Interest income						642
Unallocated expenses						(11,490)
Finance costs						(1,209)
Share of loss of associates						(64)
Profit before tax						16,509
Income tax expense						324
Profit for the period						16,833

## 6. Segmental Information (cont'd)

6 months period ended 30 June 2011	Manufacturing RM'000	Trading RM'000	Others RM'000	Amalgamated RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
<b>Revenue</b>						
External sales	253,366	-	-	253,366	-	253,366
Inter-segment sales	-	-	819	819	(819)	-
	253,366	-	819	254,185	(819)	253,366
Unallocated revenue						374
Total revenue						<u>253,740</u>
<b>Results</b>						
Segment results	10,927	(56)	327	11,198	-	11,198
Interest income						517
Unallocated income						1,045
Finance costs						(667)
Share of loss of associates						(12)
Profit before tax						<u>12,081</u>
Income tax expense						(1,463)
Profit for the period						<u>10,618</u>

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.

**7. Unusual Items due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 June 2012 except for the following:

	6 months period ended 30 June 2012 RM'000
Net fair value gain on derivatives (Note 26)	2,196
Interim proceeds from insurance claims	16,977
Impairment of goodwill (Note 4)	12,334

**8. Changes in Estimates**

There were no changes in estimates that have had a material effect on the current quarter's results.

**9. 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.

**10. Dividend Paid**

There was no dividend paid during the financial period ended 30 June 2012.

**11. Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 June 2012.

**12. Changes in Composition of the Group**

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

**13. Property, plant and equipment**

During the six months ended 30 June 2012, the Group acquired assets at a cost of RM45,884,216 (30 June 2011: RM10,198,954). Included in the total assets acquired is an amount of capital work-in-progress of RM10,312,162 (30 June 2011: RM562,876).

During the six months ended 30 June 2012, the Group disposed some of its fully depreciated and fully impaired assets with net carrying amount of RM2 (30 June 2011: RM13,066) at a gain on disposal of RM252,928 (30 June 2011: RM87,306), recognised and included in other income in the income statements.

#### 14. 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
<b>30 June 2012</b>				
<b>Derivative</b>				
Financial assets	-	798	-	798
Financial liabilities	-	(2,281)	-	(2,281)
<b>31 December 2011</b>				
<b>Derivative</b>				
Financial liabilities	-	(3,680)	-	(3,680)
<b>1 January 2011</b>				
<b>Derivative</b>				
Financial assets	-	916	-	916
Financial liabilities	-	(1)	-	(1)

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.

#### 15. Commitments

The amount of commitments not provided for in the interim financial statements as at 30 June 2012 is as follows:

	As At 30 June 2012 RM'000
Approved and contracted for:	
Property, plant and equipment	18,356
Intangible assets	611
Future minimum rental payments for non-cancellable operating lease agreements	6,746

#### 16. Changes in Contingent Liabilities and Contingent Assets

The total contingent liabilities as at 30 June 2012 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM47.8million (31 December 2011: RM40.2million).

## 17. 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 16 July 2012, HwangDBS Investment Bank Berhad (“HwangDBS”) on behalf of the Board, announced that the petition for confirmation of the proposed capital reduction by the High Court of Malaya has been fixed for hearing on 2 August 2012 at the Kuala Lumpur High Court.

On 2 August 2012, HwangDBS on behalf of the Board, announced that the High Court of Malaya in Kuala Lumpur had, on 2 August 2012, granted an order confirming the proposed capital reduction.

On 9 August 2012, HwangDBS on behalf of the Board, announced that the Sale of Business Agreement (“SBA”) between the Company and TYK Capital Sdn Bhd (“TYK”) has become unconditional following the fulfillment of the conditions precedent stipulated in the SBA.

On 9 & 10 August 2012, HwangDBS on behalf of the Board, announced that the entitlement date for the capital reduction is on 28 August 2012, with the payment date on 12 September 2012. Further, in order to facilitate the implementation of the capital reduction, the trading of ENG shares will be suspended with effect from 9.00am, 22 August 2012.

On 28 August 2012, HwangDBS on behalf of the Board, announced that the capital reduction exercise had taken effect with the lodgement of the Court Order with the Companies Commission of Malaysia on the same date. Pursuant thereto, the entire issued and paid-up share capital of the Company after the bonus issue has been cancelled. Simultaneously with the capital reduction exercise, the Company has issued 2 new ordinary shares to TYK, for cash at an issue price of RM1.00 each. Accordingly, the Company is now a wholly-owned subsidiary of TYK. In view of the above, HwangDBS announced the completion of the Proposed Disposal.

(b) Insurance claims by the subsidiaries which were affected by the floods in Ayutthaya, Thailand

On 7 August 2012, 16 August 2012 and 24 August 2012, the Company announced the status of the insurance claims received by both subsidiaries, Engtek (Thailand) Co., Ltd. (“ETCL”) and Altum Precision Co., Ltd. (“APT”). In summary, the breakdown of the insurance partial payments received by both ETCL and APT is as follows:

	Date Received	THB million	Equivalent to approximately RM million
<b>ETCL</b>			
First partial payment	1 March 2012	52.0	5.2
Part of Second partial payment	18 August 2012	55.0	5.5
Balance of Second partial payment	24 August 2012	53.4	5.3
		<b>160.4</b>	<b>16.0</b>
<b>APT</b>			
First partial payment	30 March 2012	50.0	5.0
Second partial payment	29 June 2012	70.0	7.0
		<b>120.0</b>	<b>12.0</b>

**17. Subsequent Events (cont'd)**

- (b) Insurance claims by the subsidiaries which were affected by the floods in Ayutthaya, Thailand (cont'd)

APT received a confirmation from APT's insurer confirming that they have awarded a total insurance claim of THB616.2 million (equivalent to approximately RM61.6 million) to APT as compensation for inventories, property, plant and equipment damages arising from the floods in Ayutthaya, Thailand. APT is expected to receive the balance of THB496.2 million (equivalent to approximately RM49.6 million) in the following manner:-

	THB million	Equivalent to RM million
Third partial payment expected to receive by 30 August 2012	69.4	6.9
Final payment expected to receive by 30 September 2012	426.8	42.7
	<b>496.2</b>	<b>49.6</b>

ETCL's insurer has yet to confirm the total insurance claim to be awarded to ETCL.

**ENG TEKNOLOGI HOLDINGS BHD.**

(Incorporated in Malaysia)

**PART B – EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A****18. Performance Review**

	3 months period ended 30 June	
	2012 RM Mil	2011 RM Mil
Revenue	122.3	133.4
(Loss)/Profit before tax	(1.4)	6.5

The Group revenue and loss before tax for the reporting quarter were RM122.3 mil and RM1.4 million respectively. Compared to the corresponding quarter in the previous year, the revenue was down by 8% and the profit before tax was down by 122%.

Revenue for the period was still low compared to the corresponding quarter last year as the capacity has not returned to pre-flood levels. The loss before tax was mainly attributable to impairment of goodwill of RM12.3 million and the net fair value changes on derivatives due to foreign exchange amounted to RM3.0 million recorded as a charge whilst an amount of Baht70 million (RM7.0 million equivalent) of insurance interim payment received in the reporting period recorded as a gain.

	6 months period ended 30 June	
	2012 RM Mil	2011 RM Mil
Revenue	225.2	253.7
Profit before tax	16.5	12.1

The Group revenue for the six month period ended 30 June 2012 was RM225.2 million. This was 11% lower than that for the corresponding period last year. The profit before tax however was higher by 36% compared to the corresponding period last year. The lower revenue recorded was also because the Group was still recovering from the effects of the floods as capacity has yet to achieve pre-flood level. The profit before tax was higher mainly as a result of interim payments received from the insurance claims amounting to Baht172 million (equivalent to about RM17.0 million) and a net fair value changes on derivatives of RM2.2 million recorded as a gain whilst impairment of goodwill of RM12.3 million recorded as a charge.

## Revenue by Geographical Segments (RM Mil)

3 months period ended:	Malaysia	Thailand	Hong Kong/		Elimination/		Total
			China	Philippines	Unallocated		
30 June 2012	67.3	14.8	39.2	18.3	(17.3)	122.3	
30 June 2011	70.7	69.8	26.0	8.7	(41.8)	133.4	

  

6 months period ended:	Malaysia	Thailand	Hong Kong/		Elimination/		Total
			China	Philippines	Unallocated		
30 June 2012	134.5	15.2	70.1	29.7	(24.3)	225.2	
30 June 2011	139.2	128.7	47.6	15.3	(77.1)	253.7	

## 19. Material Change in Profit Before Tax Against Preceding Quarter

The Group revenue for the reporting quarter of RM122.3 million was 19% higher than that of the immediate preceding quarter of RM102.9 million. The loss before tax of RM1.4 million in the reporting quarter compared to a profit of RM17.9 million for the preceding quarter was because the Group had a higher amount of net fair value changes on derivatives from foreign exchange and interim insurance payments received in the preceding quarter, and recognised an impairment of goodwill in current quarter.

### Revenue by Geographical Segments (RM Mil)

3 months period ended:	Malaysia	Thailand	Hong Kong/ China	Philippines	Elimination/ Unallocated	Total
30 June 2012	67.3	14.8	39.2	18.3	(17.3)	122.3
31 March 2012	67.2	0.4	30.9	11.4	(7.0)	102.9

## 20. Prospects

Revenue has improved steadily last two quarters as management replaced lost capacities. Product pricing has also improved, however the instability of the demand has caused higher operational cost to be incurred. This situation is expected to last another quarter or longer as the hard disk drive industry recovers from the effects of the floods. The management is also strategizing to regain its position lost as a major components supplier to its customers.

## 21. Profit Forecast or Profit Guarantee

Not applicable.

## 22. (Loss)/Profit Before Tax

Included in the (loss)/profit before tax are the following items:

	3 months period ended		6 months period ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(330)	(261)	(642)	(517)
Interest expense	509	329	911	663
Depreciation	6,570	7,208	11,994	14,355
Amortisation	93	97	197	194
Bad debts written off	-	(9)	-	2
Impairment/(Reversal of impairment) of receivables	6	(11)	8	(156)
Impairment of goodwill	12,334	-	12,334	-
Inventories written down	(55)	(140)	691	151
Inventories written off	27	238	188	316
Gain on disposal of property, plant and equipment	(93)	(1)	(253)	(88)
Property, plant and equipment written off	2	248	2	249
Reversal of impairment of property, plant and equipment	-	-	(10)	-
Net foreign exchange loss/(gain)	3,806	(100)	1,630	(77)
Net fair value loss/(gain) on derivatives	2,976	579	(2,196)	357



**23. Income Tax Expense**

	3 months period ended		6 months period ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	261	318	1,280	758
Foreign income tax	1,888	545	3,207	787
	<u>2,149</u>	<u>863</u>	<u>4,487</u>	<u>1,545</u>
Overprovision in prior year:				
Foreign income tax	-	-	(137)	-
	<u>2,149</u>	<u>-</u>	<u>4,350</u>	<u>-</u>
Deferred tax	(3,393)	(92)	(4,674)	(82)
Total income tax expense	<u>(1,244)</u>	<u>771</u>	<u>(324)</u>	<u>1,463</u>

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 30 June 2012 has reflected these changes.

The effective tax rate for the period ended 30 June 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.

**24. Corporate Proposals**

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

**25. Borrowings**

Details of the Group's borrowings as at 30 June 2012 are as follows:

	As At 30 June 2012 RM'000	As At 31 December 2011 RM'000
<b>Short term</b>		
Secured	15,740	20,903
Unsecured	<u>30,017</u>	<u>20,117</u>
	<u>45,757</u>	<u>41,020</u>
<b>Long term</b>		
Secured	<u>8,687</u>	<u>7,016</u>
	<u>54,444</u>	<u>48,036</u>

**25. Borrowings (cont'd)**

Borrowings denominated in foreign currency:

	As At 30 June 2012		As At 31 December 2011	
	Foreign currency '000	RM'000 equivalent	Foreign currency '000	RM'000 equivalent
<b>Short term</b>				
Secured	USD 3,906	12,439	USD 4,655	14,758
Secured	THB 445	44	THB 410	40
Secured	-	-	HKD 3,726	1,520
Unsecured	USD 5,857	18,665	USD 4,774	15,126
Unsecured	-	-	HKD 6,354	2,590
Unsecured	THB 43,000	4,268	-	-
<b>Long term</b>				
Secured	USD 2,704	8,635	USD 2,162	6,852
Secured	THB 373	37	THB 611	61

**26. Derivative Financial Instruments**

As at 30 June 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:

	Contract Value RM'000	Fair Value RM'000	(Liabilities)/ Assets RM'000
<b>Forward Foreign Currency Contracts</b>			
Less than 1 year:			
Used to hedge trade receivables/ anticipated sales	173,079	175,204	(2,125)
Used to hedge payables	41,817	42,459	642
			<u>(1,483)</u>

The fair value changes of derivative financial assets/ liabilities had resulted in a loss of RM2,976,160 for the current quarter and a gain of RM2,195,799 for the 6 months period ended ended 30 June 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.

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

	As At 30 June 2012 RM'000	As At 31 December 2011 RM'000 (restated)
Total retained profits of the Company and its subsidiaries:		
Realised	205,558	192,595
Unrealised	5,053	(191)
	<u>210,611</u>	<u>192,404</u>
Total share of retained profits from associated companies:		
Realised	(222)	(168)
Unrealised	15	26
	<u>210,404</u>	<u>192,262</u>
Less: Consolidation adjustments	<u>(104,246)</u>	<u>(102,130)</u>
Total Group retained profits as per consolidated accounts	<u>106,158</u>	<u>90,132</u>

**28. Changes in Material Litigation**

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

**29. Dividend**

The directors do not recommend any interim dividend for the financial period ended 30 June 2012.

**30. (Loss)/Earnings Per Share****(a) Basic**

Basic (loss)/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 June		6 months period ended 30 June	
	2012	2011	2012	2011
(Loss)/Profit attributable to owners of the parent (RM'000)	(792)	5,566	16,026	10,364
Weighted average number of ordinary shares in issue ('000)	122,007	121,455	122,007	121,455
Basic (loss)/earnings per share (sen)	(0.7)	4.5	13.1	8.5

**30. (Loss)/Earnings Per Share (cont'd)**

## (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 30 June		6 months period ended 30 June	
	2012	2011	2012	2011
(Loss)/Profit attributable to owners of the parent (RM'000)	(792)	5,566	16,026	10,364
Weighted average number of ordinary shares in issue ('000)	122,007	121,455	122,007	121,455
Effects of dilution:				
Share options	-	219	-	219
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	122,007	121,674	122,007	121,674
Diluted (loss)/earnings per share (sen)	(0.7)	4.5	13.1	8.5

**31. Authorisation for Issue**

On 28 August 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 (MIA 24701)  
 Secretary  
 28 August 2012