

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
31 March 2004

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

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ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As At 31 March 2004 RM'000	As At 31 December 2003 RM'000
Non-Current Assets			
Property, plant and equipment	9	116,760	111,885
Investment in an associate		34	34
Long-term receivable		2,342	2,358
Other investments	19	97	356
Goodwill on consolidation		27,309	28,027
		<u>146,542</u>	<u>142,660</u>
Current Assets			
Inventories		24,667	17,985
Trade receivables		58,951	55,657
Other receivables		13,645	16,762
Cash and bank balances		25,513	26,884
		<u>122,776</u>	<u>117,288</u>
Current Liabilities			
Short-term borrowings	22	18,498	21,213
Trade payables		36,364	28,845
Other payables		26,819	28,182
Tax payable		4,283	3,801
		<u>85,964</u>	<u>82,041</u>
Net Current Assets			
		<u>36,812</u>	<u>35,247</u>
		<u>183,354</u>	<u>177,907</u>
Financed by:			
Share capital		83,257	82,828
Reserves		59,584	52,740
Shareholders' equity		142,841	135,568
Minority interests		22,113	20,806
		<u>164,954</u>	<u>156,374</u>
Long-term borrowings	22	12,625	15,738
Deferred taxation		5,623	5,630
Government agency grant		152	165
		<u>18,400</u>	<u>21,533</u>
		<u>183,354</u>	<u>177,907</u>
Net tangible assets per share (RM)		1.39	1.30

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003. The accompanying notes are an integral part of these balance sheets.

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CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	3 months period ended	
		31 March	
		2004	2003
		RM'000	RM'000
Revenue		70,469	32,507
Cost of sales		(53,916)	(24,508)
Gross profit		16,553	7,999
Other operating income		995	1,248
Operating expenses		(7,937)	(5,357)
Operating profit		9,611	3,890
Finance costs		(530)	(87)
Profit before taxation	8	9,081	3,803
Taxation	18	(1,172)	(368)
Profit after taxation		7,909	3,435
Less: Minority interests		(1,335)	(209)
Net profit for the period		6,574	3,226
Basic earnings per share (sen)	26	7.9	4.0
Diluted earnings per share (sen)	26	7.7	N/A
* The cost of sales and operating expenses were arrived at after depreciation and amortisation of		7,651	4,328
The finance cost was arrived at after interest expense of		405	103

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003. The accompanying notes are an integral part of these statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		← Reserve →			
		← Non-distributable →		Distributable	
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2004	82,828	6,654	(4,764)	50,850	135,568
Exercise of Options under ESOS	429	527	-	-	956
Net profit for the period	-	-	-	6,574	6,574
Currency translation differences, representing net losses not recognised in income statement	-	-	(257)	-	(257)
At 31 March 2004	<u>83,257</u>	<u>7,181</u>	<u>(5,021)</u>	<u>57,424</u>	<u>142,841</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003. The accompanying notes are an integral part of this statement.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 months period ended 31 March 2004 RM'000	3 months period ended 31 March 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	19,895	3,235
Interest paid	(390)	(103)
Tax paid	(1,033)	(223)
Net cash generated from operating activities	<u>18,472</u>	<u>2,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	-	1
Interest received	39	234
Proceeds from disposal of property, plant and equipment	32	75
Proceeds from disposal of investment	287	-
Acquisition of property, plant and equipment	(14,686)	(1,985)
Net cash used in investing activities	<u>(14,328)</u>	<u>(1,675)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank borrowing	-	260
Repayment of lease and hire-purchase payables	(1,413)	(353)
Proceeds from issuance of shares for ESOS exercised	957	8
Dividend paid by a subsidiary to its minority shareholder	(244)	-
Repayment of term loans	(3,389)	(183)
Net cash used in financing activities	<u>(4,089)</u>	<u>(268)</u>
FOREIGN EXCHANGE TRANSLATION EFFECT	192	(645)
NET INCREASE IN CASH AND CASH EQUIVALENTS	55	966
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>23,975</u>	<u>21,195</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>24,222</u>	<u>21,516</u>

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amount:

	As At 31 March 2004 RM'000	As At 31 December 2003 RM'000
Cash and bank balances	25,513	26,884
Bank overdrafts	(1,286)	(3,215)
Effect of exchange rate on bank balances	(5)	306
	<u>24,222</u>	<u>23,975</u>

Certain fixed deposits of the Group amounting to RM557,036 (31 December 2003: RM3,834,533) have been pledged to the banks as collateral for banking facilities granted to certain subsidiaries.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2003. The accompanying notes are an integral part of this statement.

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PART A - DISCLOSURE NOTES AS REQUIRED UNDER MASB 26

1. Accounting Policies

This interim financial statements are unaudited and have been prepared in compliance with MASB 26, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), and should be read in conjunction with the audited financial statements for the year ended 31 December 2003. 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 2003.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2003, except for the adoption of MASB 31 and MASB 32, which became effective from 1 January 2004 for the Group. The adoption of MASB 31 and MASB 32 have not given rise to any adjustments to the opening balances of retained profits of the prior year and the current period or to changes in comparatives.

2. Auditors’ Report On Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2003 was not qualified.

3. Comments About Seasonality Or Cyclical Factors

The Group is subject to cyclical effects of the global technology industry.

4. 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 current quarter.

5. Changes In Estimates

Not applicable.

6. Debt And Equity Securities

During the financial period ended 31 March 2004, the Company issued 429,000 fully paid-up ordinary shares of RM1 each pursuant to the Employees’ Share Option Scheme (“ESOS”).

ESOS	Date of grant	As at 1/1/2004 '000	Granted '000	Exercised '000	Forgone '000	As at 31/3/2004 '000	Option price per ordinary share RM	Date of expiry
Option 1	23/10/2001	2,428	-	376	11	2,041	2.26	22/10/2011
Option 2	18/10/2002	505	-	21	63	421	1.96	22/10/2011
Option 3	23/05/2003	1,193	-	32	14	1,147	2.06	22/10/2011
Option 4	24/02/2004	-	515	-	2	513	4.06	22/10/2011

7. Dividend Paid

There was no dividend paid during the current quarter

8. Segmental Information

Segment information is presented in respect of the Group's geographical segments:

	← Manufacturing →		Others		Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000	Malaysia RM'000	Amalgamated RM'000		
<u>3 months period ended 31</u>						
<u>March 2004</u>						
External sales	12,014	58,136	287	70,437	-	70,437
Inter-segment sales	23,663	-	-	23,663	(23,663)	-
	35,677	58,136	287	94,100	(23,663)	70,437
Unallocated revenue						32
Total revenue						70,469
Segment results	1,981	8,659	28	10,668	-	10,668
Unallocated expenses						(1,057)
Profit from operations						9,611
Finance costs, net						(530)
Taxation						(1,172)
Profit after taxation						7,909
Minority interests						(1,335)
Net profit for the period						6,574

	← Manufacturing →		Others		Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000	Malaysia RM'000	Amalgamated RM'000		
<u>3 months period ended 31</u>						
<u>March 2003</u>						
External sales	14,274	18,166	-	32,440	-	32,440
Inter-segment sales	(3)	-	-	(3)	3	-
	14,271	18,166	-	32,437	3	32,440
Unallocated revenue						67
Total revenue						32,507
Segment results	2,650	2,305	(27)	4,928	-	4,928
Unallocated expenses						(1,038)
Profit from operations						3,890
Finance costs, net						(87)
Taxation						(368)
Profit after taxation						3,435
Minority interests						(209)
Net profit for the period						3,226

The directors are of the opinion that all inter-segment transfers have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. Those transfers are eliminated on consolidation.

9. Carrying Amount of Revalued Assets

The valuations of land and buildings have been brought forward, without amendment from the previous audited financial statements.

10. Material Events Subsequent To The Interim Period

There were no material events subsequent to the end of current quarter.

11. Changes In Composition Of The Group

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

12. Contingent Liabilities

The total contingent liabilities as at 31 March 2004 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM22.6 million (31 December 2003 : RM20.3 million).

13. Commitments

	31 March 2004 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	15,941
Professional fees	108
Property, plant and equipment	3,457

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PART B – DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA LISTING REQUIREMENTS

14. Performance Review

The Group achieved record revenue of RM70.5 million for the reporting quarter as compared to RM32.5 million for the comparative period last year. Profit before taxation also improved significantly to RM9.1 million for the quarter as against RM3.8 million for the corresponding quarter last year.

The commendable financial performance achieved during the quarter was primarily attributed to better revenue and improved operational earnings from the Group's subsidiaries.

While the demand trends from the Data Storage Sector remained buoyant during the quarter, the realisation of further contributions from the Industrial Product market sector has further enhanced the overall performance of the Group during the quarter.

15. Variation of Results Against Preceding Quarter

As compared to the preceding quarter results, the Group achieved further improvements in its revenue and earnings. The preceding quarter however included a non operational gain of RM4.5 million from reversal of impairment of goodwill, hence the operational earnings for the reporting quarter has achieved major improvements.

16. Current Year Prospects

The Group is confident of achieving further growth in its overall performance for the financial year 2004. Overall demand from the various market sectors that the Group is involved in remains fundamentally strong for the year. With the progressive additions of capacity in place and the continuous focus on cost optimisation, the Group is expected to achieve further profit margin improvements and hence stronger earnings for this financial year 2004.

17. Variance Of Actual Profit From Profit Forecast

Not applicable.

18. Taxation

	3 months period ended 31 March 2004 RM'000
Components of taxation:	
Income tax:	
Current period	1,190
Deferred tax:	
Current period	(18)
	<u>1,172</u>

The effective rate of taxation of the group is lower than the statutory rate of taxation principally due to certain income not subject to taxation and incentives enjoyed by the local subsidiaries under the Income Tax act, 1967 and foreign subsidiaries under their respective authorities.

19. Unquoted Investments And Properties

There were no sales of unquoted investments and properties during the current quarter.

20. Marketable Securities

There was no investment in marketable securities as at 31 March 2004.

21. Status Of Corporate Proposal

There was no corporate proposal announced but not completed.

22. Borrowings

Details of the Group's borrowings as at 31 March 2004 are as follows:

	Total borrowings as at 31 March 2004	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)
	(Unit'000) RM	
Secured	6,144	
Secured (Foreign currency)	13,823	USD 3,640
Secured (Foreign currency)	8,123	SGD 3,596
Secured (Foreign currency)	3	THB 36
Unsecured	3,030	
	<u>31,123</u>	
	Total borrowings as at 31 March 2004	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)
	(Unit'000)	
Short-term	4,028	
Short-term (Foreign currency)	8,430	USD 2,220
Short-term (Foreign currency)	6,038	SGD 2,673
Short-term (Foreign currency)	3	THB 36
Long-term	5,146	
Long-term (Foreign currency)	5,393	USD 1,420
Long-term (Foreign currency)	2,085	SGD 923
	<u>31,123</u>	

23. Financial Instruments

	Notional amount as at 20 May 2004 RM'000
Forward foreign exchange contracts:	
Within 1 year	19,926

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. Exposure to market risk may be reduced through offsetting on and off balance sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments. The related accounting policies for the off balance sheet financial instruments are as disclosed in the financial statements for the period ended 31 March 2004.

24. Material Litigation

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

25. Dividends

The directors do not recommend any interim dividend for the three months period ended 31 March 2004.

26. Earnings Per Share

(a) Basic

	3 months period ended 31 March	
	2004	2003
Net profit attributable to shareholders (RM '000)	6,574	3,226
Weighted average number of ordinary shares in issue ('000)	83,183	80,981
Basic earning per share (sen)	7.9	4.0

(b) Diluted

	3 months period ended 31 March	
	2004	2003
Net profit attributable to shareholders (RM'000)	6,574	-
Weighted average number of ordinary shares in issue ('000)	83,183	-
Adjusted for:		-
Assumed exercise of ESOS	1,940	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	85,123	-
Diluted earning per share (sen)	7.7	-

The diluted earnings per share of the Group for the 3 months period ended 31 March 2003 was not presented as the exercise of share options were anti-dilutive and would increase earnings per ordinary share from continuing operations.

27. Authorisation For Issue

On 20 May 2004, 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

20 May 2004