

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 June 2004

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

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ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As At 30 June 2004 RM'000	As At 31 December 2003 RM'000
Non-Current Assets			
Property, plant and equipment	9	114,546	111,885
Investment in an associate		34	34
Long-term receivable		2,338	2,358
Other investments	19 & 20	97	356
Goodwill on consolidation		26,592	28,027
		<u>143,607</u>	<u>142,660</u>
Current Assets			
Inventories		25,180	17,985
Trade receivables		59,774	55,657
Other receivables		10,893	16,762
Cash and bank balances		25,179	26,884
		<u>121,026</u>	<u>117,288</u>
Current Liabilities			
Short-term borrowings	22	25,465	21,213
Trade payables		30,125	28,845
Other payables		17,697	28,182
Tax payable		4,075	3,801
		<u>77,362</u>	<u>82,041</u>
Net Current Assets		<u>43,664</u>	<u>35,247</u>
		<u>187,271</u>	<u>177,907</u>
Financed by:			
Share capital		83,584	82,828
Reserves		65,461	52,740
Shareholders' equity		<u>149,045</u>	<u>135,568</u>
Minority interests		22,431	20,806
		<u>171,476</u>	<u>156,374</u>
Long-term borrowings	22	9,922	15,738
Deferred taxation		5,735	5,630
Government agency grant		138	165
		<u>15,795</u>	<u>21,533</u>
		<u>187,271</u>	<u>177,907</u>
Net tangible assets per share (RM)		1.47	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.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	3 months period ended 30 June		6 months period ended 30 June	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
Revenue		70,534	48,362	141,002	80,870
Cost of sales		(56,104)	(39,682)	(110,019)	(64,190)
Gross profit		14,430	8,680	30,983	16,680
Other operating income		1,420	1,041	2,228	2,289
Operating expenses		(7,225)	(6,915)	(14,975)	(12,272)
Gain on disposal of a subsidiary		-	3,155	-	3,155
Operating profit		8,625	5,961	18,236	9,852
Finance costs		(559)	(462)	(1,088)	(550)
Profit before taxation	8	8,066	5,499	17,148	9,302
Taxation	18	(1,049)	(1,205)	(2,221)	(1,574)
Profit after taxation		7,017	4,294	14,927	7,728
Less: Minority interests		(1,006)	(59)	(2,342)	(268)
Net profit for the period		6,011	4,235	12,585	7,460
Basic earnings per share (sen)	26	7.2	5.2	15.1	9.2
Diluted earnings per share (sen)	26	7.1	5.2	14.8	9.1
* The cost of sales and operating expenses were arrived at after depreciation and amortisation of		(7,780)	(5,723)	(15,431)	(10,065)
The finance cost was arrived at after interest expense of		(353)	(447)	(757)	(550)

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 →				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	
At 1 January 2004	82,828	6,654	(4,764)	50,850	135,568
Exercise of Options under ESOS	756	907	-	-	1,663
Net profit for the period	-	-	-	12,585	12,585
Currency translation differences, representing net losses not recognised in income statement	-	-	(771)	-	(771)
At 30 June 2004	<u>83,584</u>	<u>7,561</u>	<u>(5,535)</u>	<u>63,435</u>	<u>149,045</u>

	← Reserve →				Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	
At 1 January 2003 as previously stated	80,977	4,470	(4,376)	38,513	119,584
Prior year adjustment	-	-	-	(460)	(460)
At 1 January 2003 as restated	<u>80,977</u>	<u>4,470</u>	<u>(4,376)</u>	<u>38,053</u>	<u>119,124</u>
Exercise of Options under ESOS	87	99	-	-	186
Net profit for the period	-	-	-	7,460	7,460
Currency translation differences, representing net losses not recognised in income statement	-	-	(444)	-	(444)
At 30 June 2003	<u>81,064</u>	<u>4,569</u>	<u>(4,820)</u>	<u>45,513</u>	<u>126,326</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 STATEMENTS

	6 months period ended 30 June 2004 RM'000	6 months period ended 30 June 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,148	9,302
Adjustments for non-cash items	16,014	9,261
Operating profit before working capital changes	33,162	18,563
Increase in inventories	(7,268)	(1,165)
(Increase)/ decrease in receivables	(3,623)	6,237
Increase/(decrease) in payables	624	(8,086)
Decrease/ (increase) in long-term receivable	20	(15)
Cash generated from operations	* 22,915	15,534
Tax paid	(2,235)	(530)
Interest paid	(763)	(522)
Net cash generated from operating activities	19,917	14,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	715	120
Proceeds from disposal of investment	287	-
Interest received	254	314
Acquisition of property, plant and equipment	* (14,564)	(4,140)
Dividend received	-	1
Net cash used in acquisition of subsidiaries	-	(29,655)
Net cash used in investing activities	(13,308)	(33,360)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares for ESOS exercised	1,663	185
Drawdown of borrowings	1,200	25,519
Repayment of term loans	(6,792)	(1,727)
Repayment of lease and hire-purchase payables	(2,773)	(1,146)
Dividend paid by subsidiaries to minority shareholders	(1,889)	(122)
Net cash used in financing activities	(8,591)	22,709
FOREIGN EXCHANGE TRANSLATION EFFECT	(139)	(523)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,982)	3,831
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	23,975	21,195
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,854	24,503

* Wrong classification in preceding quarter has been adjusted in this period.

CASH AND CASH EQUIVALENTS

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

	As At 30 June 2004 RM'000	As At 30 June 2003 RM'000
Cash and bank balances	25,179	26,159
Bank overdrafts	(3,407)	(1,783)
Effect of exchange rate on bank balances	82	127
	<u>21,854</u>	<u>24,503</u>

Certain fixed deposits of the Group amounting to RM187,291 (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 Securities”), 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 financial period ended 30 June 2004.

5. Changes In Estimates

Not applicable.

6. Debt And Equity Securities

During the financial period ended 30 June 2004, the Company issued 756,000 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 30/6/2004 '000	Option price per ordinary share RM	Date of expiry
Option 1	23/10/2001	2,428	-	555	13	1,860	2.26	22/10/2011
Option 2	18/10/2002	505	-	43	75	387	1.96	22/10/2011
Option 3	23/05/2003	1,193	-	158	29	1,006	2.06	22/10/2011
Option 4	24/02/2004	-	515	-	18	497	4.06	22/10/2011

7. Dividend Paid

There was no dividend paid during the financial period ended 30 June 2004.

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>6 months period ended 30 June 2004</u>						
External sales	26,184	114,471	287	140,942	-	140,942
Inter-segment sales	46,552	-	-	46,552	(46,552)	-
	72,736	114,471	287	187,494	(46,552)	140,942
Unallocated revenue						60
Total revenue						141,002
Segment results	4,799	15,550	25	20,374	-	20,374
Unallocated expenses						(2,138)
Profit from operations						18,236
Finance costs, net						(1,088)
Taxation						(2,221)
Profit after taxation						14,927
Minority interests						(2,342)
Net profit for the period						12,585

	← Manufacturing →		Others		Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000	Malaysia RM'000	Amalgamated RM'000		
<u>6 months period ended 30 June 2003</u>						
External sales	24,806	55,968	-	80,774	-	80,774
Inter-segment sales	8,289	892	-	9,181	(9,181)	-
	33,095	56,860	-	89,955	(9,181)	80,774
Unallocated revenue						96
Total revenue						80,870
Segment results	3,167	5,850	(13)	9,004	-	9,004
Gain on disposal of a subsidiary						3,155
Unallocated expenses						(2,307)
Profit from operations						9,852
Finance costs, net						(550)
Taxation						(1,574)
Profit after taxation						7,728
Minority interests						(268)
Net profit for the period						7,460

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 30 June 2004 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM22.0 million (31 December 2003 : RM20.3 million).

13. Commitments

	30 June 2004 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	14,976
Property, plant and equipment	4,996
Approved but not contracted for:	
Property, plant and equipment	81

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

14. Performance Review

The Group achieved a 45% increase in revenue to RM70.5 million for the reporting quarter as compared to RM48.4 million for the comparative period last year. Profit before taxation also improved significantly to RM8.06 million for the quarter as against RM5.5 million for the corresponding quarter last year.

As for the first half year performance, the Group revenue and profit before taxation has increased by 75% and 84% respectively as compared to the corresponding first half year of the financial year 2003.

The commendable financial performance as reported above was mainly attributed to acquisition growth, better overall market demand and contributions from the industrial product sector.

15. Variation of Results Against Preceding Quarter

As compared to the preceding quarter results, the Group revenue remains flat and profit before taxation experience a slight reduction of RM1 million.

There were some demand weaknesses towards end of the quarter from the data storage market sector while the industrial product market sector continued with its growth trend. The current over-inventory and demand slowdown situation as anticipated in the data storage market is believed to be of temporary nature and should resume its pace by quarter four of financial year 2004.

The reduction in the current quarter's earnings was mainly attributed to the impact of raw material price increase and additional costs associated with capacity expansion incurred during the quarter.

16. Current Year Prospects

Having been able to register strong growth rates for the first half of the financial year, the Group is confident of achieving better overall performance in financial year 2004 going forward. The Group's growth strategies through acquisitions and business proliferations into the industrial product market have enabled its ability to achieve steadier business performance on a better economies of scale.

17. Variance Of Actual Profit From Profit Forecast

Not applicable.

18. Taxation

	3 months period ended 30 June 2004 RM'000	6 months period ended 30 June 2004 RM'000
Components of taxation:		
Income tax:		
Current period	912	2,102
Deferred tax:		
Current period	137	119
	1,049	2,221

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 financial period ended 30 June 2004.

20. Marketable Securities

	3 months period ended 30 June 2004 RM'000	6 months period ended 30 June 2004 RM'000
Purchase consideration	-	-
Sales proceed	-	286
Gain on disposal	-	29

There was no investment in marketable securities as at 30 June 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 30 June 2004 are as follows:

	Total borrowings as at 30 June 2004 (Unit'000) RM	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
Secured	6,101		
Secured (Foreign currency)	11,715	USD	3,085
Secured (Foreign currency)	6,153	SGD	2,780
Unsecured	6,483		
Unsecured (Foreign currency)	44	SGD	20
Unsecured (Foreign currency)	5	THB	57
Unsecured (Foreign currency)	4,886	HKD	10,038
	<u>35,387</u>		
	Total borrowings as at 30 June 2004 (Unit'000)	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
Short-term	7,609		
Short-term (Foreign currency)	8,430	USD	2,220
Short-term (Foreign currency)	4,535	SGD	2,049
Short-term (Foreign currency)	5	THB	57
Short-term (Foreign currency)	4,886	HKD	10,038
Long-term	4,975		
Long-term (Foreign currency)	3,285	USD	865
Long-term (Foreign currency)	1,662	SGD	751
	<u>35,387</u>		

23. Financial Instruments

Notional amount as at
5 August 2004
RM'000

Forward foreign exchange contracts:	
Within 1 year	18,646

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 year ended 31 December 2003.

24. Material Litigation

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

25. Dividends

- (a) A final tax exempt dividend of 6% (6 sen per share) in respect of the financial year ended 31 December 2003 (2002 : 3 sen per share tax exempt) has been approved by the shareholders and has been paid on 22 July 2004.
- (b) The Directors have approved the declaration of an interim tax exempt dividend of 3% (3 sen per share) in respect of the financial year ending 31 December 2004 (2003 : 3 sen per share) to be paid on 3 November 2004 to depositors registered in the Records of Depositors on 12 October 2004.
- (c) The total dividend per share to date for the current financial year is 3 sen tax exempt.

26. Earnings Per Share

- (a) Basic

	3 months period ended		6 months period ended	
	30 June		30 June	
	2004	2003	2004	2003
Net profit attributable to shareholders (RM '000)	6,011	4,235	12,585	7,460
Weighted average number of ordinary shares in issue ('000)	83,330	80,995	83,330	80,995
Basic earning per share (sen)	7.2	5.2	15.1	9.2

(b) Diluted

	3 months period ended 30 June		6 months period ended 30 June	
	2004	2003	2004	2003
Net profit attributable to shareholders (RM'000)	<u>6,011</u>	<u>4,235</u>	<u>12,585</u>	<u>7,460</u>
Weighted average number of ordinary shares in issue ('000)	83,330	80,995	83,330	80,995
Adjusted for:				
Assumed exercise of ESOS	<u>1,700</u>	<u>707</u>	<u>1,700</u>	<u>707</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>85,030</u>	<u>81,702</u>	<u>85,030</u>	<u>81,702</u>
Diluted earning per share (sen)	7.1	5.2	14.8	9.1

27. Authorisation For Issue

On 12 August 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
 12 August 2004