

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 September 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 30 September 2004 RM'000	As At 31 December 2003 RM'000
Non-Current Assets			
Property, plant and equipment		110,588	111,885
Investment in an associate		34	34
Long-term receivable		2,332	2,358
Other investments	20	97	356
Goodwill on consolidation		25,874	28,027
		<u>138,925</u>	<u>142,660</u>
Current Assets			
Inventories		28,083	17,985
Trade receivables		61,444	55,657
Other receivables		11,374	16,762
Cash and bank balances		21,431	26,884
		<u>122,332</u>	<u>117,288</u>
Current Liabilities			
Short-term borrowings	22	22,096	21,213
Trade payables		27,518	28,845
Other payables		24,132	28,182
Tax payable		4,368	3,801
		<u>78,114</u>	<u>82,041</u>
Net Current Assets		<u>44,218</u>	<u>35,247</u>
		<u>183,143</u>	<u>177,907</u>
Financed by:			
Share capital		83,621	82,828
Reserves		67,064	52,740
Shareholders' equity		<u>150,685</u>	<u>135,568</u>
Minority interests		19,706	20,806
		<u>170,391</u>	<u>156,374</u>
Long-term borrowings	22	7,243	15,738
Deferred taxation		5,384	5,630
Government agency grant		125	165
		<u>12,752</u>	<u>21,533</u>
		<u>183,143</u>	<u>177,907</u>
Net tangible assets per share (RM)		1.49	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 September		9 months period ended 30 September	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
Revenue		69,026	53,540	210,029	134,409
Cost of sales		(53,700)	(44,177)	(163,756)	(108,391)
Gross profit		15,326	9,363	46,273	26,018
Other operating income		928	1,505	2,888	3,794
Operating expenses		(7,357)	(6,192)	(22,028)	(18,440)
Gain on disposal of a subsidiary		-	-	-	3,155
Operating profit		8,897	4,676	27,133	14,527
Finance costs		(556)	(477)	(1,644)	(1,027)
Profit before taxation	8	8,341	4,199	25,489	13,500
Taxation	18	(615)	(1,545)	(2,836)	(3,118)
Profit after taxation		7,726	2,654	22,653	10,382
Less: Minority interests		(1,405)	149	(3,747)	(119)
Net profit for the period		6,321	2,803	18,906	10,263
Basic earnings per share (sen)	26	7.6	3.4	22.7	12.6
Diluted earnings per share (sen)	26	7.4	3.4	22.2	12.4
* The cost of sales and operating expenses were arrived at after depreciation and amortisation of		(8,268)	(6,874)	(23,699)	(16,938)
The finance cost was arrived at after interest expense of		(369)	(419)	(1,127)	(969)

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 STATEMENTS OF CHANGES IN EQUITY

	← Reserve →				Total RM'000
	Share Capital RM'000	← Non-distributable → 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	793	949	-	-	1,742
Net profit for the period	-	-	-	18,906	18,906
Final tax-exempt dividend	-	-	-	(5,014)	(5,014)
Currency translation differences, representing net losses not recognised in income statement	-	-	(517)	-	(517)
At 30 September 2004	<u>83,621</u>	<u>7,603</u>	<u>(5,281)</u>	<u>64,742</u>	<u>150,685</u>

	← Reserve →				Total RM'000
	Share Capital RM'000	← Non-distributable → 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	842	977	-	-	1,819
Net profit for the period	-	-	-	10,263	10,263
First and final tax-exempt dividend	-	-	-	(2,430)	(2,430)
Currency translation differences, representing net losses not recognised in income statement	-	-	(250)	-	(250)
At 30 September 2003	<u>81,819</u>	<u>5,447</u>	<u>(4,626)</u>	<u>45,886</u>	<u>128,526</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.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	9 months period ended 30 September 2004 RM'000	9 months period ended 30 September 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	25,489	13,500
Adjustments for non-cash items	24,409	16,244
Operating profit before working capital changes	49,898	29,744
Increase in inventories	(10,222)	385
(Increase)/ decrease in receivables	(1,250)	12,577
Increase/(decrease) in payables	1,213	(10,905)
Decrease/ (increase) in long-term receivable	26	(15)
Cash generated from operations	39,665	31,786
Tax refunded	-	409
Tax paid	(3,621)	(998)
Interest paid	(1,132)	(944)
Net cash generated from operating activities	34,912	30,253
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	755	474
Proceeds from disposal of investment	291	-
Interest received	363	426
Acquisition of property, plant and equipment	(21,235)	(11,086)
Dividend received	-	1
Net cash used in acquisition of subsidiaries	-	(29,654)
Net cash used in investing activities	(19,826)	(39,839)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	3,072	101
Proceeds from issuance of shares for ESOS exercised	1,742	1,819
Drawdown of term loan	-	25,064
Repayment of term loans	(11,388)	(9,241)
Dividend paid	(5,014)	(2,430)
Repayment of lease and hire-purchase payables	(4,175)	(2,032)
Dividend paid by subsidiaries to minority shareholders	(1,889)	(365)
Net cash (used in)/ generated from financing activities	(17,652)	12,916
FOREIGN EXCHANGE TRANSLATION EFFECT	(277)	(123)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,566)	3,330
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	23,975	21,195
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,132	24,402

CASH AND CASH EQUIVALENTS

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

	As At 30 September 2004 RM'000	As At 30 September 2003 RM'000
Cash and bank balances	21,431	26,459
Bank overdrafts	(290)	(2,191)
Effect of exchange rate on bank balances	(9)	134
	<u>21,132</u>	<u>24,402</u>

Certain fixed deposits of the Group amounting to RM30,415 (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

These 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 September 2004.

5. Changes In Estimates

Not applicable.

6. Debt And Equity Securities

During the financial period ended 30 September 2004, the Company issued 793,000 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 30/9/2004 '000	Option price per ordinary share RM	Date of expiry
Option 1	23/10/2001	2,428	-	564	83	1,781	2.26	22/10/2011
Option 2	18/10/2002	505	-	44	85	376	1.96	22/10/2011
Option 3	23/05/2003	1,193	-	185	35	973	2.06	22/10/2011
Option 4	24/02/2004	-	515	-	80	435	4.06	22/10/2011

7. Dividend Paid

The amount of dividend paid during the financial period ended 30 September 2004 was as follows:

	RM'000
In respect of the financial year ended 31 December 2003 as reported in the directors' report of that year:	
Final tax exempt dividend of 6%, paid on 22 July 2004	5,014

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>9 months period ended 30 September 2004</u>						
External sales	40,380	169,251	287	209,918	-	209,918
Inter-segment sales	68,679	-	-	68,679	(68,679)	-
	109,059	169,251	287	278,597	(68,679)	209,918
Unallocated revenue						111
Total revenue						<u>210,029</u>
Segment results	8,000	22,255	22	30,277	-	30,277
Unallocated expenses						(3,144)
Profit from operations						27,133
Finance costs, net						(1,644)
Taxation						(2,836)
Profit after taxation						22,653
Minority interests						(3,747)
Net profit for the period						<u>18,906</u>

	← Manufacturing →		Others		Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000	Malaysia RM'000	Amalgamated RM'000		
<u>9 months period ended 30 September 2003</u>						
External sales	35,018	99,279	-	134,297	-	134,297
Inter-segment sales	25,160	2,081	-	27,241	(27,241)	-
	60,178	101,360	-	161,538	(27,241)	134,297
Unallocated revenue						112
Total revenue						<u>134,409</u>
Segment results	3,857	11,492	(1)	15,348	-	15,348
Gain on disposal of a subsidiary						3,155
Unallocated expenses						(3,976)
Profit from operations						14,527
Finance costs, net						(1,027)
Taxation						(3,118)
Profit after taxation						10,382
Minority interests						(119)
Net profit for the period						<u>10,263</u>

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 September 2004 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM17.9 million (31 December 2003 : RM20.3 million).

13. Commitments

	30 September 2004 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	14,295
Property, plant and equipment	1,412
Professional fee	32
Approved but not contracted for:	
Property, plant and equipment	64

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

14. Performance Review

The Group revenue for the reporting quarter was RM69 million. Compared to the corresponding quarter last year, it was an increase of RM15.5 million or 29%. Profit before taxation was RM8.3 million for the quarter, an increase of 98% over the corresponding quarter last year.

For the nine months ended September 2004, the Group achieved RM210 million in revenue. This was an increase of 56% over the same period last year. Profit before taxation also increased significantly by 89% for the same period compared to corresponding period last year.

The significant growth in performance was attributed to overall improvement in demand and substantial growth in the industrial product sector.

15. Variation of Results Against Preceding Quarter

The revenue and profit before taxation remained steady compared to immediate preceding quarter. Revenue reduced slightly by RM1.5 million however profit increased marginally by RM0.2 million versus last quarter.

The data storage industry was correcting an over inventory situation in quarter three. The management believes that it is about at the tail end of the correction by end of the quarter. The slight improvement in profit whilst experiencing lower revenue was due to the drive in better cost management in the Group.

16. Current Year Prospects

The first nine months saw a very significant growth rate for the Group, already surpassing the entire 2003 revenue. In anticipation of a strong fourth quarter, the Group is optimistic of the prospect for the full financial year 2004.

17. Variance Of Actual Profit From Profit Forecast

Not applicable.

18. Taxation

	3 months period ended 30 September 2004 RM'000	9 months period ended 30 September 2004 RM'000
Components of taxation:		
Income tax:		
Current period	1,096	3,198
Overprovision in prior years	(123)	(123)
Deferred tax:		
Current period	(131)	(12)
Underprovision in prior year	(227)	(227)
	615	2,836

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 by foreign subsidiaries under their respective tax legislations.

19. Unquoted Investments And Properties

There were no sales of unquoted investments and properties during the financial period ended 30 September 2004 except for the disposal of unquoted shares on 15 July 2004 with cash consideration of RM5,000.

20. Marketable Securities

	3 months period ended 30 September 2004 RM'000	9 months period ended 30 September 2004 RM'000
Purchase consideration	-	-
Sales proceed	-	286
Gain on disposal	-	29

There was no investment in marketable securities as at 30 September 2004.

21. Status Of Corporate Proposal

On 26 November 2004, Eng Teknologi Holdings Bhd has announced the following:

- (i) Proposed bonus issue of up to 34,874,415 new ordinary shares of RM1.00 each on the basis of two (2) new ordinary shares of RM1.00 each for every five (5) existing ordinary shares of RM1.00 each held at a date to be determined and announced later;
- (ii) Proposed amendments to the existing by-laws of the employees' share option scheme; and
- (iii) Proposed increase in authorised share capital

22. Borrowings

Details of the Group's borrowings as at 30 September 2004 are as follows:

	Total borrowings as at 30 September 2004 (Unit'000) RM	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
Secured	4,392		
Secured (Foreign currency)	9,608	USD	2,530
Secured (Foreign currency)	4,509	SGD	2,009
Unsecured	7,252		
Unsecured (Foreign currency)	3,578	HKD	7,350
	<u>29,339</u>		
	Total borrowings as at 30 September 2004 (Unit'000)	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
Short-term	6,892		
Short-term (Foreign currency)	8,430	USD	2,220
Short-term (Foreign currency)	3,196	SGD	1,424
Short-term (Foreign currency)	3,578	HKD	7,350
Long-term	4,752		
Long-term (Foreign currency)	1,178	USD	310
Long-term (Foreign currency)	1,313	SGD	585
	<u>29,339</u>		

23. Financial Instruments

Notional amount as at
19 November 2004
RM'000

Forward foreign exchange contracts:
Within 1 year

30,104

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) and has been 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 30 September		9 months period ended 30 September	
	2004	2003	2004	2003
Net profit attributable to shareholders (RM '000)	6,321	2,803	18,906	10,263
Weighted average number of ordinary shares in issue ('000)	83,426	81,217	83,426	81,217
Basic earning per share (sen)	7.6	3.4	22.7	12.6

(b) Diluted

	3 months period ended 30 September		9 months period ended 30 September	
	2004	2003	2004	2003
Net profit attributable to shareholders (RM'000)	<u>6,321</u>	<u>2,803</u>	<u>18,906</u>	<u>10,263</u>
Weighted average number of ordinary shares in issue ('000)	83,426	81,217	83,426	81,217
Adjusted for:				
Assumed exercise of ESOS	<u>1,588</u>	<u>1,321</u>	<u>1,588</u>	<u>1,321</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>85,014</u>	<u>82,538</u>	<u>85,014</u>	<u>82,538</u>
Diluted earning per share (sen)	7.4	3.4	22.2	12.4

27. Authorisation For Issue

On 26 November 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
 26 November 2004