

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
31 December 2004

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

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	Note	As At 31 December 2004 RM'000	As At 31 December 2003 RM'000
<b>Non-Current Assets</b>			
Property, plant and equipment		112,456	111,885
Investment in an associate		34	34
Long-term receivable		2,333	2,358
Other investments	20	97	356
Goodwill on consolidation	4	28,286	28,027
		<u>143,206</u>	<u>142,660</u>
<b>Current Assets</b>			
Inventories		30,480	17,985
Trade receivables		63,209	55,657
Other receivables		10,237	16,762
Cash and bank balances		29,972	26,884
		<u>133,898</u>	<u>117,288</u>
<b>Current Liabilities</b>			
Short-term borrowings	22	22,271	21,213
Trade payables		33,231	28,845
Other payables		22,978	28,182
Tax payable		2,532	3,801
		<u>81,012</u>	<u>82,041</u>
<b>Net Current Assets</b>		<u>52,886</u>	<u>35,247</u>
		<u>196,092</u>	<u>177,907</u>
<b>Financed by:</b>			
Share capital		83,860	82,828
Reserves		75,764	52,740
Shareholders' equity		<u>159,624</u>	<u>135,568</u>
Minority interests		21,823	20,806
		<u>181,447</u>	<u>156,374</u>
Long-term borrowings	22	9,274	15,738
Deferred taxation		5,371	5,630
Government agency grant		-	165
		<u>14,645</u>	<u>21,533</u>
		<u>196,092</u>	<u>177,907</u>
Net tangible assets per share (RM)		1.57	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		Year ended	
		31 December		31 December	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
Revenue		73,928	67,265	283,957	201,675
Cost of sales		(56,854)	(53,319)	(220,610)	(161,710)
Gross profit		17,074	13,946	63,347	39,965
Other operating income		1,086	218	3,735	4,012
Operating expenses		(9,596)	(9,209)	(31,384)	(27,649)
Profit from operations		8,564	4,955	35,698	16,328
Reversal of impairment loss	4	3,900	4,500	3,900	4,500
Gain on disposal of a subsidiary		-	-	-	3,155
Finance costs, net		(489)	(503)	(2,133)	(1,530)
Profit before taxation	8	11,975	8,952	37,465	22,453
Taxation	18	(453)	(855)	(3,290)	(3,973)
Profit after taxation		11,522	8,097	34,175	18,480
Less: Minority interests		(1,559)	(678)	(5,306)	(797)
Net profit for the period/ year		9,963	7,419	28,869	17,683
Basic earnings per share (sen)	26	11.9	9.1	34.6	21.7
Diluted earnings per share (sen)	26	11.7	9.0	34.0	21.3
The cost of sales and operating expenses were arrived at after depreciation and amortisation of		(9,099)	(7,008)	(32,837)	(23,906)
The finance cost was arrived at after interest expense of		(311)	(397)	(1,438)	(1,366)

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**

	Share Capital RM'000	Reserve			Total RM'000
		Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	
At 1 January 2004	82,828	6,653	(4,763)	50,850	135,568
Exercise of options under ESOS	1,032	1,220	-	-	2,252
Net profit for the year	-	-	-	28,869	28,869
Dividends (Note 7)	-	-	-	(7,523)	(7,523)
Currency translation differences, representing net gains not recognised in income statement	-	-	458	-	458
At 31 December 2004	83,860	7,873	(4,305)	72,196	159,624

	Share Capital RM'000	Reserve			Total 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	80,977	4,470	(4,376)	38,053	119,124
Exercise of options under ESOS	1,851	2,183	-	-	4,034
Net profit for the year	-	-	-	17,683	17,683
Dividends	-	-	-	(4,886)	(4,886)
Currency translation differences, representing net losses not recognised in income statement	-	-	(387)	-	(387)
At 31 December 2003	82,828	6,653	(4,763)	50,850	135,568

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**

	Year ended 31 December 2004 RM'000	Year ended 31 December 2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	37,465	22,453
Adjustments for non-cash items	28,700	20,558
Operating profit before working capital changes	66,165	43,011
Increase in inventories	(12,767)	(3,386)
(Increase)/ decrease in receivables	(3,984)	218
Increase in payables	8,538	3,583
Decrease in long-term receivable	25	81
Cash generated from operations	57,977	43,507
Tax refunded	-	634
Tax paid	(6,293)	(1,782)
Interest paid	(1,444)	(1,347)
Net cash generated from operating activities	50,240	41,012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	844	890
Interest received	480	551
Proceeds from disposal of investment	291	-
Dividend received	-	1
Acquisition of property, plant and equipment	(25,768)	(12,959)
Net cash used in acquisition of a subsidiary	-	(29,695)
Net cash used in disposal of a subsidiary	-	(316)
Net cash used in investing activities	(24,153)	(41,528)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of term loan	7,456	25,064
Proceeds from issuance of shares for ESOS exercised	2,252	4,034
Net change in bank borrowings	2,000	-
Repayment of term loans	(15,843)	(16,813)
Dividend paid by the Company	(7,523)	(4,886)
Repayment of lease and hire-purchase payables	(5,427)	(3,234)
Dividend paid by subsidiaries to minority shareholders	(4,283)	(794)
Net cash (used in)/ generated from financing activities	(21,368)	3,371
<b>FOREIGN EXCHANGE TRANSLATION EFFECT</b>	849	(75)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,719	2,855
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	23,975	21,195
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	29,543	23,975

## CASH AND CASH EQUIVALENTS

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

	As At 31 December 2004 RM'000	As At 31 December 2003 RM'000
Cash and bank balances	29,972	26,884
Bank overdrafts	(422)	(3,215)
Effect of exchange rate on bank balances	(7)	306
	<u>29,543</u>	<u>23,975</u>

There were no fixed deposits being pledged to the banks as at 31 December 2004 (31 December 2003: RM3,834,533).

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 no material impact on the financial statements of the Group.

**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. Individually significant items**

Individually significant item for the year ended 31 December 2004 is:

	RM’000
Reversal of impairment loss	3,900

In financial year 2002, an impairment was made on the premise of loss of a major customer and revenue by a subsidiary in the Philippines. The reversal of impairment loss of RM3,900,000 (2003: RM4,500,000) was made to increase the carrying value of the goodwill on consolidation of the subsidiary in the Philippines to its estimated recoverable amount because of its success to recapture the actuators and base plate orders from the major customer. This is in addition to other customers secured in the last financial year.

**5. Changes In Estimates**

Not applicable.

## 6. Debt And Equity Securities

During the financial year ended 31 December 2004, the Company issued 1,032,000 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 31/12/2004 '000	Option price per ordinary share RM	Date of expiry
Option 1	23/10/2001	2,428	-	680	83	1,665	2.26	22/10/2011
Option 2	18/10/2002	505	-	103	85	317	1.96	22/10/2011
Option 3	23/05/2003	1,193	-	249	35	909	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 year ended 31 December 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
In respect of the financial year ended 31 December 2004:	
First interim tax exempt dividend of 3%, paid on 3 November 2004	2,509
	7,523

## 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>Year ended 31 December 2004</u>						
External sales	54,875	228,645	287	283,807	-	283,807
Inter-segment sales	91,797	-	-	91,797	(91,797)	-
	146,672	228,645	287	375,604	(91,797)	283,807
Unallocated revenue						150
Total revenue						283,957
Segment results	10,468	29,725	21	40,214		40,214
Unallocated expenses						(4,516)
Profit from operations						35,698
Reversal of impairment loss						3,900
Finance costs, net						(2,133)
Taxation						(3,290)
Profit after taxation						34,175
Minority interests						(5,306)
Net profit for the year						28,869

	← Manufacturing →		Others		Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000	Malaysia RM'000	Amalgamated RM'000		
<u>Year ended 31 December</u>						
<u>2003</u>						
External sales	46,155	155,364	-	201,519	-	201,519
Inter-segment sales	49,010	2,081	-	51,091	(51,091)	-
	95,165	157,445	-	252,610	(51,091)	201,519
Unallocated revenue						156
Total revenue						201,675
Segment results	4,770	18,829	34	23,633		23,633
Unallocated expenses						(7,305)
Profit from operations						16,328
Gain on disposal of a subsidiary						3,155
Reversal of impairment loss						4,500
Finance costs, net						(1,530)
Taxation						(3,973)
Profit after taxation						18,480
Minority interests						(797)
Net profit for the year						17,683

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 valuation of land and buildings has 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 except for the following:

- (a) On 6 January 2005, a subsidiary entered into a sale and purchase agreement to dispose a landed property for a consideration of RM2,700,000.

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

**13. Commitments**

	31 December 2004 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	11,821
Property, plant and equipment	8,143
Professional fee	379
Approved but not contracted for:	
Property, plant and equipment	134

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

**14. Performance Review**

The Group revenue for the financial year 2004 was RM284 million. This was an increase of 41% over financial year 2003. Profit before taxation for the year 2004 was RM37.5 million. Compared to the profit of RM22.5 million in 2003, there was an increase of 67% year on year.

The Group revenue for the quarter was RM73.9 million compared to RM67.3 million for the corresponding quarter in 2003. Profit before taxation for the reporting quarter was RM12.0 million compared to RM9.0 million in the same period last year.

The significant performance improvement for the year was mainly due to better business volume and revenue. This came about with improved demand from the data storage market sector, growth contributions from the Industrial Product sector, and the successful post acquisition integration of Altum Precision into the Group which has contributed substantially to the overall performance of the Group.

**15. Variation of Results Against Preceding Quarter**

The revenue for the reporting quarter of RM73.9 million was marginally better than the preceding quarter of RM69 million. Profit before taxation for the reporting quarter was RM12 million. This was an increase of 45% over the preceding quarter of RM8.3 million.

The better results in quarter four, after making additional year end provisions for employees incentives and bonuses, was due to improvements in overall demand in line with the general reduction in the channel inventories of the key data storage customers. The earnings improvement was also partly attributed to a reversal of impairment loss on goodwill.

**16. Current Year Prospects**

With the successful strategic repositioning of the Engtek Group in financial year 2004 for improved market sector and product mix with more diverse customer base, the Group is confident of achieving further growth and improved performance in the financial year 2005 going forward.

**17. Variance Of Actual Profit From Profit Forecast**

Not applicable.

**18. Taxation**

	3 months period ended 31 December 2004 RM'000	Year ended 31 December 2004 RM'000
Components of taxation:		
Income tax:		
Current period/ year	456	3,654
Under/ (Over)provision in prior years	25	(96)
Deferred tax:		
Current period/ year	(28)	(41)
Overprovision in prior year	-	(227)
	453	3,290

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 year ended 31 December 2004.

**20. Marketable Securities**

	3 months period ended 31 December 2004 RM'000	Year ended 31 December 2004 RM'000
Sales proceed	-	286
Gain on disposal	-	29

There were no purchase of marketable securities during the financial year ended 31 December 2004 and no investment in marketable securities was held as at 31 December 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 ("Proposed Bonus Issue");
- (ii) Proposed amendments to the existing by-laws of the employees' share option scheme (Proposed By-Laws Amendments"); and
- (iii) Proposed increase in authorised share capital ("Proposed IASC")

The Proposed Bonus Issue, Proposed By-Laws Amendments and Proposed IASC have been duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 23 February 2005.

**22. Borrowings**

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

	Total borrowings as at 31 December 2004  (Unit'000) RM	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
Secured	845		
Secured (Foreign currency)	15,285	USD	4,025
Secured (Foreign currency)	3,185	SGD	1,373
Unsecured	9,838		
Unsecured (Foreign currency)	2,392	HKD	4,900
	<u>31,545</u>		

	Total borrowings as at 31 December 2004	Included in the total borrowings are amounts denominated in foreign currency	
	(Unit'000)	(Unit'000)	
Short-term	6,216		
Short-term (Foreign currency)	11,487	USD	3,025
Short-term (Foreign currency)	2,176	SGD	938
Short-term (Foreign currency)	2,392	HKD	4,900
Long-term	4,467		
Long-term (Foreign currency)	1,009	SGD	435
Long-term (Foreign currency)	3,798	USD	1,000
	<u>31,545</u>		

### 23. Financial Instruments

	Notional amount as at 17 February 2005 RM'000
Forward foreign exchange contracts:	
Within 1 year	16,525

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

- An interim tax exempt dividend of 3% (3 sen per share) in respect of the financial year ended 31 December 2004 (2003: 3 sen per share) was paid on 3 November 2004 to depositors registered in the Records of Depositors on 12 October 2004.
- The directors recommend a final tax exempt dividend of 10% (10 sen per share) on ex-bonus basis as mentioned in Note 21 in respect of the financial year ended 31 December 2004 (2003: 6 sen per share). This proposed dividend is subject to the shareholders' approval in the forthcoming Annual General Meeting.
- The total dividend per share to date for the financial year ended 31 December 2004 is 13 sen tax exempt equivalent to 17 sen tax exempt after taking into consideration of the bonus issue as mentioned in Note 21 (2003: 9 sen per share).

**26. Earnings Per Share**

## (a) Basic

	3 months period ended 31 December		Year ended 31 December	
	2004	2003	2004	2003
Net profit attributable to shareholders (RM '000)	9,963	7,419	28,869	17,683
Weighted average number of ordinary shares in issue ('000)	83,513	81,532	83,513	81,532
Basic earning per share (sen)	11.9	9.1	34.6	21.7

## (b) Diluted

	3 months period ended 31 December		Year ended 31 December	
	2004	2003	2004	2003
Net profit attributable to shareholders (RM'000)	9,963	7,419	28,869	17,683
Weighted average number of ordinary shares in issue ('000)	83,513	81,532	83,513	81,532
Adjusted for:				
Assumed exercise of ESOS	1,436	1,315	1,436	1,315
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	84,949	82,847	84,949	82,847
Diluted earning per share (sen)	11.7	9.0	34.0	21.3

**27. Authorisation For Issue**

On 24 February 2005, 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  
 24 February 2005