

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
31 March 2005

**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 2005 RM'000	As At 31 December 2004 RM'000
<b>Non-Current Assets</b>			
Property, plant and equipment		113,575	112,456
Investment in an associate		34	34
Long-term receivable		2,413	2,333
Other investments		99	97
Goodwill on consolidation		27,173	28,286
		<u>143,294</u>	<u>143,206</u>
<b>Current Assets</b>			
Inventories		32,676	30,480
Trade receivables		67,364	63,209
Other receivables		10,470	10,237
Cash and bank balances		30,541	29,972
		<u>141,051</u>	<u>133,898</u>
<b>Current Liabilities</b>			
Short-term borrowings	22	17,012	22,271
Trade payables		34,720	33,231
Other payables		24,413	22,978
Tax payable		2,955	2,532
		<u>79,100</u>	<u>81,012</u>
<b>Net Current Assets</b>		<u>61,951</u>	<u>52,886</u>
		<u>205,245</u>	<u>196,092</u>
<b>Financed by:</b>			
Share capital		117,447	83,860
Reserves		48,671	75,765
Shareholders' equity		166,118	159,625
Minority interests		23,754	21,822
		<u>189,872</u>	<u>181,447</u>
Long-term borrowings	22	9,689	9,274
Deferred taxation		5,684	5,371
		<u>205,245</u>	<u>196,092</u>
Net tangible assets per share (RM)		1.18	1.57

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2004. 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 31 March	
		2005	2004
		RM'000	RM'000
Revenue		75,798	70,469
Cost of sales		(57,203)	(52,571)*
Gross profit		18,595	17,898
Other operating income		936	995
Operating expenses		(9,679)	(9,282)*
Profit from operations		9,852	9,611
Finance costs, net		(557)	(530)
Profit before taxation		9,295	9,081
Taxation		(1,283)	(1,172)
Profit after taxation		8,012	7,909
Less: Minority interests		(1,993)	(1,335)
Net profit for the period		6,019	6,574
Basic earnings per share (sen)	26	5.1	5.6**
Diluted earnings per share (sen)	26	5.1	5.5**
The cost of sales and operating expenses were arrived at after depreciation and amortisation of		(8,553)	(7,651)
The finance cost was arrived at after interest expense of		(408)	(405)

\* The above figures have been reclassified to conform with current year's presentation.

\*\* The above figures have been adjusted for bonus issue of 2 for 5 completed during the financial period ended 31 March 2005.

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2004. The accompanying notes are an integral part of these statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Reserves →					Grand Total RM'000
	Share Capital RM'000	← Non-distributable →		Other Reserves RM'000	Distributable Retained Profits RM'000	
Share Premium RM'000						
At 1 January 2005	83,860	7,873	(4,304)	72,196	75,765	159,625
Exercise of options under ESOS	31	38	-	-	38	69
Bonus Issue of 2 for 5	33,556	(7,911)	-	(25,645)	(33,556)	-
Net profit for the period	-	-	-	6,019	6,019	6,019
Currency translation differences, representing net gains not recognised in income statement	-	-	405	-	405	405
At 31 March 2005	117,447	-	(3,899)	52,570	48,671	166,118

	← Reserves →					Grand Total RM'000
	Share Capital RM'000	← Non-distributable →		Other Reserves RM'000	Distributable Retained Profits RM'000	
Share Premium RM'000						
At 1 January 2004	82,828	6,654	(4,764)	50,850	52,740	135,568
Exercise of options under ESOS	429	527	-	-	527	956
Net profit for the period	-	-	-	6,574	6,574	6,574
Currency translation differences, representing net losses not recognised in income statement	-	-	(257)	-	(257)	(257)
At 31 March 2004	83,257	7,181	(5,021)	57,424	59,584	142,841

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2004. The accompanying notes are an integral part of this statement.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	3 months period ended 31 March	
	2005	2004
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,295	9,081
Adjustments for non-cash items	9,263	8,525
Operating profit before working capital changes	18,558	17,606
Increase in inventories	(2,241)	(6,740)
Increase in receivables	(5,100)	(6,195)
(Decrease)/ increase in payables	(1,907)	4,936
(Increase)/ decrease in long-term receivable	(80)	16
Proceeds from sale of quoted investment	-	287
Cash generated from operations	9,230	9,910
Tax refunded	942	-
Tax paid	(353)	(1,033)
Interest paid	(411)	(390)
Net cash generated from operating activities	9,408	8,487
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	148	39
Proceeds from disposal of property, plant and equipment	60	32
Acquisition of property, plant and equipment	(2,237)	(4,414)
Net cash used in investing activities	(2,029)	(4,343)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of term loan	4,175	-
Net change in bank borrowings	412	-
Proceeds from issuance of shares for ESOS exercised	69	957
Repayment of term loans	(6,559)	(3,389)
Repayment of lease and hire-purchase payables	(3,093)	(1,413)
Dividend paid by subsidiaries to minority shareholders	(1,997)	(244)
Net cash used in financing activities	(6,993)	(4,089)
<b>FOREIGN EXCHANGE TRANSLATION EFFECT</b>	(30)	192
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	386	55
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	29,543	23,975
<b>CASH AND CASH EQUIVALENTS AS AT 31 MARCH</b>	29,899	24,222

## 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	
	2005 RM'000	2004 RM'000
Cash and bank balances	30,541	25,513
Bank overdrafts	(638)	(1,286)
Effect of exchange rate on bank balances	(4)	(5)
	<u>29,899</u>	<u>24,222</u>

There were no fixed deposits being pledged to the banks as at 31 March 2005 (31 December 2004: Nil).

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2004. The accompanying notes are an integral part of this statement.

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**PART A - DISCLOSURE NOTES AS REQUIRED UNDER FRS 134**

**1. Accounting Policies**

These interim financial statements are unaudited and have been prepared in compliance with FRS 134 (previously known as 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 2004. 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 2004.

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 2004.

**2. Auditors’ Report On Preceding Annual Financial Statements**

The auditors’ report on the financial statements for the year ended 31 December 2004 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 31 March 2005

**5. Changes In Estimates**

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

**6. Debt And Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

- (a) During the financial period ended 31 March 2005, the Company issued 33,556,415 new ordinary shares of RM1 each credited as fully paid-up pursuant to the bonus issue on the basis of two new ordinary shares for every five existing ordinary shares held, by way of the capitalisation of retained profits and share premium account.

- (b) During the financial period ended 31 March 2005, the Company issued 31,000 fully paid-up ordinary shares of RM1 each pursuant to the Employees' Share Option Scheme ("ESOS").

ESOS	Date of grant	Date of expiry	As at 1/1/2005 '000	Exercised (Before Bonus Issue) '000	Forgone (Before Bonus Issue) '000	Adjustment pursuant to Bonus Issue '000	As at 31/3/2005 '000	Option price per Ordinary Share RM	Adjusted Option price per Ordinary Share RM
Option 1	23/10/2001	22/10/2011	1,665	24	1	656	2,296	2.26	1.62
Option 2	18/10/2002	22/10/2011	317	1	44	109	381	1.96	1.40
Option 3	23/05/2003	22/10/2011	909	6	4	360	1,259	2.06	1.48
Option 4	24/02/2004	22/10/2011	435	0	2	173	606	4.06	2.90
			<u>3,326</u>	<u>31</u>	<u>51</u>	<u>1,298</u>	<u>4,542</u>		

## 7. Dividend Paid

There was no dividend paid during the financial period ended 31 March 2005.

## 8. Segmental Information

Analysis by nature of business and geographical locations:

	← 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 March 2005</u>						
External sales	13,978	61,760	-	75,738	-	75,738
Inter-segment sales	26,447	-	167	26,614	(26,614)	-
	<u>40,425</u>	<u>61,760</u>	<u>167</u>	<u>102,352</u>	<u>(26,614)</u>	<u>75,738</u>
Unallocated revenue						60
Total revenue						<u>75,798</u>
Segment results	3,740	6,582	(65)	10,257	-	10,257
Unallocated expenses						(405)
Finance costs, net						(557)
Taxation						(1,283)
Profit after taxation						<u>8,012</u>
Minority interests						(1,993)
Net profit for the period						<u>6,019</u>

	← Manufacturing →		Others	Amalgamated	Elimination	Consolidated
	Malaysia	Other Asia Pacific Countries				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>3 months period ended 31 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	1,869	8,036	28	9,933	-	9,933
Unallocated expenses						(322)
Finance costs, net						(530)
Taxation						(1,172)
Profit after taxation						7,909
Minority interests						(1,335)
Net profit for the period						6,574

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.

#### 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 2005 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM28.3 million (31 December 2004 : RM20.3 million).

#### 13. Commitments

	As at 31 March 2005 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	17,406
Property, plant and equipment	2,504
Professional fee	248

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

**14. Performance Review**

The Group's revenue for the reporting quarter was at RM75.8 million as compared to RM70.5 million for the corresponding quarter in previous year. The consistent improvement trend in the Group's revenue over the last few quarters was attributed to better overall market demand for the Group's products and additional contributions from the gradual increase in new product volumes and installed capacities.

The Group's profit before taxation for the reporting quarter was at RM9.3 million as compared to RM9.1 million for the corresponding quarter in previous year. As compared, the earnings stayed relatively flat and was primarily due to the escalating cost of raw materials, in particular the steep hike in the worldwide aluminum commodity prices.

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

The Group's revenue increased marginally from RM73.9 million in the preceding quarter to RM75.8 million for the reporting quarter. The increase was marginal despite increased capacity installed due to shorter working quarter. The Group's profit before taxation of RM9.3 million for the quarter was lower compared to RM12 million for the preceding quarter. However, the preceding quarter result had reversals of impairment on goodwill and doubtful debt of RM4.1 million. Without taking the reversals, the operational earnings have improved.

**16. Current Year Prospects**

The Group expects to increase the revenue and earnings marginally in the subsequent quarter. The commencement of full volume production of additional products will take effect more significantly in the second half of the financial year 2005. With that, management anticipates better revenue and earnings for the whole year of 2005, barring unforeseen external factors.

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

Not applicable.

**18. Taxation**

	3 months period ended 31 March 2005 RM'000
Components of taxation:	
Income tax:	
Current period	959
Deferred tax:	
Current period	324
	<u>1,283</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 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 31 March 2005 except for:

- (a) On 6 January 2005, a subsidiary entered into a sale and purchase agreement to dispose an undeveloped land for a consideration of RM2,700,000. However, the disposal was not completed as at 31 March 2005. Profit on the disposal will be recognised upon completion of the agreement.
- (b) On 28 February 2005, a subsidiary entered into a sale and purchase agreement to dispose two landed properties for a consideration of RM670,000. However, the disposal was not completed as at 31 March 2005. Profit on the disposal will be recognised upon completion of the agreement.

**20. Marketable Securities**

There were no purchase of marketable securities during the financial period ended 31 March 2005 and no investment in marketable securities as at 31 March 2005.

**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 2005 are as follows:

	Total borrowings as at 31 March 2005	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
	RM'000		
<b>Short-term</b>			
Secured	2,402		
Secured (Foreign currency)	9,380	USD	2,470
Secured (Foreign currency)	108	SGD	47
Unsecured	1,517		
Unsecured (Foreign currency)	2,412	USD	635
Unsecured (Foreign currency)	1,193	HKD	2,450
	<u>17,012</u>		
<b>Long-term</b>			
Secured	1,735		
Secured (Foreign currency)	7,310	USD	1,925
Secured (Foreign currency)	102	SGD	44
Unsecured	542		
	<u>9,689</u>		
	<u><b>26,701</b></u>		

**23. Financial Instruments**

	Notional amount as at 5 May 2005 RM'000
Forward foreign exchange contracts:	
Within 1 year	29,406

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 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 financial period ended 31 March 2005.

**26. Earnings Per Share**

## (a) Basic

	3 months period ended 31 March	
	2005	2004
Net profit for the period (RM '000)	6,019	6,574
Weighted average number of ordinary shares in issue ('000)	117,437	116,456*
Basic earning per share (sen)	5.1	5.6*

## (b) Diluted

	3 months period ended 31 March	
	2005	2004
Net profit for the period (RM '000)	6,019	6,574
Weighted average number of ordinary shares in issue ('000)	117,437	116,456*
Adjusted for:		
Assumed exercise of ESOS	1,454	2,716*
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	118,891	119,172
Diluted earning per share (sen)	5.1	5.5*

\* The above figures have been adjusted for bonus issue of 2 for 5 completed during the financial period ended 31 March 2005.

**234669 M**

**27. Authorisation For Issue**

On 12 May 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  
12 May 2005