

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 June 2005

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 2005 RM'000	As At 31 December 2004 RM'000
Non-Current Assets			
Property, plant and equipment		112,480	112,456
Investment in an associate		34	34
Long-term receivable		2,350	2,333
Other investments		97	97
Goodwill on consolidation		26,061	28,286
		<u>141,022</u>	<u>143,206</u>
Current Assets			
Inventories		33,113	30,480
Trade receivables		65,474	63,209
Other receivables		9,650	10,237
Cash and bank balances		31,851	29,972
		<u>140,088</u>	<u>133,898</u>
Current Liabilities			
Short-term borrowings	22	21,707	22,271
Trade payables		29,320	33,231
Other payables		31,152	22,978
Tax payable		2,428	2,532
		<u>84,607</u>	<u>81,012</u>
Net Current Assets		<u>55,481</u>	<u>52,886</u>
		<u>196,503</u>	<u>196,092</u>
Financed by:			
Share capital		117,924	83,860
Reserves		42,825	75,765
Shareholders' equity		160,749	159,625
Minority interests		21,897	21,822
		<u>182,646</u>	<u>181,447</u>
Long-term borrowings	22	7,898	9,274
Deferred taxation		5,959	5,371
		<u>196,503</u>	<u>196,092</u>
Net tangible assets per share (RM)		1.14	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 30 June		6 months period ended 30 June	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
Revenue		81,827	70,534	157,625	141,002
Cost of sales		(61,978)	(54,853)*	(119,181)	(107,423)*
Gross profit		19,849	15,681	38,444	33,579
Other operating income		1,969	1,420	2,715	2,228
Operating expenses		(10,870)	(8,476)*	(20,359)	(17,571)*
Profit from operations		10,948	8,625	20,800	18,236
Finance costs		(498)	(559)	(1,055)	(1,088)
Profit before taxation		10,450	8,066	19,745	17,148
Taxation	18	(1,205)	(1,049)	(2,488)	(2,221)
Profit after taxation		9,245	7,017	17,257	14,927
Less: Minority interests		(2,239)	(1,006)	(4,232)	(2,342)
Net profit for the period		7,006	6,011	13,025	12,585
Basic earnings per share (sen)	26	6.0	5.2**	11.1	10.8**
Diluted earnings per share (sen)	26	5.9	5.0**	11.0	10.6**
The cost of sales and operating expenses were arrived at after depreciation and amortisation of		(8,175)	(7,780)	(16,728)	(15,431)
The finance cost was arrived at after interest expense of		(326)	(353)	(734)	(757)

* 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 30 June 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 →				Total RM'000	Grand Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000		
At 1 January 2005	83,860	7,873	(4,304)	72,196	75,765	159,625
Exercise of options under ESOS	508	278	-	-	278	786
Bonus Issue of 2 for 5	33,556	(7,911)	-	(25,645)	(33,556)	-
Net profit for the period	-	-	-	13,025	13,025	13,025
Final tax exempt dividend	-	-	-	(11,791)	(11,791)	(11,791)
Currency translation differences, representing net losses not recognised in income statement	-	-	(896)	-	(896)	(896)
At 30 June 2005	117,924	240	(5,200)	47,785	42,825	160,749

	← Reserves →				Total RM'000	Grand Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000		
At 1 January 2004	82,828	6,654	(4,764)	50,850	52,740	135,568
Exercise of options under ESOS	756	907	-	-	907	1,663
Net profit for the period	-	-	-	12,585	12,585	12,585
Currency translation differences, representing net losses not recognised in income statement	-	-	(771)	-	(771)	(771)
At 30 June 2004	83,584	7,561	(5,535)	63,435	65,461	149,045

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

	6 months period ended 30 June	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,745	17,148
Adjustments for non-cash items	17,309	16,014
Operating profit before working capital changes	37,054	33,162
Increase in inventories	(2,779)	(7,268)
Increase in receivables	(3,295)	(3,623)
(Decrease)/increase in payables	(3,784)	624
(Increase)/ decrease in long-term receivable	(16)	20
Proceeds from sale of quoted investment	-	287
Cash generated from operations	27,180	23,202
Tax refunded	942	-
Tax paid	(1,811)	(2,235)
Interest paid	(741)	(763)
Net cash generated from operating activities	25,570	20,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	3,430	715
Interest received	306	254
Acquisition of property, plant and equipment	(9,120)	(14,564)
Net cash used in investing activities	(5,384)	(13,595)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in bank borrowings	8,178	1,200
Drawdown of term loan	4,175	-
Proceeds from issuance of shares for ESOS exercised	786	1,663
Dividend paid by the Company	(11,791)	-
Repayment of term loans	(10,992)	(6,792)
Dividends paid by subsidiaries to minority shareholders	(4,423)	(1,889)
Repayment of lease and hire-purchase payables	(3,742)	(2,773)
Net cash used in financing activities	(17,809)	(8,591)
FOREIGN EXCHANGE TRANSLATION EFFECT	(1,039)	(139)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	2,377	(1,982)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	29,543	23,975
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	30,881	21,854

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	
	2005 RM'000	2004 RM'000
Cash and bank balances	31,851	25,179
Bank overdrafts	(958)	(3,407)
Effect of exchange rate on bank balances	(12)	82
	<u>30,881</u>	<u>21,854</u>

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, 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 30 June 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 30 June 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 30 June 2005, the Company issued 508,200 fully paid-up ordinary shares of RM1 each pursuant to the Employees' Share Option Scheme ("ESOS").

<u>ESOS</u>	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>	<u>Option 4</u>	<u>Total</u>
Date of Grant	23/10/2001	18/10/2002	23/05/2003	24/02/2004	
Date of Expiry	22/10/2011	22/10/2011	22/10/2011	22/10/2011	
As at 1/1/2005	1,665	317	909	435	3,326
Exercised (before Bonus Issue)	24	1	6	-	31
Exercised (after Bonus Issue)	154	134	189	-	477
Forgone	1	44	4	2	51
Adjustment pursuant to Bonus Issue	656	109	360	173	1,298
As at 30/6/2005	<u>2,142</u>	<u>247</u>	<u>1,070</u>	<u>606</u>	<u>4,065</u>
Option price per Ordinary Share	2.26	1.96	2.06	4.06	
Adjusted Option price per Ordinary Share	1.62	1.40	1.48	2.90	

7. Dividend Paid

The amount of dividend paid during the financial period ended 30 June 2005 was as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:	
Final tax exempt dividend of 10%, paid on 28 June 2005	11,791

8. Segmental Information

Analysis by nature of business and geographical locations:

	← Manufacturing →		Trading	Others	Amalgamated	Elimination	Consolidated
	Malaysia	Other Asia Pacific Countries	Other Asia Pacific Country	Malaysia			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>6 months period ended</u> <u>30 June 2005</u>							
External sales	28,164	88,251	41,084	-	157,499	-	157,499
Inter-segment sales	55,433	-	-	335	55,768	(55,768)	-
	<u>83,597</u>	<u>88,251</u>	<u>41,084</u>	<u>335</u>	<u>213,267</u>	<u>(55,768)</u>	<u>157,499</u>
Unallocated revenue							126
Total revenue							<u>157,625</u>
Segment results	10,980	12,735	124	204	24,043	-	24,043
Unallocated expenses							(3,243)
Finance costs, net							(1,055)
Taxation							(2,488)
Profit after taxation							<u>17,257</u>
Minority interests							(4,232)
Net profit for the period							<u>13,025</u>

	← Manufacturing →		Trading Other Asia Pacific Country RM'000	Others Malaysia RM'000	Amalgamated RM'000	Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000					
<u>6 months period ended</u>							
<u>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	4,783	15,747	-	25	20,555	-	20,555
Unallocated expenses							(2,319)
Finance costs, net							(1,088)
Taxation							(2,221)
Profit after taxation							14,927
Minority interests							(2,342)
Net profit for the period							12,585

The comparative amounts for 6 months period ended 30 June 2004 have been reclassified to conform with current year's presentation.

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:

On 11 August 2005, the Company entered into a conditional Share Sale Agreement with Ultron Technologies Limited for the acquisition of 1,434,933 ordinary shares of SGD1.00 each in Altum Precision Pte Ltd ("Altum"), a 60% owned subsidiary, representing 10% of the issued and paid-up share capital of Altum for a total cash consideration of SGD2.93 million.

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 2005 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM36.9 million (31 December 2004 : RM20.3 million).

13. Commitments

	As at 30 June 2005 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	16,762
Property, plant and equipment	4,440
Professional fee	137

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

14. Performance Review

The Group has scaled new heights with its record quarterly revenue of RM81.8 million for the reporting quarter, as compared to RM70.5 million achieved for the corresponding previous year quarter. Such growth was achieved on the back of strong market demand from the data storage industry and the growth of the Group's industrial product businesses.

The Group's profit before taxation for the reporting quarter has increased to RM10.45 million from RM8.1 million for the previous year corresponding quarter. This significant improvement in earnings was realised through managing better economies of scale on increased revenue activities.

15. Variation of Results Against Preceding Quarter

As compared against the preceding quarter, the Group has achieved 8% and 12% quarterly growth respectively in its revenue and profit before taxation. This was attributed primarily to better volume shipments of the hard disk drive base plate products and also the commencements of new sales generated from the industrial product businesses.

16. Current Year Prospects

The Group anticipates further revenue and performance growth for the second half of financial year 2005. Overall market demand especially from the data storage industry customers remain strong and is expected to gain further growth momentum going forward. The Group is now also well positioned to capture time to volume of supplies for such demand growth as the progressive capacity expansion installed during the last few quarters has commenced production.

The de-pegging of the Malaysian Ringgit against the US Dollar recently is not expected to have any immediate adverse impact on the overall performance of the Group going forward. The operations of the Group's various subsidiaries are spread throughout the region hence providing diversification of currency exchange risks.

17. Variance Of Actual Profit From Profit Forecast

Not applicable.

18. Taxation

	3 months period ended 30 June 2005 RM'000	6 months period ended 30 June 2005 RM'000
Components of taxation:		
Income tax:		
Current period	949	1,908
Deferred tax:		
Current period	248	572
Underprovision in prior year	8	8
	1,205	2,488

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 June 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. The disposal was completed as at 30 June 2005 which resulted in a gain on disposal of RM752,311.
- (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. The disposal was completed as at 30 June 2005 which resulted in a gain on disposal of RM4,834.

20. Marketable Securities

There were no purchase of marketable securities during the financial period ended 30 June 2005 and no investment in marketable securities as at 30 June 2005.

21. Status Of Corporate Proposal

On 11 August 2005, Eng Teknologi Holdings Bhd. (ETHB) has announced the following:

- (a) The Proposed Rescission of the Existing Put and Call Option Agreement dated 19 May 2003 between ETHB and Ultro Technologies Limited ("Ultro");
- (b) The Proposed Acquisition of 1,434,933 ordinary shares of SGD1.00 each in Altum Precision Pte Ltd ("Altum") ("Altum shares") representing 10% equity interest in Altum, from Ultro for a total cash consideration of SGD2.93 million ("Proposed Acquisition"); and
- (c) The Proposed Put/Call Option arrangement to be implemented upon the completion of the Proposed Acquisition comprising the following:
 - The proposed grant of call option by Ultro to ETHB, which gives ETHB the option to acquire part or all of the remaining Altum shares held by Ultro; and
 - The proposed grant of put option by ETHB to Ultro, which gives Ultro the option to require ETHB to purchase part or all of the remaining Altum shares held by Ultro.

22. Borrowings

Details of the Group's borrowings as at 30 June 2005 are as follows:

	Total borrowings as at 30 June 2005	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
	RM'000		
Short-term			
Secured	2,297		
Secured (Foreign currency)	7,273	USD	1,915
Secured (Foreign currency)	106	SGD	47
Unsecured	6,582		
Unsecured (Foreign currency)	4,933	USD	1,299
Unsecured (Foreign currency)	516	HKD	1,056
	<u>21,707</u>		
Long-term			
Secured	1,200		
Secured (Foreign currency)	6,313	USD	1,663
Secured (Foreign currency)	73	SGD	32
Unsecured	312		
	<u>7,898</u>		
	<u>29,605</u>		

23. Financial Instruments

	Notional amount as at 4 August 2005 RM'000
Forward foreign exchange contracts:	
Within 1 year	55,250

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

- (a) An interim tax exempt dividend of 5% (5 sen per share) in respect of the financial year ending 31 December 2005 (2004 : 3 sen per share tax exempt) has been declared and to be paid on 28 October 2005 to depositors registered in the Records of Depositors at the close of business on 3 October 2005.
- (b) The total dividend per share to date for the current financial year is 5 sen tax exempt.

26. Earnings Per Share

(a) Basic	3 months period ended		6 months period ended	
	30 June		30 June	
	2005	2004	2005	2004
Net profit attributable to shareholders (RM '000)	7,006	6,011	13,025	12,585
Weighted average number of ordinary shares in issue ('000) *	117,648	116,662	117,648	116,662
Basic earning per share (sen) *	6.0	5.2	11.1	10.8
 (b) Diluted				
	3 months period ended		6 months period ended	
	30 June		30 June	
	2005	2004	2005	2004
Net profit attributable to shareholders (RM'000)	7,006	6,011	13,025	12,585
Weighted average number of ordinary shares in issue ('000)	117,648	116,662 *	117,648	116,662 *
Adjusted for:				
Assumed exercise of ESOS	1,258	2,380 *	1,258	2,380 *
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	118,906	119,042	118,906	119,042
Diluted earning per share (sen)	5.9	5.0 *	11.0	10.6 *

* The above figures have been adjusted for bonus issue of 2 for 5 completed during the financial period ended 30 June 2005.

27. Authorisation For Issue

On 11 Aug 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
 11 August 2005