

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 September 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 September 2005 RM'000	As At 31 December 2004 RM'000
Non-Current Assets			
Property, plant and equipment		113,478	112,456
Investment in an associate		34	34
Long-term receivable		2,326	2,333
Other investments		97	97
Goodwill on consolidation		24,949	28,286
		<u>140,884</u>	<u>143,206</u>
Current Assets			
Inventories		35,514	30,480
Trade receivables		71,911	63,209
Other receivables		12,674	10,237
Cash and bank balances		25,506	29,972
		<u>145,605</u>	<u>133,898</u>
Current Liabilities			
Short-term borrowings	22	20,159	22,271
Trade payables		29,623	33,231
Other payables		37,162	22,978
Tax payable		3,098	2,532
		<u>90,042</u>	<u>81,012</u>
Net Current Assets		<u>55,563</u>	<u>52,886</u>
		<u>196,447</u>	<u>196,092</u>
Financed by:			
Share capital		118,083	83,860
Reserves		43,905	75,765
Shareholders' equity		161,988	159,625
Minority interests		22,402	21,822
		<u>184,390</u>	<u>181,447</u>
Long-term borrowings	22	6,241	9,274
Deferred taxation		5,816	5,371
		<u>196,447</u>	<u>196,092</u>
Net tangible assets per share (RM)		1.16	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 September		9 months period ended 30 September	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
Revenue		84,615	69,026	242,240	210,029
Cost of sales		(62,823)	(52,761)*	(182,004)	(160,220)*
Gross profit		21,792	16,265	60,236	49,809
Other operating income		1,593	928	4,224	2,888
Operating expenses		(11,002)	(8,296)*	(31,277)	(25,564)*
Profit from operations		12,383	8,897	33,183	27,133
Finance costs		(567)	(556)	(1,622)	(1,644)
Profit before taxation		11,816	8,341	31,561	25,489
Taxation	18	(1,150)	(615)	(3,638)	(2,836)
Profit after taxation		10,666	7,726	27,923	22,653
Less: Minority interests		(3,153)	(1,405)	(7,385)	(3,747)
Net profit for the period		7,513	6,321	20,538	18,906
Basic earnings per share (sen)	26	6.4	5.4**	17.4	16.2**
Diluted earnings per share (sen)	26	6.3	5.3**	17.2	15.9**
The cost of sales and operating expenses were arrived at after :-					
(a) depreciation		(6,708)	(7,563)	(21,222)	(21,587)
(b) amortisation		(1,112)	(704)	(3,336)	(2,112)
The finance cost was arrived at after interest expense of		(336)	(369)	(1,070)	(1,127)

* 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 September 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.

ENG TEKNOLOGI HOLDINGS BHD.
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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	667	375	-	-	375	1,042
Bonus Issue of 2 for 5	33,556	(7,911)	-	(25,645)	(33,556)	-
Net profit for the period	-	-	-	20,538	20,538	20,538
Dividends (Note 7)	-	-	-	(17,695)	(17,695)	(17,695)
Currency translation differences, representing net losses not recognised in income statement	-	-	(1,522)	-	(1,522)	(1,522)
At 30 September 2005	118,083	337	(5,826)	49,394	43,905	161,988

	← 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	793	949	-	-	949	1,742
Net profit for the period	-	-	-	18,906	18,906	18,906
Final tax exempt dividend	-	-	-	(5,014)	(5,014)	(5,014)
Currency translation differences, representing net losses not recognised in income statement	-	-	(517)	-	(517)	(517)
At 30 September 2004	83,621	7,603	(5,281)	64,742	67,064	150,685

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.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	9 months period ended 30 September	
	2005	2004
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,561	25,489
Adjustments for non-cash items	25,419	24,409
Operating profit before working capital changes	56,980	49,898
Increase in inventories	(5,215)	(10,222)
Increase in receivables	(14,043)	(1,250)
Increase in payables	(1,165)	1,213
Decrease in long-term receivable	7	26
Proceeds from sale of quoted investment	-	291
Cash generated from operations	36,564	39,956
Tax refunded	942	-
Tax paid	(2,623)	(3,621)
Interest paid	(1,082)	(1,132)
Net cash generated from operating activities	33,801	35,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal of property, plant and equipment	3,779	755
Interest received	448	363
Acquisition of property, plant and equipment	(18,960)	(21,235)
Net cash used in investing activities	(14,733)	(20,117)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in bank borrowings	6,051	3,072
Drawdown of term loans	6,224	-
Proceeds from issuance of shares for ESOS exercised	1,042	1,742
Dividend paid by the Company	(11,791)	(5,014)
Repayment of term loans	(14,590)	(11,388)
Dividends paid by subsidiaries to minority shareholders	(6,413)	(1,889)
Repayment of lease and hire-purchase payables	(4,373)	(4,175)
Net cash used in financing activities	(23,850)	(17,652)
FOREIGN EXCHANGE TRANSLATION EFFECT	(1,339)	(277)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,782)	(2,566)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	29,543	23,975
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	23,422	21,132

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	
	2005 RM'000	2004 RM'000
Cash and bank balances	25,506	21,431
Bank overdrafts	(2,084)	(290)
Effect of exchange rate on bank balances	-	(9)
	<u>23,422</u>	<u>21,132</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 September 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 September 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 September 2005, the Company issued 666,400 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>Option 5</u>	<u>Total</u>
Date of Grant		23/10/2001	18/10/2002	23/05/2003	24/02/2004	15/08/2005	
Date of Expiry		22/10/2011	22/10/2011	22/10/2011	22/10/2011	22/10/2011	
		('000)	('000)	('000)	('000)	('000)	('000)
As at 1/1/2005		1,665	317	909	435	-	3,326
Granted		-	-	-	-	4,966	4,966
Exercised (before Bonus Issue)		24	1	6	-	-	31
Exercised (after Bonus Issue)		203	134	257	-	42	636
Forgone		1	44	4	2	-	51
Adjustment pursuant to Bonus Issue		656	109	360	173	-	1,298
As at 30/9/2005		<u>2,093</u>	<u>247</u>	<u>1,002</u>	<u>606</u>	<u>4,924</u>	<u>8,872</u>
Option price per Ordinary Share (RM)		2.26	1.96	2.06	4.06	1.84	
Adjusted Option price per Ordinary Share (RM)		1.62	1.40	1.48	2.90	1.84	

7. Dividend Paid

The amount of dividend paid during the financial period ended 30 September 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	Other Asia Pacific Country			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>9 months period ended 30 September 2005</u>								
External sales	42,753	137,886	61,413	-	-	242,052	-	242,052
Inter-segment sales	87,981	(309)	-	502	309	88,483	(88,483)	-
	<u>130,734</u>	<u>137,577</u>	<u>61,413</u>	<u>502</u>	<u>309</u>	<u>330,535</u>	<u>(88,483)</u>	<u>242,052</u>
Unallocated revenue								188
Total revenue								<u>242,240</u>
Segment results	18,202	18,672	653	303	(18)	37,812	-	37,812
Unallocated expenses								(4,629)
Finance costs, net								(1,622)
Taxation								(3,638)
Profit after taxation								<u>27,923</u>
Minority interests								(7,385)
Net profit for the period								<u>20,538</u>

	← Manufacturing →		Trading	← Others →				
	Malaysia	Other Asia	Other Asia	Malaysia	Other Asia	Amalgamated	Elimination	Consolidated
	RM'000	Pacific	Pacific	RM'000	Pacific	RM'000	RM'000	RM'000
		Countries	Country		Country			
		RM'000	RM'000		RM'000			
<u>9 months period ended</u>								
<u>30 September 2004</u>								
External sales	40,380	112,015	57,236	287	-	209,918	-	209,918
Inter-segment sales	68,679	-	-	-	-	68,679	(68,679)	-
	109,059	112,015	57,236	287	-	278,597	(68,679)	209,918
Unallocated revenue								111
Total revenue								210,029
Segment results	8,271	20,905	1,329	22	-	30,527	-	30,527
Unallocated expenses								(3,394)
Finance costs, net								(1,644)
Taxation								(2,836)
Profit after taxation								22,653
Minority interests								(3,747)
Net profit for the period								18,906

The comparative amounts for 9 months period ended 30 September 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 31 October 2005, Eng Teknologi Holdings Bhd ("ETHB") entered into the following:

- (a) Deed of Rescission between ETHB and Ultro Technologies Limited ("Ultro") to revoke and rescind the existing Put and Call Option Agreement dated 19 May 2003;
- (b) Put and Call Option Agreement between ETHB and Ultro in relation to the Put and Call Option Arrangement comprising the following:
 - The proposed grant of call option by Ultro to ETHB, which gives ETHB the option to acquire all or any portion of the remaining Altum ordinary shares of SGD1.00 each in Altum Precision Pte Ltd ("Altum") ("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 all or any portion of the remaining Altum shares held by Ultro.
- (c) Supplemental Shareholders Agreement between the Company, Ultro and Altum to modify certain terms of the Shareholders Agreement dated 19 May 2003.

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 2005 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM25.0 million (31 December 2004 : RM20.3 million).

13. Commitments

	As At 30 September 2005 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	20,356
Property, plant and equipment	2,900
Professional fee	33

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

14. Performance Review

The Group has managed to further improve its performance for the reporting quarter with a record revenue of RM84.6 million and profit before tax of RM11.8 million as compared to RM69.0 million and RM8.3 million respectively for the previous year corresponding quarter.

The significant improvement in the Group's revenue was attributed to better overall market demand and further increase in product allocations from its customers. The improved earnings were on the back of higher capacity utilisation and savings in raw material costs incurred during the reporting quarter.

15. Variation of Results Against Preceding Quarter

As compared to the preceding quarter, the Group's revenue and profit before taxation has improved by 3% pts and 12% pts respectively. The Group has demonstrated its ability to achieve continuous growth in its overall performance for the last five quarters on the back of increased business activities, better economies of scale and the successful execution of the Group's strategic plans.

16. Current Year Prospects

For the Fourth and Final quarter of FY 2005, the Group anticipates further growth in its overall performance. Riding on the continuing strong demand trends of the data storage industry and the gradual increase in product shipments to the Industrial Product customers, the Group is confident of achieving yet another record breaking performance for the full financial year 2005.

17. Variance Of Actual Profit From Profit Forecast

Not applicable.

18. Taxation

	3 months period ended 30 September 2005 RM'000	9 months period ended 30 September 2005 RM'000
Components of taxation:		
Income tax:		
Current period	1,405	3,313
Overprovision in prior year	(137)	(137)
Deferred tax:		
Current period	(287)	285
Underprovision in prior year	169	177
	1,150	3,638

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 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 September 2005 and no investment in marketable securities as at 30 September 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 all or any portion 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 all or any portion of the remaining Altum shares held by Ultro.

The Proposed Acquisition has been duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 26 September 2005. The Proposed Acquisition was completed on 31 October 2005.

22. Borrowings

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

	Total borrowings as at 30 September 2005	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
	RM'000		
Short-term			
Secured	2,117		
Secured (Foreign currency)	5,123	USD	1,360
Secured (Foreign currency)	106	SGD	48
Secured (Foreign currency)	20	THB	219
Unsecured	11,046		
Unsecured (Foreign currency)	1,747	HKD	3600
	<u>20,159</u>		
Long-term			
Secured	777		
Secured (Foreign currency)	5,273	USD	1,400
Secured (Foreign currency)	45	SGD	20
Secured (Foreign currency)	67	THB	728
Unsecured	79		
	<u>6,241</u>		
	<u>26,400</u>		

23. Financial Instruments

	Notional amount as at 10 November 2005 RM'000
Forward foreign exchange contracts:	
Within 1 year	37,224

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

- 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 paid on 28 October 2005.
- 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 30 September		9 months period ended 30 September	
	2005	2004	2005	2004
Net profit attributable to shareholders (RM '000)	7,513	6,321	20,538	18,906
Weighted average number of ordinary shares in issue ('000)	117,759	116,796*	117,759	116,796*
Basic earning per share (sen)	6.4	5.4*	17.4	16.2*
 (b) Diluted	 3 months period ended 30 September		 9 months period ended 30 September	
	2005	2004	2005	2004
Net profit attributable to shareholders (RM'000)	7,513	6,321	20,538	18,906
Weighted average number of ordinary shares in issue ('000)	117,759	116,796*	117,759	116,796*
Adjusted for:				
Assumed exercise of ESOS ('000)	1,420	2,223*	1,420	2,223*
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	119,179	119,019	119,179	119,019
Diluted earning per share (sen)	6.3	5.3*	17.2	15.9*

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

27. Authorisation For Issue

On 17 November 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
 17 November 2005