

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
31 December 2005

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

**CONTENTS**

	<b>PAGE</b>
CONDENSED CONSOLIDATED BALANCE SHEETS	1
CONDENSED CONSOLIDATED INCOME STATEMENTS	2
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS	4 – 5
DISCLOSURE NOTES AS REQUIRED UNDER FRS 134	6 – 9
DISCLOSURE NOTES AS REQUIRED UNDER BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS	10 – 13

**ENG TEKNOLOGI HOLDINGS BHD.**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	Note	As At 31 December 2005 RM'000	As At 31 December 2004 RM'000
<b>Non-Current Assets</b>			
Property, plant and equipment		113,744	112,456
Investment in an associate		34	34
Long-term receivable		2,459	2,333
Other investments		101	97
Goodwill on consolidation		26,555	28,286
Intangible asset		31	-
		<u>142,924</u>	<u>143,206</u>
<b>Current Assets</b>			
Inventories		41,312	30,480
Trade receivables		77,253	62,964 *
Other receivables		10,348	10,237
Cash and bank balances		33,372	29,972
		<u>162,285</u>	<u>133,653</u>
<b>Current Liabilities</b>			
Short-term borrowings	22	32,723	22,271
Trade payables		33,800	33,231
Other payables		30,949	22,733 *
Tax payable		2,487	2,532
		<u>99,959</u>	<u>80,767</u>
<b>Net Current Assets</b>			
		<u>62,326</u>	<u>52,886</u>
		<u>205,250</u>	<u>196,092</u>
<b>Financed by:</b>			
Share capital		118,543	83,860
Reserves		56,727	75,765
Shareholders' equity		<u>175,270</u>	<u>159,625</u>
Minority interests		19,371	21,822
		<u>194,641</u>	<u>181,447</u>
Long-term borrowings	22	4,940	9,274
Deferred taxation		5,669	5,371
		<u>205,250</u>	<u>196,092</u>
Net assets per share (RM)		1.64	2.16 *

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

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.**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Note	3 months period ended		Year ended	
		31 December		31 December	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
Revenue		92,601	73,928	334,841	283,957
Cost of sales		(65,848)	(55,634)*	(247,852)	(215,854)*
Gross profit		26,753	18,294	86,989	68,103
Other operating income		1,122	1,086	5,347	3,735
Operating expenses		(11,868)	(10,816)*	(43,146)	(36,140)*
Profit from operations		16,007	8,564	49,190	35,698
Reversal of impairment loss		-	3,900	-	3,900
Finance costs		(556)	(489)	(2,178)	(2,133)
Profit before taxation		15,451	11,975	47,012	37,465
Taxation	18	(1,806)	(453)	(5,444)	(3,290)
Profit after taxation		13,645	11,522	41,568	34,175
Less: Minority interests		(3,185)	(1,559)	(10,570)	(5,306)
Net profit for the period		10,460	9,963	30,998	28,869
Basic earnings per share (sen)	26	8.9	8.5**	26.3	24.7**
Diluted earnings per share (sen)	26	8.8	8.4**	26.0	24.3**
The cost of sales and operating expenses were arrived at after :-					
(a) depreciation		(6,729)	(7,610)	(27,950)	(29,196)
(b) amortisation		(599)	(1,489)	(3,936)	(3,641)
The finance cost was arrived at after interest expense of		(355)	(311)	(1,426)	(1,438)

\* 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 year ended 31 December 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 →					Grand Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000	
At 1 January 2005	83,860	7,873	(4,304)	72,196	75,765	159,625
Exercise of options under ESOS	1,127	642	-	-	642	1,769
Bonus Issue of 2 for 5	33,556	(7,911)	-	(25,645)	(33,556)	-
Net profit for the year	-	-	-	30,998	30,998	30,998
Dividends (Note 7)	-	-	-	(17,695)	(17,695)	(17,695)
Currency translation differences, representing net losses not recognised in income statement	-	-	573	-	573	573
At 31 December 2005	118,543	604	(3,731)	59,854	56,727	175,270

	← Reserves →					Grand Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000	
At 1 January 2004	82,828	6,653	(4,763)	50,850	52,740	135,568
Exercise of options under ESOS	1,032	1,220	-	-	1,220	2,252
Net profit for the year	-	-	-	28,869	28,869	28,869
Dividends	-	-	-	(7,523)	(7,523)	(7,523)
Currency translation differences, representing net losses not recognised in income statement	-	-	459	-	459	459
At 31 December 2004	83,860	7,873	(4,304)	72,196	75,765	159,625

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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**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Year ended 31 December	
	2005	2004
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	47,012	37,465
Adjustments for non-cash items	33,812	28,729
Operating profit before working capital changes	80,824	66,194
Increase in inventories	(11,196)	(12,767)
Increase in receivables	(17,672)	(3,740)
Increase in payables	7,535	8,293
(Increase)/decrease in long-term receivable	(126)	25
Proceeds from sale of quoted investment	-	258
Cash generated from operations	59,365	58,263
Tax refunded	942	-
Tax paid	(5,263)	(6,293)
Interest paid	(1,439)	(1,444)
Net cash generated from operating activities	53,605	50,526
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from disposal of property, plant and equipment	4,064	844
Proceed from disposal of investments	-	5
Interest received	585	480
Acquisition of intangible asset	(31)	-
Acquisition of property, plant and equipment	(29,945)	(25,768)
Purchase of investment in a subsidiary from minority shareholder	(6,839)	-
Net cash used in investing activities	(32,166)	(24,439)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in bank borrowings	11,361	2,000
Drawdown of term loans	6,193	7,456
Proceeds from issuance of shares for ESOS exercised	1,769	2,252
Dividend paid by the Company	(17,695)	(7,523)
Repayment of term loans	(17,566)	(15,843)
Dividends paid by subsidiaries to minority shareholders	(7,891)	(4,283)
Repayment of lease and hire-purchase payables	(5,002)	(5,427)
Net cash used in financing activities	(28,831)	(21,368)
<b>FOREIGN EXCHANGE TRANSLATION EFFECT</b>	171	849
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(7,392)	4,719
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	29,543	23,975
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	22,322	29,543

## 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	
	2005 RM'000	2004 RM'000
Cash and bank balances	33,372	29,972
Bank overdrafts	(11,050)	(422)
Effect of exchange rate on bank balances	-	(7)
	<u>22,322</u>	<u>29,543</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 year ended 31 December 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 year ended 31 December 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 December 2005, the Company issued 1,126,600 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)		453	158	409	-	76	1,096
Forgone (before Bonus Issue)		1	44	4	2	-	51
Forgone (after Bonus Issue)		-	-	-	11	-	11
Adjustment pursuant to Bonus Issue		656	109	360	173	-	1,298
As at 31/12/2005		<u>1,843</u>	<u>223</u>	<u>850</u>	<u>595</u>	<u>4,890</u>	<u>8,401</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 year ended 31 December 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
In respect of the financial year ended 31 December 2005:	
First interim tax exempt dividend of 5%, paid on 28 October 2005	5,904
	<u>17,695</u>

## 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>Year ended 31 December 2005</u>								
External sales	58,823	194,574	81,220	-	-	334,617	-	334,617
Inter-segment sales	124,043	-	-	671	540	125,254	(125,254)	-
	<u>182,866</u>	<u>194,574</u>	<u>81,220</u>	<u>671</u>	<u>540</u>	<u>459,871</u>	<u>(125,254)</u>	<u>334,617</u>
Unallocated revenue								224
Total revenue								<u>334,841</u>
Segment results	28,382	25,132	1,373	404	121	55,412	-	55,412
Unallocated expenses								(6,222)
Finance costs								(2,178)
Taxation								(5,444)
Profit after taxation								<u>41,568</u>
Minority interests								(10,570)
Net profit for the period								<u>30,998</u>

	← Manufacturing →		Trading Other Asia Pacific Country	← Others →		Amalgamated RM'000	Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Other Asia Pacific Countries RM'000		Malaysia RM'000	Other Asia Pacific Country RM'000			
<u>Year ended 31 December 2004</u>								
External sales	54,875	152,486	76,159	287	-	283,807	-	283,807
Inter-segment sales	91,797	-	-	-	-	91,797	(91,797)	-
	146,672	152,486	76,159	287	-	375,604	(91,797)	283,807
Unallocated revenue								150
Total revenue								283,957
Segment results	10,468	29,420	698	21	-	40,607	-	40,607
Unallocated expenses								(4,909)
Reversal of impairment loss								3,900
Finance costs								(2,133)
Taxation								(3,290)
Profit after taxation								34,175
Minority interests								(5,306)
Net profit for the year								28,869

The comparative amounts for year ended 31 December 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.

#### 11. Changes In Composition Of The Group

On 11 August 2005, Eng Teknologi Holdings Bhd. entered into an agreement to acquire 10% of equity interest in a subsidiary, Altum Precision Pte. Ltd. ("Altum"), for purchase consideration of SGD2.93 million. With this, the Company increased its equity interest in Altum from 60% to 70%.

The above acquisition was completed on 31 October 2005.

**12. Contingent Liabilities**

The total contingent liabilities as at 31 December 2005 for the Company are corporate guarantees for credit facilities granted to subsidiaries of RM30.5 million (31 December 2004 : RM20.3 million).

**13. Commitments**

	As At 31 December 2005 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	20,006
Property, plant and equipment	20,841

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

**14. Performance Review**

The Group produced an excellent growth quarter by achieving a record revenue of RM92.6 million. This was a growth of 25% over the same period last year. The profit before taxation for the reporting quarter was also at a record level of RM15.5 million compared to RM12 million in the corresponding quarter in 2004.

For the financial year 2005, the Group achieved RM335 million in revenue and RM47 million in profit before taxation. In comparison, revenue and profit before taxation for the Group in financial year 2004 was RM284 million and RM37.5 million respectively. This represents a growth of 18% and 25% in revenue and profit before taxation respectively.

The significant growth was attributed to the expanding global market demand and the Group's ability to capture better market allocations from its customers. Hence the growth in volume has provided the Group with greater economies of scale through better capacity utilisation. As such better product margins were achieved.

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

By comparison, the Group revenue has improved 9% over the immediate preceding quarter. The profit before taxation achieved in the reporting quarter was 31% better than the previous quarter. The Group has been able to maintain a constant revenue growth pattern over the last six quarters and achieved record performance milestones for the financial year. This has been the result of successful execution of strategic plans.

**16. Current Year Prospects**

Having achieved very significant growth in the financial year 2005 and in particular the breakthrough performance platform in the fourth quarter of financial year 2005, the Group is confident that it will continue to maintain this growth pattern further into financial year 2006. Going forward the Group expects significant new businesses and further improved market allocations from its present and new customers in 2006. The expectation is supported by the continuous growth trend of the data storage global demand. The Group's industrial products business is also expected to expand further in the year 2006.

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

Not applicable.

**18. Taxation**

	3 months period ended 31 December 2005 RM'000	Year ended 31 December 2005 RM'000
Components of taxation:		
Income tax:		
Current period	1,965	5,278
Overprovision in prior year	(3)	(140)
Deferred tax:		
Current period	(156)	129
Underprovision in prior year	-	177
	1,806	5,444

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 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 year 31 December 2005 and no investment in marketable securities as at 31 December 2005.

**21. Status Of Corporate Proposal**

There were no corporate proposal announced but not completed.

**22. Borrowings**

Details of the Group's borrowings as at 31 December 2005 are as follows:

	Total borrowings as at 31 December 2005	Included in the total borrowings are amounts denominated in foreign currency (Unit'000)	
	RM'000		
<b>Short-term</b>			
Secured	2,212		
Secured (Foreign currency)	3,966	USD	1,050
Secured (Foreign currency)	109	SGD	48
Secured (Foreign currency)	20	THB	219
Unsecured	24,090		
Unsecured (Foreign currency)	1,926	HKD	3,955
Unsecured (Foreign currency)	400	SGD	176
	<u>32,723</u>		
<b>Long-term</b>			
Secured	563		
Secured (Foreign currency)	4,297	USD	1,138
Secured (Foreign currency)	19	SGD	8
Secured (Foreign currency)	61	THB	668
	<u>4,940</u>		
	<u>37,663</u>		

**23. Financial Instruments**

	Notional amount as at 16 February 2006 RM'000
Forward foreign exchange contracts:	
Within 1 year	46,964

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 recommend a final tax exempt dividend of 10% (10 sen per share) in respect of the financial year ended 31 December 2005 (2004: 10 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 current financial year is 15 sen tax exempt.

**26. Earnings Per Share**

(a) Basic

	3 months period ended 31 December		Year ended 31 December	
	2005	2004	2005	2004
Net profit attributable to shareholders (RM '000)	10,460	9,963	30,998	28,869
Weighted average number of ordinary shares in issue ('000)	117,893	116,918*	117,893	116,918*
Basic earning per share (sen)	8.9	8.5*	26.3	24.7*

(b) Diluted

	3 months period ended 31 December		Year ended 31 December	
	2005	2004	2005	2004
Net profit attributable to shareholders (RM'000)	10,460	9,963	30,998	28,869
Weighted average number of ordinary shares in issue ('000)	117,893	116,918*	117,893	116,918*
Adjusted for:				
Assumed exercise of ESOS ('000)	1,186	2,010*	1,186	2,010*
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	119,079	118,928	119,079	118,928
Diluted earning per share (sen)	8.8	8.4*	26.0	24.3*

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

**27. Authorisation For Issue**

On 23 February 2006, 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  
 23 February 2006