

ENG TEKNOLOGI HOLDINGS BHD

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Report
30 September 2002

ENG TEKNOLOGI HOLDINGS BHD.
(Incorporated in Malaysia)

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

(The figures have not been audited)

Interim report for the nine months period ended 30 September 2002

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As At 30 September 2002 RM'000	As At 31 December 2001 (As restated) RM'000
Non-Current Assets			
Property, plant and equipment	9	76,403	84,050
Associated company		36	36
Other investments	18	315	2,195
Goodwill on consolidation	26	8,635	23,904
Long-term receivable		2,481	2,524
		<u>87,870</u>	<u>112,709</u>
Current Assets			
Inventories		4,739	5,083
Trade receivables		19,360	27,360
Other receivables		9,180	8,610
Marketable securities	19	-	75
Cash and bank balances		25,221	31,915
		<u>58,500</u>	<u>73,043</u>
Current Liabilities			
Short term borrowings	21	2,096	2,289
Trade payables		6,568	8,578
Other payables		6,224	9,816
Taxation		1,184	2,412
		<u>16,072</u>	<u>23,095</u>
Net Current Assets		<u>42,428</u>	<u>49,948</u>
		<u>130,298</u>	<u>162,657</u>
Financed by:			
Share capital		80,977	80,127
Reserves		40,897	67,148
Shareholders' equity		<u>121,874</u>	<u>147,275</u>
Minority interests		1,927	8,364
		<u>123,801</u>	<u>155,639</u>
Long term borrowings	21	3,491	4,459
Deferred taxation		2,774	2,287
Other long term liabilities		232	272
		<u>6,497</u>	<u>7,018</u>
		<u>130,298</u>	<u>162,657</u>
Net tangible assets per share (RM)		1.40	1.54

The Condensed Consolidated Balance Sheet should be read in conjunction with the Group's Audited Financial Statements as at 31 December 2001. The accompanying notes are an integral part of this balance sheet.

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(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 months period ended 30 September		9 months period ended 30 September	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	8	20,667	40,826	75,585	136,450
Cost of sales		(19,288)	(34,549)	(65,096)	(109,476)
Gross profit		1,379	6,277	10,489	26,974
Operating expenses		(4,917)	(4,950)	(15,392)	(15,469)
Provision on goodwill impairment	26	(16,000)	-	(16,000)	-
Other operating income		715	(64)	3,433	1,585
Operating (loss)/profit	4	(18,823)	1,263	(17,470)	13,090
Interest expense		(105)	(254)	(344)	(945)
Interest income		122	240	494	749
(Loss)/profit before taxation		(18,806)	1,249	(17,320)	12,894
Taxation	17	392	(312)	(503)	(1,410)
(Loss)/profit after taxation		(18,414)	937	(17,823)	11,484
Less: Minority interests		(54)	87	(1,005)	(129)
Net (loss)/profit for the period		(18,468)	1,024	(18,828)	11,355
Basic earnings per share (sen)	25	(22.9)	1.3	(23.3)	14.2
Diluted earnings per share (sen)	25	(22.5)	N/A	(22.9)	N/A
* The cost of sales and operating expenses were arrived at after depreciation and amortisation of		3,850	3,889	12,450	11,638

The Condensed Consolidated Income Statement should be read in conjunction with the Group's Audited Financial Statements as at 31 December 2001. The accompanying notes are an integral part of this statement.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Reserve →					Total RM'000
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	
At 1 January 2002 as previously stated	80,127	3,399	(10,352)	7,561	58,527	139,262
Prior year adjustment (Note 1)	-	-	-	-	8,013	8,013
At 1 January 2002 as restated	80,127	3,399	(10,352)	7,561	66,540	147,275
Exercise of Options under ESOS (Note 7)	850	1,071	-	-	-	1,921
Final dividend paid	-	-	-	-	(8,097)	(8,097)
Net loss for the nine months period	-	-	-	-	(18,828)	(18,828)
Currency translation differences, representing net losses not recognised in income statement	-	-	(397)	-	-	(397)
At 30 September 2002	80,977	4,470	(10,749)	7,561	39,615	121,874
At 1 January 2001	53,399	30,336	(7,391)	2,930	57,206	136,480
Prior year adjustment (Note 1)	-	-	-	-	6,408	6,408
At 1 January 2001 as restated	53,399	30,336	(7,391)	2,930	63,614	142,888
Bonus issue of 1 for 2	26,699	(26,699)	-	-	-	-
Final dividend paid	-	-	-	-	(6,408)	(6,408)
Net profit for the nine months period	-	-	-	-	11,355	11,355
Currency translation differences, representing net losses not recognised in income statement	-	-	(1,627)	-	-	(1,627)
Transfer to/from capital reserve/retained profit	-	-	-	4,631	(4,631)	-
At 30 September 2001	80,098	3,637	(9,018)	7,561	63,930	146,208

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Audited Financial Statements as at 31 December 2001. The accompanying notes are an integral part of this statement.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Nine months period ended 30 September 2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash generated from operations	10,525
Interest paid	(344)
Tax paid	(1,709)
Net cash generated from operating activities	<u>8,472</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Additional investment in subsidiaries	(7,333)
Sales of marketable securities and other investments	2,810
Acquisition of property, plant and equipment	(4,071)
Proceeds from disposal of property, plant and equipment	725
Interest received	756
Net cash used in investing activities	<u>(7,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of share capital	1,921
Repayment of borrowings	(1,831)
Dividend paid	(8,218)
Net cash inflow/(outflow) from financing activities	<u>(8,128)</u>
FOREIGN EXCHANGE TRANSLATION EFFECT	(159)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,769)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>31,845</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>24,917</u>

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 2002 RM'000	As At 31 December 2001 RM'000
Cash and bank balances	25,221	31,915
Bank overdraft	-	(41)
Effect of exchange rate on bank balances	(304)	(29)
	<u>24,917</u>	<u>31,845</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's Audited Financial Statements as at 31 December 2001. 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

This interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements, and should be read in conjunction with the audited financial statements for the year ended 31 December 2001.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the audited financial report for the year ended 31 December 2001 except for the adoption of new applicable approved accounting standards set out as below:

- (a) Prospective application
 - (i) MASB 21 "Business Combinations"
 - (ii) MASB 23 "Impairment of Assets"
- (b) Retrospective application
 Comparative figures have been adjusted or extended to conform with changes in presentation due to the requirements of the following new MASB Standards that have been applied retrospectively:
 - (i) MASB 19 "Event After Balance Date"
 - (ii) MASB 20 "Provision, Contingent Liabilities and Contingent Assets"
 - (iii) MASB 22 "Segmental Reporting"

There are no changes in accounting policy that affect net profit for the period or shareholders' equity as a result of the adoption of these standards in the interim financial report except as set out below:

Dividends

In previous year, dividends were accrued as a liability when proposed by Director. The Group has now changed this accounting policy to recognise dividends in shareholders' equity in the period in which the obligation to pay is established in accordance with MASB 19.

Therefore, final dividends are now accrued as a liability after approval by shareholders of the Annual General Meeting.

As disclosed in the interim financial report for the nine months period ended 30 Sept 2002, this change in accounting policy has been accounted for retrospectively.

The new accounting policy has the effect of decreasing retained profits for the nine months period ended 30 September 2002 by RM8.013 million. The other effects of the change on the Group's financial statements are as follows:

	As previously stated RM'000	Effect of changes in policy RM'000	As restated RM'000
At 31 December 2000			
- retained profit	57,206	6,408	63,614
- proposed dividends	6,408	(6,408)	-
At 31 December 2001			
- retained profit	58,527	8,013	66,540
- proposed dividends	8,013	(8,013)	-

2) Audit opinion

The audit report of the Group's preceding year financial statements was not qualified.

3) Seasonality or cyclical operations

The Group is subject to cyclical effects of the global technology industries.

4) Individually significant items

Individually significant items for the nine months period ended 30 September 2002 are as follows:

Provision on goodwill impairment arising on consolidation	RM'000 (16,000)
Gain on disposal of investment in Advantest-Eng (M) Sdn. Bhd.	862
Gratuity payment to an employee	(800)
Property, plant & equipment written off	(496)
Inventories written off	(409)

5) Material changes in estimates of amount reported

Not applicable.

6) Debt and equity securities

During the period, the Company issued 850,000 fully paid-up ordinary shares of RM1 each pursuant to the Employees' Share Option Scheme ("ESOS").

Other than the above, there is no cancellation, repurchases, resale and repayment of debt and equity securities during the period.

7) Dividends paid

	9 months ended 30 September 2002 RM'000	9 months ended 30 September 2001 RM'000
First and final tax exempt dividend of 10% (Period to date ended 30 September 2001: 12%)	8,097	6,408

There was no dividend paid during the current financial quarter.

8) Segmental Reporting

Segment information is presented in respect of the Group's geographical segments:

	Malaysia RM'000	Philippines RM'000	Hong Kong RM'000	Thailand RM'000	Amalga- mated Total RM'000	Elimi- nation RM'000	Consoli- dated Total RM'000
<u>9 months period</u>							
<u>ended 30</u>							
<u>September 2002</u>							
External revenue	29,904	14,399	19,723	11,559	75,585		75,585
Intersegment revenue	1,142	-	-	-	1,142	(1,142)	
Total revenue	<u>31,046</u>	<u>14,399</u>	<u>19,723</u>	<u>11,559</u>	<u>76,727</u>	<u>(1,142)</u>	<u>75,585</u>
Segment result	164	(1,689)	3,370	(415)	1,430	(2,750)	(1,320)
Provision on goodwill impairment	-	-	-	-			(16,000)
Profit before taxation							<u>(17,320)</u>
<u>9 months period</u>							
<u>ended 30</u>							
<u>September 2001</u>							
External revenue	35,120	64,935	15,356	21,039	136,450		136,450
Intersegment revenue	1,974	262	-	-	2,236	(2,236)	
Total revenue	<u>37,094</u>	<u>65,197</u>	<u>15,356</u>	<u>21,039</u>	<u>138,686</u>	<u>(2,236)</u>	<u>136,450</u>
Profit before taxation	7,682	9,756	(843)	1,003	17,598	(4,704)	12,894

The activities of the Group are primarily in manufacturing and as such segmented reporting by activities are not presented.

The directors are of the opinions 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) Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous audited financial statements.

During the nine months period, plant and equipment with carrying value of RM440,451 were written off because a subsidiary has relocated its operations to a new factory.

During the nine months period, the acquisition and disposal of property, plant and equipment amounting to RM4,782,068 and RM258,442 respectively.

10) Material events subsequent to the balance sheet date

Employees' Share Options Scheme ("ESOS")

On October 18, 2002, the Company has granted 998,000 units of ordinary shares to the eligible employees under the ESOS Option 2 at the option price of RM1.96 per share.

There is no other material event subsequent to the balance sheet date.

11) Changes in composition of the Group

On 19 February 2002, ETHB had entered into an agreement to dispose its investment of 1,875,000 shares in Advantest-Eng (M) Sdn. Bhd. for a cash consideration of RM2,737,000.00.

On 13 March 2002, the Company entered into an agreement to acquire the balance 20% of equity interest in a subsidiary, Engtek Precision (Thailand) Co., Ltd (ETTH), for purchase consideration of RM1,056,000. With this, ETTH became a wholly owned subsidiary of the Company.

On 21 March 2002, ETHB entered into a share sale agreement to acquire 30% of equity interest in a subsidiary, Engtek International limited (ETIL), for purchase consideration of HK\$11,625,000. With this, the Company increased its equity interest in ETIL from 60% to 90%.

On 9 July 2002, ETHB entered into three (3) share sale agreements with Mr. Tan Tiong Eng, Mr. Teng Woei En and Mr. Teh Yeong Siang respectively for the acquisition of the remaining 20% equity interest in EPPI comprising 2,000,000 ordinary shares of Peso 1.00 each in EPPI for a total purchase consideration of RM2,112,000 to be wholly satisfied in cash. With this, EPPI became a wholly-owned subsidiary of ETHB.

The above acquisitions were completed in the reporting period.

There is no other change in composition of the Group except for the above.

12) Contingent liabilities

The total contingent liabilities for the Company are corporate guarantees for credit facilities granted to subsidiaries have decreased from RM7.4 million at 31 December 2001 to RM5.6 million at 30 September 2002.

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PART B – DISCLOSURE NOTES AS REQUIRED UNDER KLSE LISTING REQUIREMENTS

13) Review of the performance of the Company and its Principal subsidiaries

The Group revenue for the quarter was RM20.7 million and period to date 9 months of RM75.6 million. Revenue for the quarter remained low as the continuing slump in technology product demand has not improved.

The Group recorded an operational loss of RM2.8 million for the quarter. The total loss of the quarter after the provision on goodwill impairment of RM16.0 million was RM18.8 million. The 9 months year to date loss was RM17.3 million.

The main reasons for the operational loss was due to certain inventory write off and assets disposal arising from right sizing actions.

14) Variation of results against preceding quarter

The preceding quarter revenue was RM25.2 million with a loss before taxation of RM0.8 million. Loss before taxation increased from RM0.8 million to RM18.8 million primarily due to the provision on goodwill impairment charge and lower revenue.

15) Current year prospects

Prospect for quarter 4 should be better as revenue has improved marginally due to sales of certain products improving. However the general demand trend has not significantly improved. In line with this it is expected, barring unforeseen circumstances, the bottom line should improve as well. The management is in process of undertaking new projects but the volume production has yet to set in significantly.

16) Variance of actual profit from profit forecast

This note is not applicable for current quarter.

17) Taxation

Note	3 months period ended 30 September 2002 RM'000	9 months period ended 30 September 2002 RM'000
Components of taxation:		
Income tax:		
Current period	(362)	432
Overprovision in prior year	(414)	(416)
Deferred tax:		
Current period	(21)	82
Underprovision in prior year	405	405
	(392)	503

The effective rate of taxation for the nine months period of the Group is higher than the statutory rate of taxation principally due to losses of certain subsidiaries that are not available for set off against taxable profits of other companies of the Group as no group relief are available and certain expenses being not deductible for tax purposes.

18) Unquoted investments and properties

During the nine months period, the Company disposed its investment of 1,875,000 shares in Advantest-Eng (M) Sdn. Bhd. for a cash consideration of RM2,737,000. There was no sale of properties for the nine months period ended 30 September 2002.

19) Marketable securities

	3 months period ended		9 months period ended	
	30 September		30 September	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Total purchase consideration	-	-	-	-
Total sales proceeds	-	20	73	20
Total loss on disposal	-	27	104	27

There was no investment in marketable securities as at 30 September 2002.

20) Status of corporate proposal

The Company ("ETHB") has signed a Memorandum of Understanding ("MOU") with Ultron Technologies Limited ("Ultron"), Lim Ee Ann and Lim Ee Chuan on 22 July 2002 with the intention of entering into an agreement to form a strategic alliance with Ultron that provides a platform for future growth in the area of manufacturing die cast and precision mechanical components. The strategic alliance will entail the amalgamation of the subsidiaries of ETHB and Ultron namely Engtek Precision (Thailand) Co. Ltd. ("ETTH") and Altum Precision Pte. Ltd. ("Altum") respectively.

The strategic alliance would be achieved through the injection of ETTH into Altum via share swap and ETHB simultaneously acquiring such number of shares in Altum from the Altum Shareholders to result in ETHB having 60% equity interest of the enlarged Altum. The cash consideration is expected to be approximately SGD17.68 million and will be financed by internally generated funds and bank borrowings.

Pursuant to the strategic alliance, ETHB intends to enter into a put and call option with Ultron for the remaining 40% equity interest in the enlarged Altum on terms and conditions to be agreed upon. With the strategic alliance, both ETHB and Ultron will work towards the eventual listing of the enlarged Altum on an appropriate stock exchange in the future.

On the expiration of the MOU, ETHB on 25 October 2002 announced that all parties pertaining to the MOU have agreed to extend the negotiation period to finalise the terms of the proposals.

21) Borrowings

Details of the Group's borrowings as at 30 September 2002 are as follows:

	Short Term	Long Term
	RM'000	RM'000
Unsecured	<u>2,096</u>	<u>3,491</u>

There was no borrowing denominated in foreign currency as at 30 September 2002.

22) Financial Instruments

(a) Forward foreign exchange contracts

Forward foreign exchange contracts are entered by the Company and its subsidiaries in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. In general, the Group's policy is to hedge all excess amount of receivables against payables.

As at 14 November 2002, the Group's open forward contracts entered into as hedges of anticipated future transactions are as follows:

Hedged Items	Currency to be paid/received	Contracted Amounts	RM equivalent	Fair Value
		'000	RM'000	RM'000
Future Sales Collection	USD	816	3,108	3,100
Future letter of credit settlement	Yen	90,100	2,826	2,873

The settlement dates of the above open forward contracts range between one and six months.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions. All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts that are no longer designated as hedges are included in the income statement.

The above instruments are executed with creditworthy financial institutions in Malaysia and Hong Kong. The Directors are of the opinion that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

23) Material litigation

There was no pending litigation at the close of the report.

24) Dividend

There was no interim dividend proposed by the Board for the financial period ended 30 September 2002.

25) Earnings per share

(a) Basic (loss)/earnings per share

	3 months ended		9 months ended	
	30 September		30 September	
	2002	2001	2002	2001
Net (loss)/profit attributable to shareholders (RM'000)	(18,468)	1,024	(18,828)	11,355
Weighted average number of ordinary shares in issue ('000)	80,701	80,098	80,701	80,098
Basic (loss)/earning per share (sen)	(22.9)	1.3	(23.3)	14.2

(b) Diluted (loss)/earnings per share

Net (loss)/profit attributable to shareholders (RM'000)	(18,468)		(18,828)	
Weighted average number of ordinary shares in issue ('000)	80,701		80,701	
Adjusted for:				
Assumed exercise of ESOS	1,461		1,461	
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	82,162		82,162	
Diluted (loss)/earning per share (sen)	(22.5)	N/A	(22.9)	N/A

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PART C - ADDITIONAL DISCLOSURE

26) Goodwill on consolidation

The company made a provision on goodwill impairment amounting to RM16 million on consolidation arising from the acquisition of a subsidiary in 1999.

	RM'000
At 1 January 2002	23,904
Addition	1,568
Amortisation	(837)
Provision on goodwill impairment	(16,000)
At 30 September 2002	<u>8,635</u>

The provision on goodwill impairment was made to reduce the carrying value of the goodwill on consolidation of a subsidiary to the recoverable amount as a result of changes to that subsidiary's customer base. The recoverable amount is estimated by management based on its value in use, which is the estimated present value of the future cash flow expected to be realised for the subsidiary, based on its current condition after applying the appropriate discount rate.

27) Capital commitments

	30 September 2002 RM'000
Approved and contracted for:	
Operating lease-buildings and equipments	10,566
Plant and machinery	823
Professional Fees	<u>513</u>

28) Related party transactions

Nature of transaction	Interested related party	RM'000
Acquisition of 20% equity interest in Engtek Precision (Thailand) Co. Ltd. (ETTH)	Teh Yong Khoon*	580
Acquisition of 20% equity interest in Engtek Precision Philippines Inc. (EPPI)	Tan Tiong Eng**	1,056
Gratuity payment	Tan Tiong Eng**	800

*A director of the Company

** A person connected to a director of the Company by virtue of his family relationship

29) Authorisation for issue

On 21 November 2002, the Board of Directors authorised this interim report for issue.

By Order of the Board
Eng Teknologi Holdings Bhd (234669 M)

THUM SOOK FUN (MAICSA 7025619)
Secretary
21 November 2002