

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
31 March 2003

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 2003 RM'000	As At 31 December 2002 (As restated) RM'000
Non-Current Assets			
Property, plant and equipment	9	76,696	79,286
Investment in associate		41	41
Long term receivable		2,454	2,439
Other investments	19	294	320
Goodwill on consolidation		8,376	8,667
		<u>87,861</u>	<u>90,753</u>
Current Assets			
Inventories		5,326	5,289
Trade receivables		28,275	24,703
Other receivables		11,035	11,320
Cash and bank balances		23,135	21,338
		<u>67,771</u>	<u>62,650</u>
Current Liabilities			
Short term borrowings	22	3,510	2,030
Trade payables		11,129	9,910
Other payables		9,606	12,877
Taxation		813	751
		<u>25,058</u>	<u>25,568</u>
Net Current Assets		<u>42,713</u>	<u>37,082</u>
		<u>130,574</u>	<u>127,835</u>
Financed by:			
Share capital		80,981	80,977
Reserves		40,917	38,147
Shareholders' equity		<u>121,898</u>	<u>119,124</u>
Minority interests		1,893	1,685
		<u>123,791</u>	<u>120,809</u>
Long term borrowings	22	3,047	3,111
Deferred taxation		3,531	3,696
Other long term liabilities		205	219
		<u>6,783</u>	<u>7,026</u>
		<u>130,574</u>	<u>127,835</u>
Net tangible assets per share (RM)		1.40	1.36

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2002. The accompanying notes are an integral part of this balance sheet.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	3 months period ended	
		31 March	
		2003	2002
		RM'000	RM'000
		(As restated)	
Revenue		32,507	29,198
Cost of sales		(24,508)	(23,801)
Gross profit		7,999	5,397
Operating expenses		(5,357)	(5,136)
Other operating income		1,248	2,014
Operating profit		3,890	2,275
Finance cost, net		(87)	32
Profit before taxation	8	3,803	2,307
Taxation	18	(368)	(479)
Profit after taxation		3,435	1,828
Less: Minority interests		(209)	(797)
Net profit for the period		3,226	1,031
Basic earnings per share (sen)	26	4.0	1.3
Diluted earnings per share (sen)	26		1.3
* The cost of sales and operating expenses were arrived at after depreciation and amortisation of		4,328	4,063
The finance cost was arrived at after interest expense of		103	126

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2002. The accompanying notes are an integral part of this statement.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Reserve →					Total RM'000
	Share Capital RM'000	Share Premium RM'000	Non-distributable Translation Reserve RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	
At 1 January 2003 as previously stated	80,977	4,470	(11,938)	7,562	38,513	119,584
Prior year adjustment (Note 1)	-	-	-	-	(460)	(460)
At 1 January 2003 as restated	80,977	4,470	(11,938)	7,562	38,053	119,124
Exercise of Options under ESOS	4	4	-	-	-	8
Net profit for the period	-	-	-	-	3,226	3,226
Currency translation differences, representing net losses not recognised in income statement	-	-	(460)	-	-	(460)
At 31 March 2003	80,981	4,474	(12,398)	7,562	41,279	121,898

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2002. The accompanying notes are an integral part of this statement.

ENG TEKNOLOGI HOLDINGS BHD.
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 months period ended 31 March 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash generated from operations	3,235
Tax paid	(223)
Interest paid	(103)
Net cash generated from operating activities	<u>2,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	234
Proceeds from disposal of property, plant and equipment	75
Dividend received	1
Acquisition of property, plant and equipment	(1,985)
Net cash used in investing activities	<u>(1,675)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in bank borrowing	260
Proceeds from issuance of shares for ESOS exercised	8
Repayment of borrowings	(536)
Net cash use in financing activities	<u>(268)</u>
FOREIGN EXCHANGE TRANSLATION EFFECT	(645)
NET INCREASE IN CASH AND CASH EQUIVALENTS	966
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>21,195</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>21,516</u>

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 2003 RM'000	As At 31 December 2002 RM'000
Cash and bank balances	23,135	21,338
Bank overdrafts	(1,606)	(114)
Effect of exchange rate on bank balances	(13)	(29)
	<u>21,516</u>	<u>21,195</u>

Certain fixed deposits of the Group amounting to RM1,988,951 (31 December 2002: RM1,956,561) have been pledged to the banks as collateral for banking facilities granted to certain subsidiaries.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2002. 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 statements are 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 2002. 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 2002.

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 2002, except for the adoption of MASB 25, MASB 27 to MASB 29, which became effective from 1 January 2003 for the Group. The adoption of MASB 27 to MASB 29 have not given rise to any adjustments to the opening balances of retained profits of the prior year and the current period or to changes in comparatives. The changes and effects of adopting MASB 25 which resulted in prior year adjustments are as follows:

(a) Changes in Accounting Policy

(i) MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognized for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialized in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Previously, deferred tax assets were not recognized unless there are reasonable expectation of their realization.

(b) Prior Year Adjustments

The changes in accounting policy have been applied retrospectively and comparatives have been restated. The effects of changes in accounting policy are as follows:

	2003 RM'000	2002 RM'000
Effects on retained profits:		
At 1 January, as previously stated	38,513	66,540
Effects of adopting MASB 25	(460)	(681)
At 1 January, as restated	<u>38,053</u>	<u>65,859</u>

Comparative amount as at 31 December 2002 have been restated as follows:

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
Deferred taxation	3,236	460	3,696

2. Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2002 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 current quarter.

5. Changes In Estimates

Not applicable.

6. Debt And Equity Securities

During the current quarter, the Company issued 4,000 fully paid-up ordinary shares of RM1 each pursuant to the Employees' Share Option Scheme ("ESOS").

ESOS	Date of grant	As at 1/1/2003 '000	Granted '000	Exercised '000	Forgone '000	As at 31/3/2003 '000	Option price per ordinary share RM	Date of expiry
Option 1	23/10/01	4,142	-	1	60	4,081	2.26	22/10/11
Option 2	18/10/02	992	-	3	-	989	1.96	22/10/11

7. Dividend Paid

There was no dividend paid during the current quarter.

8. Segmental Information

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

	← Manufacturing →				Others		Amalgamated RM'000	Elimination RM'000	Consolidated RM'000
	Malaysia RM'000	Philippines RM'000	Hong Kong RM'000	Thailand RM'000	Malaysia RM'000				
<u>3 months period ended 31 March 2003</u>									
External revenue	14,274	6,387	10,857	922	-	32,440	-	32,440	
Intersegment revenue	(3)	-	-	-	-	(3)	3	-	
	14,271	6,387	10,857	922	-	32,437	3	32,440	
Unallocated revenue								67	
Total revenue								32,507	
Segment results	2,650	723	2,261	(679)	(27)	4,928	-	4,928	
Unallocated expenses								(1,038)	
Profit from operation								3,890	
Finance costs, net								(87)	
Taxation								(368)	
Profit after taxation								3,435	
Minority interests								(209)	
Net profit for the period								3,226	

	← Manufacturing →				Others		Elimi- nation RM'000	Consoli- dated RM'000
	Malaysia RM'000	Philippines RM'000	Hong Kong RM'000	Thailand RM'000	Malaysia RM'000	Amalga- mated RM'000		
<u>3 months period</u> <u>ended 31 March</u> <u>2002</u>								
External revenue	12,063	5,513	6,304	5,152	73	29,105	-	29,105
Intersegment revenue	-	-	-	-	-	-	-	-
	12,063	5,513	6,304	5,152	73	29,105	-	29,105
Unallocated revenue								93
Total revenue								29,198
Segment results	1,725	(1,251)	1,447	675	17	2,613	-	2,613
Unallocated expenses								(338)
Profit from operation								2,275
Finance costs, net								32
Taxation								(479)
Profit after taxation								1,828
Minority interests								(797)
Net profit for the period								1,031

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. Carrying Amount of Revalued Assets

The valuations of land and buildings have 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:

- i) On 10 April 2003, a wholly owned subsidiary in Thailand has changed its name from Engtek Precision (Thailand) Co., Ltd. to Altum Precision Co., Ltd..
- ii) On 19 May 2003, the Company entered into a put/call option agreement with Ultro Technologies Limited (Ultro) to acquire the remaining 40% equity of Altum Precision Pte Ltd (APS).
- iii) On 19 May 2003, the Company entered into a shareholders agreement with Ultro to regulate their rights as shareholders and matters in relation to APS and its subsidiaries.
- iv) On 23 May 2003, the Company has granted 2,001,000 units of ordinary shares to the eligible employees under the ESOS Option 3 at the option price of RM2.06 per share.

11. Changes In Composition Of The Group

There were no changes in the composition of the Group during the current quarter except that the Company disposed its entire equity interest in Engtek Precision Philippines, Inc. (EPPI) to Engtek Philippines, Inc. Both are wholly owned subsidiaries of the Company incorporated in Philippines. With this, EPPI became an indirect subsidiary of the Company.

12. Contingent Liabilities

The total contingent liabilities for the Company are corporate guarantees for credit facilities granted to subsidiaries have increased from RM8.0 million as at 31 December 2002 to RM10.0 million as at 31 March 2003.

13. Commitments

	31 March 2003 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	8,409
Professional fees	598
Plant and machinery	193
	<hr/>
	31 March 2003 RM'000
Approved but not contracted for:	
Professional fees	129
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PART B – DISCLOSURE NOTES AS REQUIRED UNDER KLSE LISTING REQUIREMENTS

14. Performance Review

The Group has proved its resilient capabilities to turnaround to profitability for the reporting quarter, after having faced the adversed challenges of prior financial year. The Group profit before taxation for the quarter was at RM 3.8 million, a vast improvement from previous quarter's loss.

The profit performance for the quarter was mainly attributed to improving sales and volume of production, more broadbased customer allocations and cost improvements.

In accordance with MASB 25 which became effective on 1 January 2003 for the Group, the Group has made prior year adjustments for deferred taxation to charge out RM0.5million from its retained profits.

15. Variation Of Results Against Preceding Quarter

The Group's Revenue has grown 19% quarter on quarter to RM32.5 million. Overall demand from customers have improved during the quarter. Except for the Group's Thailand operation being reengineered preparatory to the merger with the Altum Group, all other subsidiaries' performance have improved significantly. Introduction and launching of certain new product mix to the marketplace has also helped in improving sales and margins.

16. Current Year Prospects

The Group is confident that its performance for financial year 2003 will show a strong rebound to profitability. Revenue is expected to grow substantially year on year with corresponding strong profitability. This is based on various attributes of better market industry demand outlook, more broadbased and stable customer allocations, better operating efficiencies, synergistic contributions from Altum acquisition and new major contract awarded by a USA multinational customer to the Group.

17. Variance Of Actual Profit From Profit Forecast

This note is not applicable for current quarter.

18. Taxation

	3 months period ended 31 March 2003 RM'000
Components of taxation:	
Income tax:	
Current period	534
Deferred tax:	
Current period	(166)
	<u>368</u>

The effective rate of taxation of the group is lower than the statutory rate of taxation principally due to certain incentives enjoyed by the local subsidiaries under the Income Tax act, 1967 and foreign subsidiaries under their respective authorities.

19. Unquoted Investments And Properties

There were no sales of unquoted investments and properties during the current quarter.

20. Marketable Securities

There was no investment in marketable securities as at 31 March 2003.

21. Status Of Corporate Proposal

On 4 December 2002, Eng Teknologi Holdings Bhd. (ETHB) has announced the following Proposals:

- (i) The proposed disposal of the company's entire equity interest in its wholly-owned subsidiary, Altum Precision Co., Ltd (formerly known as Engtek Precision (Thailand) Co., Ltd.), to Altum Precision Pte. Ltd. (Altum) for a total consideration of SGD4.5 million to be wholly satisfied through the issuance of 1,810,865 new ordinary shares of SGD1.00 each in Altum (Altum Shares) representing 12.62% equity interest of the enlarged issued and paid-up share capital of altum, at an issue price of approximately SGD2.485 per altum share (Proposed Disposal);
- (ii) The proposed acquisition of 6,798,731 altum shares representing 47.38% equity interest of the enlarged issued and paid-up share capital of Altum after the Proposed Disposal for a total cash consideration of approximately SGD16.896 million (Proposed Acquisition); and
- (iii) The proposed put/call option arrangement to be implemented upon the completion of the Proposed Disposal and the Proposed Acquisition comprising the following:
 - The proposed grant of call option by Ultro Technologies Limited (Ultro) to ETHB, which gives ETHB the right but not the obligation to acquire from Ultro the remaining 5,739,731 Altum Shares representing 40% equity interest in the enlarged issued and paid-up share capital of Altum after the Proposed Disposal; and
 - The proposed grant of put option by ETHB to Ultro, which gives Ultro the right but not the obligation to require ETHB to purchase from Ultro the remaining 5,739,731 Altum Shares representing 40% equity interest in the enlarged issued and paid-up share capital of Altum after the Proposed Disposal

The Proposed Disposal and Proposed Acquisition have been duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 10 April 2003. The Proposed Disposal and Proposal Acquisition were completed on 19 May 2003.

22. Borrowings

Details of the Group's borrowings as at 31 March 2003 are as follows:

	Total borrowings as at 31 March 2003	Included in the total borrowings are amounts denominated in foreign currency
	(Unit'000) RM	(Unit'000)
Secured	4,691	
Unsecured	260	
Unsecured (Foreign currency)	846	HKD 1,737
Unsecured (Foreign currency)	760	THB 8,643
	6,557	

	Total borrowings as at 31 March 2003	Included in the total borrowings are amounts denominated in foreign currency
	(Unit'000)	(Unit'000)
Short term	1,904	
Short term (Foreign currency)	846	HKD 1,737
Short term (Foreign currency)	760	THB 8,643
Long term	3,047	
Long term (Foreign currency)	-	
	<u>6,557</u>	

23. Financial Instruments

	Notional amount as at 22 May 2003 RM'000
Forward foreign exchange contracts:	
Within 1 year	3,549

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 2002.

24. Material Litigation

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

25. Dividend

The directors do not recommend any interim dividend for the three months period ended 31 March 2003.

26. Earnings Per Share

(a) Basic

	3 months period ended 31 March	
	2003	2002
Net profit attributable to shareholders (RM'000)	3,226	1,031
Weighted average number of ordinary shares in issue ('000)	80,981	80,326
Basic earning per share (sen)	4.0	1.3

(b) Diluted

	3 months period ended	
	31 March	
	2003	2002
Net profit attributable to shareholders (RM'000)		1,031
Weighted average number of ordinary shares in issue ('000)		<u>80,326</u>
Adjusted for:		
Assumed exercise of ESOS		<u>1,555</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)		<u>81,881</u>
Diluted earning per share (sen)		1.3

The diluted earnings per share of the Group for the 3 months period ended 31 March 2003 was not presented as the exercise of share options were anti-dilutive and would increase earnings per ordinary share from continuing operations.

27. Authorisation For Issue

On 29 May 2003, 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
 29 May 2003