

**ENG TEKNOLOGI HOLDINGS BHD.**

Company No. 234669 M  
(Incorporated in Malaysia)

Interim Financial Statements  
30 June 2003

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

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

	Note	As At 30 June 2003 RM'000	As At 31 December 2002 (As restated) RM'000
<b>Non-Current Assets</b>			
Property, plant and equipment	9	109,446	79,286
Investment in associate		41	41
Long term receivable		2,454	2,439
Other investments	19	310	320
Goodwill on consolidation		24,922	8,667
		<u>137,173</u>	<u>90,753</u>
<b>Current Assets</b>			
Inventories		16,046	5,289
Trade receivables		51,756	24,703
Other receivables		10,354	11,320
Cash and bank balances		26,159	21,338
		<u>104,315</u>	<u>62,650</u>
<b>Current Liabilities</b>			
Short term borrowings	22	23,363	2,030
Trade payables		20,959	9,910
Other payables		16,609	12,877
Taxation payable		1,764	751
		<u>62,695</u>	<u>25,568</u>
<b>Net Current Assets</b>		<u>41,620</u>	<u>37,082</u>
		<u>178,793</u>	<u>127,835</u>
<b>Financed by:</b>			
Share capital		81,064	80,977
Reserves		45,262	38,147
Shareholders' equity		<u>126,326</u>	<u>119,124</u>
Minority interests		21,387	1,685
		<u>147,713</u>	<u>120,809</u>
Long term borrowings	22	24,744	3,111
Deferred taxation		6,144	3,696
Deferred income		192	219
		<u>31,080</u>	<u>7,026</u>
		<u>178,793</u>	<u>127,835</u>
Net tangible assets per share (RM)		1.25	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		6 months period ended	
		30 June		30 June	
		2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000
Revenue		48,362	25,720	80,870	54,918
Cost of sales		(39,682)	(22,007)	(64,190)	(45,808)
Gross profit		8,680	3,713	16,680	9,110
Operating expenses		(6,915)	(5,293)	(12,272)	(10,582)
Other operating income		1,041	681	2,289	2,921
Gain on disposal of a subsidiary	11	3,155	-	3,155	-
Operating profit/ (loss)		5,961	(899)	9,852	1,449
Finance costs		(462)	78	(550)	37
Profit/ (loss) before taxation	8	5,499	(821)	9,302	1,486
Taxation	17	(1,205)	(53)	(1,574)	(895)
Profit/ (loss) after taxation		4,294	(874)	7,728	591
Less: Minority interests		(59)	(154)	(268)	(951)
Net profit/ (loss) for the period		4,235	(1,028)	7,460	(360)
Basic earnings per share (sen)	26	5.2	(1.3)	9.2	(0.4)
Diluted earnings per share (sen)	26	5.2	(1.3)	9.1	(0.4)
* The cost of sales and operating expenses were arrived at after depreciation and amortisation of		5,723	4,206	10,065	8,294
The finance cost was arrived at after interest expense of		447	113	550	239

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.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share Capital RM'000	Reserve			Distributable Retained Profits RM'000	Total RM'000
		Share Premium RM'000	Translation Reserve RM'000	Capital Reserve 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	87	99	-	-	-	186
Net profit for the period	-	-	-	-	7,460	7,460
Currency translation differences, representing net losses not recognised in income statement	-	-	(444)	-	-	(444)
At 30 June 2003	81,064	4,569	(12,382)	7,562	45,513	126,326

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.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	6 months period ended 30 June 2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash generated from operations	15,534
Interest paid	(522)
Tax paid	(530)
Net cash generated from operating activities	<u>14,482</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Dividend received	1
Interest received	314
Proceeds from disposal of property, plant and equipment	120
Acquisition of property, plant and equipment	(4,140)
Net cash used in acquisition of subsidiaries	<u>(29,655)</u>
Net cash used in investing activities	<u>(33,360)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Drawdown of bank borrowings	455
Drawdown of term loan	25,064
Proceeds from issuance of shares for ESOS exercised	185
Dividend paid by a subsidiary to its minority shareholder	(122)
Repayment of lease and hire-purchase payables	(1,146)
Repayment of term loans	(1,727)
Net cash used in financing activities	<u>22,709</u>
<b>FOREIGN EXCHANGE TRANSLATION EFFECT</b>	(523)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,831
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>21,195</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>24,503</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 June 2003 RM'000	As At 31 December 2002 RM'000
Cash and bank balances	26,159	21,338
Bank overdrafts	(1,783)	(114)
Effect of exchange rate on bank balances	127	(29)
	<u>24,503</u>	<u>21,195</u>

Certain fixed deposits of the Group amounting to RM3,320,371 (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 financial period ended 30 June 2003 except for the disposal of a subsidiary and acquisition of a group of subsidiaries as disclosed in Note 11.

#### 5. Changes In Estimates

Not applicable.

#### 6. Debt And Equity Securities

During the financial period ended 30 June 2003, the Company issued 87,000 fully paid-up ordinary shares of RM1 each pursuant to the Employees' Share Option Scheme ("ESOS").

ESOS	Date of grant	As at	Granted	Exercised	Forgone	As at	Option price per ordinary share	Date of expiry
		1/1/2003				30/6/2003		
		'000	'000	'000	'000	'000	RM	
Option 1	23/10/01	4,142	-	49	260	3,833	2.26	22/10/11
Option 2	18/10/02	998	-	38	90	870	1.96	22/10/11
Option 3	23/05/03	-	1,563	-	1	1,562	2.06	22/10/11

#### 7. Dividend Paid

There was no dividend paid during the financial period ended 30 June 2003.

#### 8. Segmental Information

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

	← Manufacturing →					Others		Elimination	Consolidated
	Malaysia	Philippines	Hong Kong	Thailand	Singapore	Malaysia	Amalgamated		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>6 months period ended 30 June 2003</u>									
External revenue	24,806	13,317	23,379	1,063	18,209	-	80,774	-	80,774
Intersegment revenue	8,289	-	-	-	892	-	9,181	(9,181)	-
	33,095	13,317	23,379	1,063	19,101	-	89,955	(9,181)	80,774
Unallocated revenue									96
Total revenue									80,870
Segment results	3,167	1,808	5,205	(2,311)	1,148	(13)	9,004	-	9,004
Gain on disposal of a subsidiary (Note 11)									3,155
Unallocated expenses									(2,308)
Profit from operation									9,851
Finance costs, net									(549)
Taxation									(1574)
Profit after taxation									7,728
Minority interests									(268)
Net profit for the period									7,460



	← 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>6 months period</u>								
<u>ended 30 June 2002</u>								
External revenue	21,607	10,303	14,202	8,559	73	54,744	-	54,744
Intersegment revenue	(3)	-	-	-	-	(3)	3	-
	21,604	10,303	14,202	8,559	73	54,741	3	54,744
Unallocated revenue								174
Total revenue								<u>54,918</u>
Segment results	1,574	(2,335)	3,278	573	10	3,100		3,100
Unallocated expenses								(1,651)
Profit from operation								<u>1,449</u>
Finance costs, net								37
Taxation								(895)
Profit after taxation								<u>591</u>
Minority interests								(951)
Net profit for the period								<u><u>(360)</u></u>

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.

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

There were no changes in the composition of the Group during the current quarter except for the following:

- (i) The 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. (APS) 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 APS (APS Shares) representing 12.62% equity interest of the enlarged issued and paid-up share capital of APS, at an issue price of approximately SGD2.485 per APS Share. The disposal was completed on 19 May 2003.

The effects of the Disposal are as follows:

	4 months period ended 30 April 2003 <u>RM '000</u>	Financial year ended 31 December 2002 <u>RM '000</u>
Revenue	999	13,400
Loss before taxation	(1,475)	(480)

## Net Assets Disposed:

	30 April 2003 <u>RM '000</u>	31 December 2002 <u>RM '000</u>
Non-current assets	5,113	5,400
Current assets	2,014	2,952
Current liabilities	(659)	(6,786)
Net assets	<u>6,468</u>	<u>1,566</u>
Gain on disposal of a subsidiary	<u>3,155</u>	
Satisfied by shares	<u>9,623</u>	
Cash and cash equivalents disposed	<u>(316)</u>	

- (ii) The acquisition of 6,798,731 APS Shares representing 47.38% equity interest of the enlarged issued and paid-up share capital of APS after the Disposal for a total cash consideration of approximately SGD16.896 million (Acquisition). The above acquisition were completed on 19 May 2003. With this, APS and its wholly owned subsidiaries, Altum Precision Sdn Bhd and Altum Precision Co., Ltd, became subsidiaries of the Company.

The effects of the acquisition are as follows:

	For the period from 1 May 2003 to 30 June 2003 <u>RM '000</u>
Revenue	18,287
Loss before taxation	(153)
	30 June 2003 <u>RM '000</u>
Non-current assets	41,841
Current assets	50,568
Current liabilities	(31,479)
Non-current liabilities	(8,468)
Minority interest	(19,488)
Group's share of net assets	<u>32,974</u>

The fair value of the assets acquired and liabilities assumed are as follows:

	1 May 2003 <u>RM '000</u>
Net assets acquired:	
Non-current assets	42,220
Current assets	55,267
Current liabilities	(35,054)
Non-current liabilities	(9,990)
Fair value of total net assets	<u>52,443</u>
Less: Goodwill on consolidation	(3,765)
Fair value of total net tangible assets	<u>48,678</u>
Less: minority interest	(19,471)
Group's share of net tangible assets	<u>29,207</u>
Goodwill on acquisition	<u>17,772</u>
Total consideration	<u>46,979</u>
Satisfied by:	
Cash	37,356
Shares	<u>9,623</u>
Net cash outflow arising on acquisition:	
Cash consideration	37,356
Cash and cash equivalents of subsidiary acquired	<u>(7,701)</u>
	<u>29,655</u>

**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 RM9.3 million as at 30 June 2003.

**13. Commitments**

	30 June 2003 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	8,235
Professional fees	533
Plant and machinery	69
	<hr/>
	30 June 2003 RM'000
Approved but not contracted for:	
Professional fees	48
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**PART B – DISCLOSURE NOTES AS REQUIRED UNDER KLSE LISTING REQUIREMENTS**

**14. Performance Review**

Engtek Group achieved significant improvement in performance with revenue of RM48.4 million for this reporting quarter compared to the corresponding quarter last year of RM25.7 million. Whilst on a year to date 6 month basis, the Group recorded RM80.9 million compared to RM54.9 million for the same period last year.

Engtek Group also recorded a much better profit before taxation of RM5.5 million this reporting quarter compared to the corresponding quarter last year which recorded a loss of RM0.8 million. The group year to date profit before taxation was RM9.3 million compared to RM1.5 million for the same period last year.

The improved performance came about from the improved market demand for the data storage industry on the back of improved global demand for computers and consolidation of Altum Group's results for May and June 2003.

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 RM0.5 million from its retained profits.

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

Revenue improved from RM32.5 million in the immediate preceding quarter to RM48.4 million this reporting quarter. The main attribute to this was the acquisition of Altum Group during the quarter which was an outcome of Engtek Group's strategic acquisition. Demand trend remained stable and pricing has been satisfactory.

The overall Group profit before taxation also improved from RM3.8 million in quarter one to RM5.5 million in the reporting quarter. Included in the profit before taxation was a net gain on the disposal of a subsidiary of RM2.5 million (RM3.1 million – as mentioned in Note 11 minus related expenses of RM0.6 million). Hence the operational profit has been constant compared to quarter one. Altum Group's contribution to the Group's earnings is expected to commence from quarter three.

**16. Current Year Prospects**

The global demand trend for computers remains strong. Hence the management anticipates positive market demand trend from Engtek's customers to continue. With new business developments expected to commence from quarter three and the expected benefits arising from the integration of Altum into the Group, the management is confident of better performance for the second half of 2003.

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

Not applicable.

**18. Taxation**

	3 months period ended 30 June 2003 RM'000	6 months period ended 30 June 2003 RM'000
Components of taxation:		
Income tax:		
Current period	1,215	1,749
Underprovision in prior year	297	297
Deferred tax:		
Current period	(306)	(472)
	1,205	1,574

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 foreign subsidiaries under their respective authorities.

**19. Unquoted Investments And Properties**

There were no sales of unquoted investments and properties during the financial period.

**20. Marketable Securities**

There was no investment in marketable securities as at 30 June 2003.

**21. Status Of Corporate Proposal**

There were no corporate proposal announced but not completed.

**22. Borrowings**

Details of the Group's borrowings as at 30 June 2003 are as follows:

	Total borrowings as at 30 June 2003	Included in the total borrowings are amounts denominated in foreign currency
	(Unit'000) RM	(Unit'000)
Secured	2,066	
Secured (Foreign currency)	24,361	USD 6,415
Secured (Foreign currency)	18,407	SGD 8,516
Unsecured	3,273	
	48,107	
	Total borrowings as at 30 June 2003	Included in the total borrowings are amounts denominated in foreign currency
	(Unit'000)	(Unit'000)
Short term	2,426	
Short term (Foreign currency)	8,430	USD 2,220
Short term (Foreign currency)	12,507	SGD 5,786
Long term	2,913	
Long term (Foreign currency)	15,931	USD 4,195
Long term (Foreign currency)	5,900	SGD 2,730
	48,107	

**23. Financial Instruments**

	Notional amount as at 14 Aug 2003 RM'000
Forward foreign exchange contracts:	
Within 1 year	5,512

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. Dividends**

- (a) A final tax exempt dividend of 3% (3 sen per share) in respect of the financial year ended 31 December 2002 (2001 : 10 sen per share tax exempt) has been approved by the shareholders to be paid on 22 July 2003.
- (b) The Directors have approved the declaration of an interim tax exempt dividend of 3% (3 sen per share) in respect of the financial year ending 31 December 2003 (2002 : Nil) to be paid on 18 November 2003 to depositors registered in the Records of Depositors on 28 October 2003.
- (c) The total dividend per share to date for the current financial year is 3 sen tax exempt.

**26. Earnings Per Share**

## (a) Basic

	3 months period ended		6 months period ended	
	30 June		30 June	
	2003	2002	2003	2002
Net profit attributable to shareholders (RM '000)	4,235	(1,028)	7,460	(360)
Weighted average number of ordinary shares in issue ('000)	80,995	80,561	80,995	80,561
Basic earning per share (sen)	5.2	(1.3)	9.2	(0.4)

## (b) Diluted

	3 months period ended		6 months period ended	
	30 June		30 June	
	2003	2002	2003	2002
Net profit attributable to shareholders (RM'000)	4,235	(1,028)	7,460	(360)
Weighted average number of ordinary shares in issue ('000)	80,995	80,561	80,995	80,561
Adjusted for:				
Assumed exercise of ESOS	707	1,561	707	1,561
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	81,702	82,122	81,702	82,122
Diluted earning per share (sen)	5.2	(1.3)	9.1	(0.4)

**27. Authorisation For Issue**

On 21 August 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  
21 August 2003