

ENG TEKNOLOGI HOLDINGS BHD.

Company No. 234669 M
(Incorporated in Malaysia)

Interim Financial Statements
30 September 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 September 2003 RM'000	As At 31 December 2002 (As restated) RM'000
Non-Current Assets			
Property, plant and equipment	9	108,876	79,286
Investment in associate		40	41
Long term receivable		2,454	2,439
Other investments	19	319	320
Goodwill on consolidation		24,229	8,667
		<u>135,918</u>	<u>90,753</u>
Current Assets			
Inventories		14,424	5,289
Trade receivables		45,377	24,703
Other receivables		10,445	11,320
Cash and bank balances		26,459	21,338
		<u>96,705</u>	<u>62,650</u>
Current Liabilities			
Short term borrowings	22	18,837	2,030
Trade payables		18,143	9,910
Other payables		15,366	12,877
Taxation payable		3,414	751
		<u>55,760</u>	<u>25,568</u>
Net Current Assets		<u>40,945</u>	<u>37,082</u>
		<u>176,863</u>	<u>127,835</u>
Financed by:			
Share capital		81,819	80,977
Reserves		46,707	38,147
Shareholders' equity		<u>128,526</u>	<u>119,124</u>
Minority interests		21,560	1,685
		<u>150,086</u>	<u>120,809</u>
Long term borrowings	22	20,937	3,111
Deferred taxation		5,661	3,696
Deferred income		179	219
		<u>26,777</u>	<u>7,026</u>
		<u>176,863</u>	<u>127,835</u>
Net tangible assets per share (RM)		1.27	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		9 months period ended	
		30 September		30 September	
		2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000
Revenue		53,540	20,667	134,409	75,585
Cost of sales		(44,177)	(19,288)	(108,391)	(65,096)
Gross profit		9,363	1,379	26,018	10,489
Operating expenses		(6,192)	(4,861)	(18,440)	(15,239)
Provision on goodwill impairment		-	(16,000)	-	(16,000)
Other operating income		1,505	715	3,794	3,433
Gain on disposal of a subsidiary		-	-	3,155	-
Operating profit/ (loss)		4,676	(18,767)	14,527	(17,317)
Finance costs		(477)	(39)	(1,027)	(3)
Profit/ (loss) before taxation	8	4,199	(18,806)	13,500	(17,320)
Taxation	18	(1,545)	392	(3,118)	(503)
Profit/ (loss) after taxation		2,654	(18,414)	10,382	(17,823)
Less: Minority interests		149	(54)	(119)	(1,005)
Net profit/ (loss) for the period		2,803	(18,468)	10,263	(18,828)
Basic earnings per share (sen)	26	3.4	(22.9)	12.6	(23.3)
Diluted earnings per share (sen)	26	3.4	(22.5)	12.4	(22.9)
* The cost of sales and operating expenses were arrived at after depreciation and amortisation of		6,874	3,850	16,938	12,450
The finance cost was arrived at after interest expense of		419	105	969	344

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

	Share Capital RM'000	Reserve			Distributable Retained Profits RM'000	Total RM'000
		Share Premium RM'000	Non-distributable 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	842	977	-	-	-	1,819
Net profit for the period	-	-	-	-	10,263	10,263
First and final tax-exempt dividend	-	-	-	-	(2,430)	(2,430)
Currency translation differences, representing net losses not recognised in income statement	-	-	(250)	-	-	(250)
At 30 September 2003	81,819	5,447	(12,188)	7,562	45,886	128,526

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

	9 months period ended 30 September 2003 RM'000	9 months period ended 30 September 2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	31,786	10,525
Tax refunded	409	-
Interest paid	(944)	(344)
Tax paid	(998)	(1,709)
Net cash generated from operating activities	<u>30,253</u>	<u>8,472</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1	-
Interest received	426	756
Proceeds from disposal of property, plant and equipment	474	725
Acquisition of property, plant and equipment	(11,086)	(4,071)
Net cash used in acquisition of subsidiaries	(29,654)	-
Additional investment in subsidiaries	-	(7,333)
Sales of marketable securities and other investments	-	2,810
Net cash used in investing activities	<u>(39,839)</u>	<u>(7,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	101	-
Drawdown of term loan	25,064	-
Proceeds from issuance of shares for ESOS exercised	1,818	1,921
Dividend paid	(2,425)	(8,097)
Dividend paid by a subsidiary to its minority shareholder	(365)	(121)
Repayment of lease and hire-purchase payables	(2,032)	(1,310)
Repayment of term loans	(9,241)	(521)
Net cash used in financing activities	<u>12,920</u>	<u>(8,128)</u>
FOREIGN EXCHANGE TRANSLATION EFFECT	(127)	(159)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,334	(6,769)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>21,195</u>	<u>31,845</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>24,402</u>	<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 2003 RM'000	As At 31 December 2002 RM'000
Cash and bank balances	26,459	21,338
Bank overdrafts	(2,191)	(114)
Effect of exchange rate on bank balances	134	(29)
	<u>24,402</u>	<u>21,195</u>

Certain fixed deposits of the Group amounting to RM3,328,511 (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	38,053	65,859

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 September 2003.

5. Changes In Estimates

Not applicable.

6. Debt And Equity Securities

During the financial period ended 30 September 2003, the Company issued 842,000 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 30/9/2003 '000	Option price per ordinary share RM	Date of expiry
Option 1	23/10/01	4,142	-	517	409	3,216	2.26	22/10/11
Option 2	18/10/02	998	-	195	154	649	1.96	22/10/11
Option 3	23/05/03	-	1,563	130	69	1,364	2.06	22/10/11

7. Dividend Paid

The amount of dividend paid during the financial period ended 30 September 2003 was as follows:

	RM'000
In respect of the financial year ended 31 December 2002 as reported in the directors' of that year:	
First and final tax exempt dividend of 3%, paid on 22 July 2003	2,430

8. Segmental Information

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

	← Manufacturing →					Others		Amalga- mated RM'000	Elimi- nation RM'000	Consoli- dated RM'000
	Malaysia RM'000	Philippines RM'000	Hong Kong RM'000	Thailand RM'000	Singapore RM'000	Malaysia RM'000				
<u>9 months period ended 30 September 2003</u>										
External revenue	35,018	19,918	37,421	2,003	39,937	-	134,297	-	134,297	
Intersegment revenue	25,160	-	-	-	2,081	-	27,241	(27,241)	-	
	60,178	19,918	37,421	2,003	42,018	-	161,538	(27,241)	134,297	
Unallocated revenue									112	
Total revenue									134,409	
Segment results	3,857	3,094	10,604	(3,279)	1,073	(1)	15,348	-	15,348	
Gain on disposal of a subsidiary									3,155	
Unallocated expenses									(3,976)	
Profit from operation									14,527	
Finance costs, net									(1,027)	
Taxation									(3,118)	
Profit after taxation									10,382	
Minority interests									(119)	
Net profit for the period									10,263	

	← 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>9 months period</u>								
<u>ended 30</u>								
<u>September 2002</u>								
External revenue	29,585	14,399	19,723	11,559	73	75,339	-	75,339
Intersegment revenue	66	-	-	-	-	66	(66)	-
	29,651	14,399	19,723	11,559	73	75,405	(66)	75,339
Unallocated revenue								246
Total revenue								<u>75,585</u>
Segment results	870	(2,398)	3,426	(269)	(17)	1,612	-	1,612
Provision on goodwill impairment								(16,000)
Unallocated expenses								<u>(2,929)</u>
Profit from operation								<u>(17,317)</u>
Finance costs, net								(3)
Taxation								<u>(503)</u>
Profit after taxation								<u>(17,823)</u>
Minority interests								<u>(1,005)</u>
Net profit for the period								<u><u>(18,828)</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.

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 RM11.6 million as at 30 September 2003.

13. Commitments

	30 September 2003 RM'000
Approved and contracted for:	
Operating lease-buildings and equipment	7,892
Professional fees	318
Plant and machinery	<u>661</u>

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PART B – DISCLOSURE NOTES AS REQUIRED UNDER KLSE LISTING REQUIREMENTS

14. Performance Review

Engtek Group achieved further growth and improved performance for the reporting quarter. Group revenue and Profit before taxation was at RM53.5 million and RM4.2 million respectively for the 3rd quarter as compared to Revenue of RM20.7 million and pretax loss of RM18.8 million for corresponding quarter last year.

For the 9 months year to date performance, the Group achieved Revenue of RM134.4 million and Profit before taxation of RM13.5 million. Such performance has demonstrated a strong turnaround and well exceeded the results of the whole of financial year 2002.

The significant improvements in Group Revenue and Profit was primarily attributed to better market demand and the inclusion of Altum Group's activities since May this year.

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

For the reporting quarter the Group achieved an improved revenue of RM53.5 million as compared to RM48.4 million in the preceding quarter. Group profit before taxation was at RM4.2 million for the quarter, as compared to RM5.5 million the preceding quarter of which included a non operational net gain of RM2.5 million during the preceding quarter on disposal of a subsidiary.

The Group's earnings for the reporting quarter has been enhanced by improvements from the organic Engtek subsidiary operations. Initial contributions from the Altum Group has commenced since end of the reporting quarter, upon near completion of the merging and integration process.

16. Current Year Prospects

The Engtek Board and its management is confident of achieving further strong performance for the 4th and remaining quarter of this financial year. Such positive outlook is based on continuing strong upside market demand and visibility, improved operational earnings and contributions from the Altum Group subsidiaries.

For the Financial Year 2003 the Group is confident of achieving significant turnaround performance with growth and increased profitability as well as to charge forward for another anticipated growth year in FY 2004.

17. Variance Of Actual Profit From Profit Forecast

Not applicable.

18. Taxation

	3 months period ended 30 September 2003 RM'000	9 months period ended 30 September 2003 RM'000
Components of taxation:		
Income tax:		
Current period	1,926	3,675
Underprovision in prior year	151	448
Deferred tax:		
Current period	(1,000)	(1,473)
Underprovision in prior year	468	468
	1,545	3,118

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 September 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 September 2003 are as follows:

	Total borrowings as at 30 September 2003	Included in the total borrowings are amounts denominated in foreign currency
	(Unit'000) RM	(Unit'000)
Secured	3,996	
Secured (Foreign currency)	22,253	USD 5,860
Secured (Foreign currency)	10,795	SGD 4,923
Unsecured	2,730	
	<u>39,774</u>	
	Total borrowings as at 30 September 2003	Included in the total borrowings are amounts denominated in foreign currency
	(Unit'000)	(Unit'000)
Short term	2,373	
Short term (Foreign currency)	8,430	USD 2,220
Short term (Foreign currency)	8,034	SGD 3,664
Long term	4,353	
Long term (Foreign currency)	13,823	USD 3,640
Long term (Foreign currency)	2,761	SGD 1,259
	<u>39,774</u>	

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	
	<u>48,107</u>	

	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 6 November 2003 RM'000
Forward foreign exchange contracts:	
Within 1 year	4,662

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 material 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 and was 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 30 September		9 months period ended 30 September	
	2003	2002	2003	2002
Net profit attributable to shareholders (RM '000)	2,803	(18,468)	10,263	(18,828)
Weighted average number of ordinary shares in issue ('000)	81,217	80,701	81,217	80,701
Basic earning per share (sen)	3.4	(22.9)	12.6	(23.3)

(b) Diluted

	3 months period ended 30 September		9 months period ended 30 September	
	2003	2002	2003	2002
Net profit attributable to shareholders (RM'000)	2,803	(18,468)	10,263	(18,828)
Weighted average number of ordinary shares in issue ('000)	81,217	80,701	81,217	80,701
Adjusted for:				
Assumed exercise of ESOS	1,321	1,461	1,321	1,461
Adjusted weighted average number of ordinary shares in issue and issuable (‘000)	82,538	82,162	82,538	82,162
Diluted earning per share (sen)	3.4	(22.5)	12.4	(22.9)

27. Authorisation For Issue

On 13 November 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
13 November 2003