

Engtex Group Berhad (Company No: 536693-X)

**Quarterly Report on consolidated results
For the first quarter ended 31 March 2003**
(The figures have not been audited)

**Condensed Consolidated Balance Sheet
As at 31 March 2003**

	Note	As at 31 March 2003 RM'000	As at 31 December 2002 RM'000
Property, plant and equipment	A9	61,401	60,518
Other investments	B7(b)	10	10
Current assets			
Inventories		48,274	43,583
Trade and other receivables		87,009	78,363
Cash and bank balances		13,545	11,439
		148,828	133,385
Current liabilities			
Trade and other payables		42,313	31,904
Borrowings	B9	59,317	57,993
Taxation		2,772	1,883
		104,402	91,782
Net current assets		44,426	41,603
		<u>105,837</u>	<u>102,131</u>
Financed by:			
Capital and reserves			
Share capital		60,000	60,000
Reserves		28,079	23,938
Reserve on consolidation		7,349	7,559
		<u>95,428</u>	<u>91,497</u>
Shareholders' fund		95,428	91,497
Minority shareholders' interest		3,540	3,558
Long term and deferred liabilities			
Borrowings	B9	4,526	4,733
Deferred taxation		2,343	2,343
		<u>105,837</u>	<u>102,131</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2002 and the accompanying explanatory notes attached to the interim financial statements.

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**Condensed Consolidated Income Statement
For the period ended 31 March 2003**

	Individual Quarter		Cumulative Quarter	
	Current year	Preceding year	Current year	Preceding year
	quarter	corresponding	To date	corresponding
	31/03/2003	quarter	31/03/2003	period
	RM'000	31/03/2002	RM'000	31/03/2002
		RM'000		RM'000
Revenue	76,336	-	76,336	-
Cost of sales	(64,367)	-	(64,367)	-
Gross profit	11,969	-	11,969	-
Other operating income	392	-	392	-
Operating expenses	(5,814)	-	(5,814)	-
Exceptional items	-	-	-	-
Operating profit	6,547	-	6,547	-
Interest expense	(740)	-	(740)	-
Share of profits of associated company	-	-	-	-
Profit before taxation	5,807	-	5,807	-
Tax expense	(1,652)	-	(1,652)	-
Profit after taxation	4,155	-	4,155	-
Add : Minority interests	(14)	-	(14)	-
Net profit for the period	4,141	-	4,141	-
Basic earnings per ordinary shares (sen)	6.9	-	6.9	-
Diluted earnings per ordinary shares (sen)	N/A	-	N/A	-

Note:

There was no comparative figures reported for the first quarter ended 31 March 2002, as the Group was only in place on 30 May, 2002.

The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2002 and the accompanying explanatory notes attached to the interim financial statements.

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**Condensed Consolidated Statement Of Changes In Equity
For the period ended 31 March 2003**

	Share capital RM'000	<i>Non- distributable</i> Share premium RM'000	<i>Distributable</i> Retained profits RM'000	Total RM'000
At 1 January 2003	60,000	15,580	8,358	83,938
Net profit for the period	-	-	4,141	4,141
Dividends	-	-	-	-
At 31 March 2003	60,000	15,580	12,499	88,079

Note:

There was no comparative figures reported for the first quarter ended 31 March 2002, as the Group was only in place on 30 May, 2002.

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 and the accompanying explanatory notes attached to the interim financial statements.

Engtex Group Berhad (Company No: 536693-X)**Condensed Consolidated Cash Flow Statement
For period ended 31 March 2003**

	31 March 2003 RM'000	31 March 2002 RM'000
Cash flows from operating activities		
Profit before taxation	5,807	-
Adjustments for:		
Amortisation of reserve on consolidation	(210)	-
Depreciation	1,254	-
Loss on disposal of property, plant and equipment	125	-
Interest expense	740	-
Interest income	(26)	-
	<hr/>	<hr/>
Operating profit before working capital changes	7,690	-
Changes in working capital:		
Inventories	(4,691)	-
Trade and other receivables	(8,645)	-
Trade and other payables	10,409	-
	<hr/>	<hr/>
Cash generated from operations	4,763	-
Income taxes paid	(764)	-
Interest received	26	-
Interest paid	(590)	-
	<hr/>	<hr/>
Net cash generated from operating activities	3,435	-
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Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	204	-
Purchase of property, plant and equipment	(2,367)	-
	<hr/>	<hr/>
Net cash used in investing activities	(2,163)	-
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Cash flows from financing activities		
Proceeds from loans and other borrowings	350	-
Repayment of loans and other borrowings	(4,342)	-
Payment of hire purchase liabilities	(349)	-
Interest paid	(150)	-
Dividend paid to minority shareholders of subsidiaries	(32)	-
	<hr/>	<hr/>
Net cash used in financing activities	(4,523)	-
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	31 March 2003 RM'000	31 March 2002 RM'000
Net decrease in cash and cash equivalents	(3,251)	-
Cash and cash equivalents at beginning of period	3,932	-
Cash and cash equivalents at end of period (i)	<u>681</u>	<u>-</u>

(i) Cash and cash equivalents comprise:

	RM'000
Cash and bank balances	10,795
Deposit	2,750
Bank overdrafts	<u>(12,864)</u>
	<u>681</u>

Note:

There was no comparative figures reported for the first quarter ended 31 March 2002, as the Group was only in place on 30 May, 2002.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2002 and the accompanying explanatory notes attached to the interim financial statements.

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Notes to the interim financial report for the financial quarter ended 31 March 2003

A. Compliance with MASB 26 Paragraph 16

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Kuala Lumpur Stock Exchange. The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2002 except for the change in accounting policy in respect of deferred taxation from partial provision to full provision in compliance with Malaysian Accounting Standards Board (“MASB”) 25, Income Taxes. The adoption of this standard commencing this financial year does not have a significant impact to the financial statements of the Group.

A2. Qualification of Audit Report

The audit reports of the Group’s preceding annual financial statements were reported without qualification.

A3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the current quarter.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

The business of the Group was not affected by any significant unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter.

A5. Material changes in estimates

There were no material changes in estimates used in reporting the current quarter as compared to the financial statements of the Group for the year ended 31 December 2002.

A6. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current quarter and financial year-to-date.

A7. Dividend paid

Since the end of the previous financial year, no dividend was paid by the Company.

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A8. Segment information

Segment information is presented in respect of the Group's business segment. Inter-segment pricing is determined based on a negotiated basis.

	Wholesale & distribution RM'000	Manufacturing & services RM'000	Investment holding RM'000	Elimination RM'000	Consolidated RM'000
Business segments					
Revenue from external customer	62,659	13,658	19	-	76,336
Inter-segment revenue	21,103	14,331	-	(35,434)	-
Total revenue	83,762	27,989	19	(35,434)	76,336
Segment result	5,794	940	(117)	(306)	6,311
Unallocated income					
- Amortisation of reserve on consolidation					210
- Interest income					26
Operating profit					6,547
Interest expense					(740)
Profit before tax					5,807
Tax expense					(1,652)
Minority interests					(14)
Net profit for the period					4,141
Segment assets	180,461	71,213	47,860	(89,295)	210,239
Segment liabilities	(149,710)	(46,674)	(136)	85,249	(111,271)
Capital expenditure	503	1,964	-	-	2,467
Depreciation and amortisation	417	837	(210)	-	1,044
Other non-cash expenses	20	105	-	-	125

A9. Valuation of property, plant and equipment

The Group states its property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses, and does not adopt a policy to revalue its property, plant and equipment.

A10. Subsequent Events

There were no material subsequent events since 31 March 2003 until 23 May 2003, being the date not earlier than 7 days from the date of this announcement, that will affect the financial results of the financial period under review other than as follows:

- i) On 17 March 2003, a subsidiary had obtained the approval from the High Court of Malaya to acquire a piece of leasehold industrial land held under H.S. (D) 15633 for Lot No. 46479 in Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang together with the buildings erected thereon (collectively the land and the

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building is referred to as “Property”) and all plant and machinery, ancillary equipment and stocks (“Other Assets”). Earlier, a supplemental agreement was entered to complete the acquisition of Other Assets for RM3.3 million. To-date, the subsidiary had paid RM2 million of the total purchase consideration for the Property of RM9 million and is expected to pay the balance sum of RM7 million together with interest by June 2003;

- ii) On 22 April 2003, a subsidiary has entered into a Share Sale and Purchase Agreement with Indoglow Sdn Bhd to acquire the remaining 5% equity interest representing 250,000 ordinary shares of RM1.00 each in Allpipes Technology Sdn Bhd (“ATSB”) for a total cash consideration of RM367,500. The acquisition has resulted in ATSB becoming a wholly owned subsidiary of the Group; and
- iii) On 6 May 2003, a subsidiary had entered into a Sale of Assets Agreement with Perwaja Steel Sdn Bhd to acquire the entire wire mesh plant located in Shah Alam for a total cash consideration of RM6.5 million, of which RM1.3 million had been paid as deposit. The acquisition is expected to be completed by August 2003.

A11. Changes in the composition of the Group

On 17 March 2003, a subsidiary had acquired 2 ordinary shares of RM1.00 each representing 100% equity interest in Apsonic Sdn Bhd for a cash consideration of RM2.

Other than the above and **Note A10(ii)**, there was no other change in the composition of the Group for the current quarter.

A12. Changes in contingent liabilities

The changes in contingent liabilities of the Company since 31 December 2002 until 23 May 2003, being the date not earlier than 7 days from the date of this announcement are as follows:

	RM'000
- Corporate guarantees to financial institutions for banking facilities granted to its subsidiaries	91,130
- Corporate guarantees to suppliers for credit facilities granted to its subsidiaries	11,800
	<u>102,930</u>

B. Compliance with KLSE Listing Requirement (Part A of Appendix 9B)

B1. Review of performance

The Group recorded a profit before taxation of RM5.807 million on the back of revenue of RM76.336 million. There is no comparison with the preceding financial year-to-date results as the Group was only in place on 30 May, 2002.

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B2. Comparison with preceding quarter's results

The Group recorded a profit before tax of RM5.807 million on the back of revenue of RM76.336 million for the current quarter ended 31 March 2003 as compared to RM4.371 million on the back of revenue of RM62.202 million in the preceding quarter ended 31 December 2002.

The increase in revenue and profit before tax is mainly due to the strong market demand during the period under review.

B3. Prospects

The Group will continue focusing on expanding its existing product range within the pipes, valves and fittings, plumbing materials, general hardware and steel related products, and enhancing its distribution and wholesale and manufacturing divisions in line with the Integrated One-Stop Distribution Centre concept. The completion of the proposed acquisition of property, plant and equipment as elaborated in **Note A10(i) and A10(iii)** above is expected to enhance the Group performance in future. Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 31 December 2003 will remain satisfactory.

B4. Profit Forecast and/or Profit Guarantee

Not applicable as no profit forecast was published.

B5. Taxation

	Current year Quarter 31/3/03 RM'000	Current year to date 31/3/03 RM'000
Current tax expense		
- current (i)	1,581	1,581
- prior year	-	-
Deferred tax expense (ii)	71	71
	<hr/> 1,652	<hr/> 1,652
Tax expense based on statutory income tax rate of 28%	1,567	1,567
Tax effect of expenses that are not deductible in determining taxable profit:		
Depreciation of non-qualifying assets	52	52
Other non-deductible expenses	33	33
Tax expense for the period [(i) +(ii)]	<hr/> 1,652	<hr/> 1,652

The Group's effective tax rate was higher than the statutory tax rate due to certain non-deductible expenses for tax purposes.

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B6. Sales of Unquoted Investments and/or Properties

- (a) Total sales of properties and the profits arising therefrom for the current quarter and financial year-to-date, are as follows:

	Current year quarter 31/03/03 RM'000	Current year to date 31/03/03 RM'000
(i) Total disposals	154	154
(ii) Gain/(loss) on disposals	(20)	(20)

- (b) There were no sales of unquoted investments and profit/(loss) arising therefrom for the current quarter and financial year-to-date.

B7. Investment in Quoted Securities

- (a) There were no purchases or disposals of quoted securities and profit/(loss) arising therefrom for the current quarter and financial year-to-date.

- (b) Total investments in quoted securities as at 31 March 2003 are as follows :-

	RM'000
(i) At cost	<u>10</u>
(ii) At market value	<u>10</u>

B8. Status of Corporate Proposal

The status of the utilisation of the total proceeds from the Rights Issue and the Public Issue of RM24,936,196 as at 31 March 2003 is tabulated as follows:

No	Purpose	Proposed utilisation RM'000	Utilised RM'000	Balance RM'000
1	Repayment of borrowings and financing the acquisition of a land and construction of factory building for its subsidiary company which was subsequently revised for the investment in EDIPI and for the acquisition of Property as described in Note A10(i) above	5,000	5,000	-
2	Expansion plan for manufacturing plants. The balance sum, including the portion for the expansion of industrial casting production, will be utilised to acquire the wire mesh plant as described in Note A10(iii) above.	2,200	680	1,520

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3	Implementation of Enterprise Resource Planning system	600	295	305
4	Repayment of bank borrowings	10,691	10,691	-
5	Working capital	4,445	4,055	390
6	Listing expenses	2,000	2,390	(390)
	Total	24,936	23,111	1,825

A portion of RM1,800,000 is placed as deposit with a licensed financial institution whilst the remaining balance is kept as cash at bank.

B9. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2003, which are denominated in Ringgit Malaysia, were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term			
Bank overdraft	12,865	-	12,865
Bills payable	37,718	5,770	43,488
Term loans	2,307	-	2,307
Hire purchase liabilities	657	-	657
	<u>53,547</u>	<u>5,770</u>	<u>59,317</u>
Long term			
Term loans	4,483	-	4,483
Hire purchase liabilities	43	-	43
	<u>4,526</u>	<u>-</u>	<u>4,526</u>

B10. Off Balance Sheet Financial Instruments

During the financial year-to-date, the Group did not enter into any contracts involving off balance sheet financial instruments.

B11. Changes in Material Litigation

There were no impending material litigation as at 23 May 2003, being the date not earlier than 7 days from the date of this announcement.

B12. Dividend declared

On 29 May 2003, the proposed final dividend of 7% less tax totalling RM3,024,000 in respect of the year ended 31 December 2002 was approved by the shareholders at the Second Annual General Meeting held on even-date and shall be payable on 3 July 2003.

No dividend was recommended by the Board of Directors in respect of the financial year ending 31 December 2003 for the current quarter.

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B13. Basic and diluted earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM4.141 million for the current quarter ended 31 March 2003 and the number of ordinary shares outstanding of 60,000,000.

B14. Capital commitment

	31 March 2003 RM'000
Property, plant and equipment	
Authorised but not contracted for	1,520
Contracted but not provided for in the financial statements	<u>12,866</u>
	<u>14,386</u>
Investment	
Contracted but not provided for in the financial statements	<u>8,000</u>

B15. Related party transactions

Significant related party transactions with companies in which certain Directors have interest for the period ended 31 March 2003 are as follows:

	RM'000
Sales	(1,427)
Purchases	305
Rental expense payable	68
Rental income receivable	<u>(18)</u>

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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B16. Provision of financial assistance

The amount of financial assistance provided by the Company and its subsidiaries pursuant to paragraph 8.23(1) of the Listing Requirements is as follows:

	31 March 2003 RM'000	31 December 2002 RM'000
Subsidiary:-		
- Corporate guarantees to financial institutions for banking facilities granted to its non wholly-owned subsidiaries	8,700	8,700
- Bankers' guarantee utilized by its non wholly-owned subsidiaries	381	381
	<u>9,081</u>	<u>9,081</u>

The above financial assistance does not have a material financial impact on the Group.