

**Engtex Group Berhad (Company No: 536693-X)**

**Quarterly Report on consolidated results  
For the second quarter ended 30 June 2003**  
(The figures have not been audited)

**Condensed Consolidated Balance Sheet  
As at 30 June 2003**

	Note	As at 30 June 2003 RM'000	As at 31 December 2002 RM'000
<b>Property, plant and equipment</b>	A9	76,495	60,518
<b>Other investments</b>	B7	-	10
<b>Current assets</b>			
Inventories		45,898	43,583
Trade and other receivables		94,071	78,363
Cash and bank balances		8,634	11,439
		148,603	133,385
<b>Current liabilities</b>			
Trade and other payables		38,760	31,904
Borrowings	B9	66,477	57,993
Taxation		2,929	1,885
		108,166	91,782
<b>Net current assets</b>		40,437	41,603
		<u>116,932</u>	<u>102,131</u>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital		60,000	60,000
Reserves		32,232	23,938
Reserve on consolidation		7,139	7,559
<b>Shareholders' fund</b>		99,371	91,497
<b>Minority shareholders' interest</b>		3,072	3,558
<b>Long term and deferred liabilities</b>			
Borrowings	B9	12,146	4,733
Deferred taxation		2,343	2,343
		<u>116,932</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.

**Engtex Group Berhad (Company No: 536693-X)**

**Condensed Consolidated Income Statement  
For the period ended 30 June 2003**

	Individual Quarter		Cumulative Quarter	
	Current year 30/06/2003 RM'000	Preceding year corresponding quarter 30/06/2002 RM'000	Current year to-date 30/06/2003 RM'000	Preceding year corresponding period 30/06/2002 RM'000
<b>Revenue</b>	75,592	20,527	151,928	20,527
Cost of sales	(64,109)	(16,812)	(128,476)	(16,812)
<b>Gross profit</b>	11,483	3,715	23,452	3,715
Other operating income	439	69	831	69
Operating expenses	(5,661)	(1,574)	(11,475)	(1,574)
Exceptional items	-	-	-	-
<b>Operating profit</b>	6,261	2,210	12,808	2,210
Interest expense	(870)	(347)	(1,611)	(347)
Share of profits of associated company	-	-	-	-
<b>Profit before taxation</b>	5,391	1,863	11,197	1,863
Tax expense	(1,334)	(225)	(2,986)	(225)
<b>Profit after taxation</b>	4,057	1,638	8,211	1,638
Add : Minority interests	96	(125)	83	(125)
<b>Net profit for the period</b>	4,153	1,513	8,294	1,513
Basic earnings per ordinary shares(sen) (See <b>Note B13</b> )	6.9	5.2	13.8	5.2
Diluted earnings per ordinary shares (sen)	N/A	N/A	N/A	N/A

**Engtex Group Berhad (Company No: 536693-X)****Note:**

The effect to the preceding year corresponding quarter and period ended 30 June 2002 as a result of the pre-acquisition profit arising from acquisition of Engtex Sdn Berhad and its subsidiaries of RM6.296 million into the respective classification of income and expenses to comply with Malaysian Accounting Standards Board (“MASB”) 21, is as follows:

	<b>Before allocation RM'000</b>	<b>Allocation of pre- acquisition profits RM'000</b>	<b>After allocation RM'000</b>
Revenue	127,734	(107,207)	20,527
Cost of sales	(106,704)	89,892	(16,812)
Gross profit	21,030	(17,315)	3,715
Operating income	335	(266)	69
Operating expenses	(8,426)	6,852	(1,574)
Operating profit	12,939	(10,729)	2,210
Interest expense	(1,705)	1,358	(347)
Profit before taxation	11,234	(9,371)	1,863
Tax expense	(3,485)	3,260	(225)
Profit after taxation	7,749	(6,111)	1,638
Minority interest	60	(185)	(125)
Profit after taxation and minority interests	7,809	(6,296)	1,513

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.

**Engtex Group Berhad (Company No: 536693-X)**

**Condensed Consolidated Statement Of Changes In Equity  
For the period ended 30 June 2003**

	<b>Share capital RM'000</b>	<i>Non- distributable</i>  <b>Share premium RM'000</b>	<i>Distributable</i> <b>(Accumulated loss)</b> <b>/Retained profits RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2003</b>	60,000	15,580	8,358	83,938
Net profit for the period	-	-	8,294	8,294
Dividends	-	-	-	-
<b>At 30 June 2003</b>	60,000	15,580	16,652	92,232
<b>At 1 January 2002</b>	* -	-	(10)	(10)
Arising from acquisition of shares in a subsidiary	22,445	4,489	-	26,934
Arising from Rights Issue	28,455	2,561	-	31,016
Net profit for the period	-	-	1,513	1,513
Dividends	-	-	-	-
<b>At 30 June 2002</b>	50,900	7,050	1,503	59,453

\* - RM2.00 comprising 2 ordinary shares of RM1.00 each

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 30 June 2003**

	Note	30 June 2003 RM'000	30 June 2002 RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation		11,197	1,863
Adjustments for:			
Amortisation of reserve on consolidation		(420)	-
Depreciation		2,561	384
Loss on disposal of property, plant and equipment		29	-
Plant and equipment written off		17	-
Interest expense		1,611	347
Interest income		(26)	-
		<hr/>	<hr/>
Operating profit before working capital changes		14,969	2,594
Changes in working capital:			
Inventories		(2,315)	(3,007)
Trade and other receivables		(15,707)	(4,138)
Trade and other payables		6,856	(3,496)
		<hr/>	<hr/>
Cash generated from/(used in) operations		3,803	(8,047)
Income taxes paid		(1,941)	(412)
Interest received		26	-
Interest paid		(1,322)	(240)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>		566	(8,699)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	(i)	-	(4,952)
Proceed from disposal of plant and equipment		314	-
Purchase of property, plant and equipment		(15,846)	(96)
Proceeds from disposal of quoted shares	B7	10	-
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(15,522)	(5,048)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares and Rights Issue, net of payment to former shareholders of acquired subsidiaries		-	3,485
Proceeds from loans and other borrowings		23,529	9,608
Repayment of loans and other borrowings		(10,589)	(6,420)
Payment of hire purchase liabilities		(732)	(205)
Interest paid		(289)	(107)
Dividend paid to minority shareholders of subsidiaries		(36)	-
Acquisition of shares from a minority shareholder		(368)	-
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		11,515	6,361
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

**Engtex Group Berhad (Company No: 536693-X)**

		<b>30 June 2003 RM'000</b>	<b>30 June 2002 RM'000</b>
	<b>Note</b>		
Net decrease in cash and cash equivalents		(3,441)	(7,386)
Cash and cash equivalents at beginning of period		3,932	* -
		<hr/>	<hr/>
Cash and cash equivalents at end of period	(ii)	491	(7,386)
		<hr/> <hr/>	<hr/> <hr/>

\* - RM2.00

*(i) Included in the net cash used in investing activities for preceding year corresponding period ended 30 June 2002 was the effect of acquisition of Engtex Sdn. Berhad and its subsidiaries as follows:*

	<b>RM'000</b>
Property, plant and equipment	59,865
Other investments	10
Current assets	125,038
Current liabilities	(139,000)
Long term liabilities	(10,242)
Reserve on consolidation	(8,738)
Net assets acquired	26,933
Purchase consideration satisfied by shares	(26,933)
	-
Net overdraft acquired	(4,952)
Net cash outflow	(4,952)

*(ii) Cash and cash equivalents comprise:*

	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	8,494	4,860
Deposit	140	-
Bank overdrafts	(8,143)	(12,246)
	<hr/>	<hr/>
	491	(7,386)
	<hr/> <hr/>	<hr/> <hr/>

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.

**Engtex Group Berhad (Company No: 536693-X)**

**Notes to the interim financial report for the financial quarter ended 30 June 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 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
<b>Business segments</b>					
Revenue from external customer	125,347	26,539	42	-	151,928
Inter-segment revenue	40,940	36,119	-	(77,059)	-
<b>Total revenue</b>	<b>166,287</b>	<b>62,658</b>	<b>42</b>	<b>(77,059)</b>	<b>151,928</b>
<b>Segment result</b>	<b>13,024</b>	<b>1,785</b>	<b>(152)</b>	<b>(2,329)</b>	<b>12,328</b>
Unallocated income					
- Amortisation of reserve on consolidation					420
- Interest income					60
Operating profit					12,808
Interest expense					(1,611)
Profit before tax					11,197
Tax expense					(2,986)
Minority interests					83
Net profit for the period					8,294
<b>Segment assets</b>	<b>207,622</b>	<b>88,070</b>	<b>78,779</b>	<b>(149,373)</b>	<b>225,098</b>
<b>Segment liabilities</b>	<b>(152,291)</b>	<b>(62,411)</b>	<b>(166)</b>	<b>92,213</b>	<b>(122,655)</b>
Capital expenditure	799	18,099	-	-	18,898
Depreciation and amortisation	853	1,708	(420)	-	2,141
Other non-cash (income)/ expenses	(55)	101	-	-	46

### 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 30 June 2003 until 21 August 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) The final dividend of 7% less tax totalling RM3,024,000 in respect of the year ended 31 December 2002 was subsequently paid on 3 July 2003; and



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- ii) On 14 July 2003, a subsidiary had completed the acquisition of a wire mesh plant for a total cash consideration of RM6,500,000.

### A11. Changes in the composition of the Group

There was no 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 21 August 2003, being the date not earlier than 7 days from the date of this announcement are as follows:

	<b>RM'000</b>
- Corporate guarantees to financial institutions for banking facilities granted to its subsidiaries	120,480
- Corporate guarantees to suppliers for credit facilities granted to its subsidiaries	11,800
	<u>132,280</u>

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

### B1. Review of performance

	<b>Current year to-date 30/6/03 RM'000</b>	<b>Preceding year corresponding period 30/6/02 RM'000</b>
Revenue	151,928	*127,734
Profit before taxation	11,197	*11,234

\* - Restated before the allocation of pre-acquisition profit.

The increase in revenue compared to corresponding period ended 30 June 2002 was mainly due to the strong market demand in tandem with favourable economic growth.

However, the decrease in profit before taxation was mainly due to increase in market competition which caused a slight decline in gross profit margin earned and the increase in operating expenses arising from expansion programs carried out in certain manufacturing subsidiaries.

### B2. Comparison with preceding quarter's results

The Group recorded a revenue and profit before taxation for the current quarter ended 30 June 2003 of RM75.592 million and RM5.391 million respectively which were lower than the preceding quarter ended 31 March 2003 of RM76.336 million and RM5.807 million respectively.

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The decrease in revenue and profit before taxation were mainly due to softening of 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 acquisition of property, plant and equipment as elaborated in **Note A10** above and **Note B14(i)** below is expected to enhance the Group performance in the 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

	<b>Current year quarter 30/6/03 RM'000</b>	<b>Current year to date 30/6/03 RM'000</b>
Current tax expense		
- current (i)	1,567	3,219
- prior year	(233)	(233)
Deferred tax expense (ii)	-	-
	<hr/> 1,334	<hr/> 2,986
Tax expense based on statutory income tax rate of 28%	1,509	3,135
Tax effect of expenses that are not deductible in determining taxable profit:		
Depreciation of non-qualifying assets	24	78
Other non-deductible expenses	53	88
Utilisation of reinvestment allowance	(19)	(82)
Tax expense for the period [(i) +(ii)]	<hr/> 1,567	<hr/> 3,219

### 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:

	<b>Current year quarter 30/06/03 RM'000</b>	<b>Current year to date 30/06/03 RM'000</b>
(i) Total disposals	-	154
(ii) Gain/(loss) on disposals	-	(20)

## Engtex Group Berhad (Company No: 536693-X)

- (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) Total purchases or disposals of quoted securities and profit/(loss) arising therefrom for the current quarter and financial year-to-date are as follows :-

	<b>Current year quarter 30/06/03 RM'000</b>	<b>Current year to date 30/06/03 RM'000</b>
(i) Total purchases	-	-
(ii) Total disposals	10	10
(iii) Loss on disposals	-	-

- (b) Subsequent to the above disposals, there is no investment in quoted securities as at 30 June 2003.

### 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 30 June 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 a subsidiary and for the acquisition of Property as described in <b>Note B14(i)</b> below.	5,000	5,000	-
2	Expansion plan for manufacturing plants.	2,200	2,200	-
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)
	<b>Total</b>	<b>24,936</b>	<b>24,631</b>	<b>305</b>

The remaining balance is kept as cash at bank.

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### B9. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2003, which are denominated in Ringgit Malaysia, were as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Short term</b>			
Bank overdraft	8,143	-	8,143
Bills payable	44,061	10,100	54,161
Term loans	2,666	-	2,666
Hire purchase liabilities	1,507	-	1,507
	<u>56,377</u>	<u>10,100</u>	<u>66,477</u>
<b>Long term</b>			
Term loans	10,383	-	10,383
Hire purchase liabilities	1,763	-	1,763
	<u>12,146</u>	<u>-</u>	<u>12,146</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 21 August 2003, being the date not earlier than 7 days from the date of this announcement.

### B12. Dividend declared

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

### B13. Basic and diluted earnings per share

The calculation of basic earnings per share for the current quarter ended 30 June 2003 is based on the net profit attributable to ordinary shareholders of RM4.153 million and the number of ordinary shares in issue of 60,000,000.

The calculation of basic earnings per share in the preceding year corresponding period ended 30 June 2002 was based on the net profit attributable to ordinary shareholders, after the allocation of pre-acquisition profit, of RM1.513 million and the weighted average number of ordinary shares in issue of 28,901,245.

## Engtex Group Berhad (Company No: 536693-X)

### B14. Capital commitment

	<b>30 June 2003</b> <b>RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	-
Contracted but not provided for in the financial statements	<u>11,998</u> 11,998 =====
Investment	
Contracted but not provided for in the financial statements	<u>8,000</u> =====

During the current quarter,

- i) on 6 May 2003, a subsidiary had entered into an agreement to acquire the wire mesh plant for a total cash consideration of RM6.5 million, of which RM1.3 million had been paid as deposit. The acquisition was subsequently completed in July 2003;
- ii) on 30 May 2003, a subsidiary had completed the acquisition of 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 for a total cash consideration of RM9,000,000; and
- iii) on 30 May 2003, a subsidiary had acquired a piece of leasehold industrial land located at Plot 214, Bukit Minyak Industrial Park, Daerah Seberang Perai Tengah, Penang for a cash consideration of RM1,590,199 of which the first instalment of 20% was paid. The acquisition is expected to be completed by November 2003.

### B15. Related party transactions

Significant related party transactions with companies in which certain Directors have interest for the six months period ended 30 June 2003 are as follows:

	<b>RM'000</b>
Sales	(2,877)
Purchases	2,390
Rental expense payable	123
Rental income receivable	<u>(36)</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:

	<b>30 June 2003 RM'000</b>	<b>31 December 2002 RM'000</b>
<b>Subsidiary:-</b>		
- Corporate guarantees to financial institutions for banking facilities granted to its non wholly-owned subsidiaries	700	8,700
- Bankers' guarantee utilized by its non wholly-owned subsidiaries	-	381
	<u>700</u>	<u>9,081</u>

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