

Engtex Group Berhad (Company No: 536693-X)

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

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

	Note	As at 30 September 2003 RM'000	As at 31 December 2002 RM'000
Property, plant and equipment	A9	87,663	60,518
Other investments	B7	-	10
Current assets			
Inventories		48,790	43,583
Trade and other receivables		91,284	78,363
Cash and bank balances		5,886	11,439
		145,960	133,385
Current liabilities			
Trade and other payables		45,701	31,904
Borrowings	B9	68,937	57,993
Taxation		2,105	1,885
		116,743	91,782
Net current assets		29,217	41,603
		116,880	102,131
Financed by:			
Capital and reserves			
Share capital		60,000	60,000
Reserves		33,229	23,938
Shareholders' funds		93,229	83,938
Negative goodwill		6,929	7,559
Minority shareholders' interest		2,923	3,558
Long term and deferred liabilities			
Borrowings	B9	11,456	4,733
Deferred taxation		2,343	2,343
		116,880	102,131

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 30 September 2003**

	Individual Quarter		Cumulative Quarter	
	Current year 30/09/2003 RM'000	Preceding year corresponding quarter 30/09/2002 RM'000	Current year to-date 30/09/2003 RM'000	Preceding year corresponding period 30/09/2002 RM'000
Revenue	74,596	63,926	226,524	84,453
Cost of sales	(63,489)	(55,115)	(191,965)	(71,927)
Gross profit	11,107	8,811	34,559	12,526
Other operating income	647	254	1,478	323
Operating expenses	(5,416)	(4,113)	(16,891)	(5,687)
Exceptional items	-	-	-	-
Operating profit	6,338	4,952	19,147	7,162
Interest expense	(928)	(586)	(2,539)	(933)
Share of profits of associated company	-	-	-	-
Profit before taxation	5,410	4,366	16,607	6,229
Tax expense	(1,538)	(1,528)	(4,524)	(1,526)
Profit after taxation	3,872	2,838	12,083	4,703
Add : Minority interests	149	201	232	76
Net profit for the period	4,021	3,039	12,315	4,779
Basic earnings per ordinary shares (sen)	6.7	5.6	20.5	8.8
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 September 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:

	Before allocation RM'000	Allocation of pre- acquisition profits RM'000	After allocation RM'000
Revenue	191,659	(107,206)	84,453
Cost of sales	(161,818)	89,891	(71,927)
Gross profit	29,841	(17,315)	12,526
Operating income	589	(266)	323
Operating expenses	(12,539)	6,852	(5,687)
Operating profit	17,891	(10,729)	7,162
Interest expense	(2,291)	1,358	(933)
Profit before taxation	15,600	(9,371)	6,229
Tax expense	(4,786)	3,260	(1,526)
Profit after taxation	10,814	(6,111)	4,703
Minority interest	261	(185)	76
Profit after taxation and minority interests	11,075	(6,296)	4,779

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 30 September 2003**

	Share capital RM'000	<i>Non- distributable</i> Share premium RM'000	<i>Distributable (Accumulated loss)</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	-	-	12,315	12,315
Dividends	-	-	(3,024)	(3,024)
At 30 September 2003	60,000	15,580	17,649	93,229
At 1 January 2002	* -	-	(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
Arising from Public Issue	9,100	10,920	-	20,020
Listing expenses	-	(2,390)	-	(2,390)
Net profit for the period	-	-	4,779	4,779
Dividends	-	-	-	-
At 30 September 2002	60,000	15,580	4,769	80,349

* - 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.

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**Condensed Consolidated Cash Flow Statement
For period ended 30 September 2003**

	Note	30 September 2003 RM'000	30 September 2002 RM'000
Cash flows from operating activities			
Profit before taxation		16,607	6,229
Adjustments for:			
Amortisation of reserve on consolidation		(630)	(291)
Depreciation		3,978	1,644
(Gain)/loss on disposal of property, plant and equipment		(271)	183
Plant and equipment written off		17	1
Interest expense		2,539	948
Interest income		(88)	(138)
		<hr/>	<hr/>
Operating profit before working capital changes		22,152	8,576
Changes in working capital:			
Inventories		(5,207)	(6,678)
Trade and other receivables		(12,920)	1,126
Trade and other payables		13,797	(7,297)
		<hr/>	<hr/>
Cash generated from/(used in) operations		17,822	(4,273)
Income taxes paid		(4,303)	(4,481)
Interest received		88	138
Interest paid		(1,935)	(668)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		11,672	(9,284)
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Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	(i)	-	(4,952)
Proceed from disposal of plant and equipment		614	261
Purchase of property, plant and equipment		(28,206)	(1,849)
Proceeds from disposal of quoted shares	B7	10	-
		<hr/>	<hr/>
Net cash used in investing activities		(27,582)	(6,540)
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Cash flows from financing activities			
Proceeds from issuance of shares and Rights Issue, net of payment to former shareholders of acquired subsidiaries		-	21,115
Proceeds from loans and other borrowings		132,768	42,713
Repayment of loans and other borrowings		(120,304)	(38,766)
Payment of hire purchase liabilities		(1,230)	(595)
Interest paid		(604)	(280)
Dividend paid to minority shareholders of subsidiaries		(36)	-
Acquisition of shares from a minority shareholder		(368)	-
Dividends paid		(3,024)	-
		<hr/>	<hr/>
Net cash generated from financing activities		7,202	24,187
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		30 September 2003 RM'000	30 September 2002 RM'000
	Note		
Net (decrease)/increase in cash and cash equivalents		(8,708)	8,363
Cash and cash equivalents at beginning of period		3,932	* ₋
Cash and cash equivalents at end of period	(ii)	<u><u>(4,776)</u></u>	<u><u>8,363</u></u>

* - RM2.00

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

	RM'000
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	<u>(8,738)</u>
Net assets acquired	26,933
Purchase consideration satisfied by shares	<u>(26,933)</u>
	-
Net overdraft acquired	<u>(4,952)</u>
Net cash outflow	<u><u>(4,952)</u></u>

(ii) Cash and cash equivalents comprise:

	RM'000	RM'000
Cash and bank balances	4,846	4,178
Deposit	1,040	10,000
Bank overdrafts	(10,662)	(5,815)
	<u>(4,776)</u>	<u>8,363</u>
	<u><u>(4,776)</u></u>	<u><u>8,363</u></u>

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 30 September 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.

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A7. Dividend paid

The final dividend of 7% less tax totalling RM3,024,000 in respect of the year ended 31 December 2002 was paid on 3 July 2003.

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
<i>Business segments</i>					
Revenue from external customer	183,896	42,587	42	-	226,525
Inter-segment revenue	78,258	59,491	-	(137,749)	-
Total revenue	262,154	102,078	42	(137,749)	226,525
Segment result	18,916	2,110	(269)	(2,329)	18,428
Unallocated income					
- Amortisation of reserve on consolidation					630
- Interest income					88
Operating profit					19,146
Interest expense					(2,539)
Profit before tax					16,607
Tax expense					(4,524)
Minority interests					232
Net profit for the period					12,315
Segment assets	206,101	98,895	75,602	(146,975)	233,623
Segment liabilities	(150,119)	(71,970)	(130)	91,677	(130,542)
Capital expenditure	1,315	30,168	-	-	31,483
Depreciation and amortisation	1,285	2,693	(630)	-	3,348
Other non-cash (income)/ expenses	(56)	(198)	-	-	(254)

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.

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A10. Subsequent Events

On 6 October 2003, the Company had acquired 100,000 ordinary shares of RM1.00 each representing 100% equity interest in Engtex Distribution Centre Sdn Bhd for a cash consideration of RM56,000. The intended principal activity is that of manufacturing.

Other than the above and Notes **B8(A)(i)** and **B8(A)(ii)** below, there were no material subsequent events since 30 September 2003 until 16 November 2003, being the date not earlier than 7 days from the date of this announcement that will affect the financial results of the Company for the financial period under review.

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 16 November 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	151,760
- Corporate guarantees to suppliers for credit facilities granted to its subsidiaries	11,800
	<u>163,560</u>

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

B1. Review of performance

	Current year to-date 30/09/03 RM'000	Preceding year corresponding period 30/09/02 RM'000
Revenue	226,524	*191,659
Profit before taxation	16,607	*15,600

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

The increase in revenue and profit before taxation as compared to corresponding period ended 30 September 2002 were mainly due to the strong market demand in tandem with favourable economic growth.

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B2. Comparison with preceding quarter's results

The Group recorded a revenue and profit before taxation for the current quarter ended 30 September 2003 of RM74.596 million and RM5.410 million respectively as compared to the preceding quarter ended 30 June 2003 of RM75.592 million and RM5.391 million respectively.

The revenue and profit before taxation are relatively similar 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.

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 30/09/03 RM'000	Current year to date 30/09/03 RM'000
Current tax expense		
- current (i)	1,580	4,728
- prior year	29	(204)
Deferred tax expense (ii)	(71)	-
	<u>1,538</u>	<u>4,524</u>
Tax expense based on statutory income tax rate of 28%	1,515	4,650
Tax effect of expenses that are not deductible in determining taxable profit:		
Depreciation of non-qualifying assets	60	136
Other non-deductible expenses	70	172
Utilisation of reinvestment allowance	(136)	(230)
Tax expense for the period [(i) +(ii)]	<u>1,509</u>	<u>4,728</u>

The Group's effective tax rate was lower than the statutory tax rate principally due to the utilisation of reinvestment allowances by certain subsidiaries.

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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 30/09/03 RM'000	Current year to date 30/09/03 RM'000
(i) Total disposals	-	154
(ii) Gain/(loss) on disposals	-	(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) Total purchases or disposals of quoted securities and profit/(loss) arising therefrom for the current quarter and financial year-to-date are as follows :-

	Current year quarter 30/09/03 RM'000	Current year to date 30/09/03 RM'000
(i) Total purchases	-	-
(ii) Total disposals	-	10
(iii) Loss on disposals	-	-

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

B8. Status of Corporate Proposals Announced

- A) i) The Company had on 11 September 2003 announced to KLSE on the following proposals:

(a) bonus issue of 15,000,000 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share for every four (4) existing ordinary shares held on an entitlement date to be determined later ("Proposed Bonus Issue"); and

(b) an employees' share option scheme ("ESOS") of up to ten percent (10%) of the issued and paid-up share capital of the Company for the eligible directors and employees of the Company and its subsidiaries ("Proposed ESOS").

collectively to be known as "Proposals".

On 14 October 2003, the Company announced that in conjunction with the abovementioned Proposals, the Company will also propose a private placement of up to six million (6,000,000) new ordinary shares of RM1.00 each representing ten percent (10%) of the issued and paid-up share capital

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of the Company to be implemented prior to the Proposed Bonus Issue and the Proposed ESOS (“Proposed Private Placement”). It was also mentioned that the Proposed Bonus Issue could be revised upward up to thirty three million (33,000,000) new ordinary shares of RM1.00 each on a basis and entitlement date to be determined later after the completion of the Proposed Private Placement.

The Proposals are subject to the approvals of the Securities Commission (“SC”), Foreign Investment Committee, shareholders of the Company, KLSE and any other relevant authorities. The Proposals have been submitted to the SC and KLSE for their approvals.

- (ii) The Company also had on 15 September 2003 announced to KLSE that a subsidiary had entered into a Memorandum of Understanding (“MOU”) with Special Foundry Research Institute of Shenyang, China (“SFRIS”) for the purpose of, amongst others:
- a) setting up a foundry research centre in Kuantan, Pahang targeting at capturing technical market share in Southeast Asia region,
 - b) supplying, installing and commissioning of new ductile iron pipe casting production line to upgrade EDIPI’s existing plant capacity, and
 - c) appointing EDIPI as SFRIS’s exclusive sole agent in Southeast Asia region for the supply of SFRIS’s ductile iron pipe casting machinery and foundry facilities.

An estimated investment cost of Ringgit Malaysia Twenty Two Million only (RM22,000,000) is expected to be incurred over a period of two (2) years by the subsidiary.

- B) The status of the utilisation of the total proceeds from the Rights Issue and the Public Issue of RM24,936,196 as at 30 September 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 acquisition of landed property by a subsidiary.	5,000	5,000	-
2	Expansion plan for manufacturing plants.	2,200	2,200	-
3	Implementation of Enterprise Resource Planning system	600	348	252
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	24,684	252

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The remaining balance is kept as cash at bank.

B9. Group Borrowings and Debt Securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term			
Bank overdraft	10,382	280	10,662
Revolving credit	2,200	-	2,200
Bills payable	44,249	7,789	52,038
Term loans	2,642	-	2,642
Hire purchase liabilities	1,395	-	1,395
	<u>60,868</u>	<u>8,069</u>	<u>68,937</u>
Long term			
Term loans	9,855	-	9,855
Hire purchase liabilities	1,601	-	1,601
	<u>11,456</u>	<u>-</u>	<u>11,456</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 16 November 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 and period ended 30 September 2003 are based on the net profit attributable to ordinary shareholders of RM4.021 million and RM12.315 million respectively and the number of ordinary shares in issue of 60,000,000.

The calculation of basic earnings per share in the preceding year corresponding quarter and period ended 30 September 2002 were based on the net profit attributable to ordinary shareholders, after the allocation of pre-acquisition profit, of RM3.039 million and RM4.779 million respectively and the amended weighted average number of ordinary shares in issue of 54,012,688.

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B14. Capital commitment

	30 September 2003 RM'000
Property, plant and equipment	
Authorised but not contracted for	10,120
Contracted but not provided for in the financial statements	<u>8,386</u>
	<u>18,506</u>
Investment	
Authorised but not contracted for	10,000
Contracted but not provided for in the financial statements	<u>8,000</u>
	<u>18,000</u>

B15. Related party transactions

Significant related party transactions with companies in which certain Directors have interest for the nine (9) months period ended 30 September 2003 are as follows:

	RM'000
Sales	(3,483)
Purchases	4,133
Rental expense payable	176
Rental income receivable	(55)
	<u> </u>

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

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:

	30 September 2003 RM'000	31 December 2002 RM'000
- Corporate guarantees to financial institutions for banking facilities granted to its non wholly-owned subsidiaries	27,700	8,700
- Bankers' guarantee utilized by its non wholly-owned subsidiaries	-	381
	<u>27,700</u>	<u>9,081</u>

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