

Engtex Group Berhad (Company No: 536693-X)

**Quarterly Report on consolidated results
For the third quarter ended 30 September 2002.**
(The figures have not been audited)

**Condensed Consolidated Balance Sheet
As at 30 September 2002**

	Note	As at 30 September 2002 RM'000	As at 31 December 2001 RM'000
Property, plant and equipment	2	60,080	-
Other investments	16	10	-
Intangible assets		-	-
Current assets			
Inventories		43,879	-
Trade and other receivables		78,017	-
Cash and cash equivalents		14,178	-
		136,074	-
Current liabilities			
Trade and other payables		40,669	-
Borrowings	18	54,874	-
Taxation		2,145	-
		97,688	-
Net current assets		38,386	-
		<u>98,476</u>	<u>-</u>
		=====	=====
Financed by:			
Capital and reserves			
Share capital		60,000	-
Reserves		28,796	-
		<u>88,796</u>	<u>-</u>
Shareholders' fund		88,796	-
Minority shareholders' interest		2,725	-
Long term and deferred liabilities			
Borrowings	18	5,241	-
Deferred taxation		1,714	-
		<u>98,476</u>	<u>-</u>
		=====	=====

The notes set out on pages 5 to 12 form an integral part of, and, should be read in conjunction with, this interim financial report.

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**Condensed Consolidated Income Statement
For the period ended 30 September 2002**

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/9/2002 RM'000	Preceding year corresponding quarter 30/9/2001 RM'000	Current year to date 30/9/2002 RM'000	Preceding year corresponding period 30/9/2001 RM'000
Revenue	63,926	-	191,659	-
Cost of sales	(55,115)	-	(161,818)	-
Gross profit	8,811	-	29,841	-
Other operating income	166	-	451	-
Operating expenses	(4,113)	-	(12,539)	-
Exceptional items	-	-	-	-
Operating profit	4,864	-	17,753	-
Interest expense	(586)	-	(2,291)	-
Interest income	88	-	138	-
Share of profits of associated company	-	-	-	-
Profit before taxation	4,366	-	15,600	-
Tax expense	(1,528)	-	(4,786)	-
Profit after taxation	2,838	-	10,814	-
Add : Minority interests	201	-	261	-
Profit after taxation and minority interests	3,039	-	11,075	-
Less: Pre-acquisition profit	-	-	(6,296)	-
Net profit for the period	3,039	-	4,779	-
Basic earnings per ordinary shares (sen)	9.2	-	14.5	-
Diluted earnings per ordinary shares (sen)	9.2	-	14.5	-

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**Condensed Consolidated Statement Of Changes In Equity
For the nine months ended 30 September 2002**

	Share capital RM'000	Non-distributable Share premium RM'000	Reserve on consolidation RM'000	Distributable (Accumulated losses)/retained profits RM'000	Total RM'000
At 1 January 2002	*-	-	-	(10)	(10)
Arising from acquisition of shares in subsidiaries	22,445	4,489	8,738	-	35,672
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	-	-	-	4,488	4,488
Amortisation of reserve on consolidation	-	-	(291)	291	-
Dividends	-	-	-	-	-
At 30 September 2002	60,000	15,580	8,447	4,769	88,796

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

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**Condensed Consolidated Cash Flow Statement
For nine months ended 30 September 2002**

	30 September 2002 RM'000	30 September 2001 RM'000
Net cash used in operating activities (i)	(9,284)	-
Net cash used in investing activities (ii)	(6,540)	-
Net cash generated from financing activities (iii)	24,187	-
Net increase in cash and cash equivalents	8,363	-
Cash and cash equivalents 1 January	-	-
Cash and cash equivalents at 30 September (iv)	8,363	-

(i) Included in the net cash used in operating activities is pre-acquisition profit of RM6.296 million arising from the acquisition of Engtex Sdn. Berhad and its subsidiaries on 30 May 2002 pursuant to the Initial Public Offering exercise.

(ii) Included in the net cash used in investing activities is the effect of acquisition of Engtex Sdn. Berhad and its subsidiaries mentioned above 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	(8,738)
Net assets acquired	26,933
Purchase consideration satisfied by shares	(26,933)
	-
Net overdraft acquired	(4,952)
Net cash outflow	(4,952)

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(iii) Included in the net cash generated from financing activities is the effect of the Initial Public Offering exercise as follows:

	RM'000
Proceeds from Rights Issue	31,016
Proceeds from Public Issue	20,020
Listing expenses paid	(2,390)
Payment to former shareholders of Engtex Sdn Berhad and its subsidiaries who are now shareholders of Engtex	<u>(27,531)</u>
	<u><u>21,115</u></u>

(iv) Cash and cash equivalents comprise:

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

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Notes to the interim financial report for the financial quarter ended 30 September 2002

1. 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 Proforma Group for the year ended 31 December 2001 as described in the Prospectus dated 27 June 2002. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted for the Proforma Group as described in the Prospectus dated 27 June 2002.

2. Property, plant and equipment

The valuation of a piece of long term leasehold land has been brought forward, without amendment from the previous audited financial statements of the relevant subsidiary company.

3. Changes in the composition of the Group

Save as disclosed in Note 17 A(i) below, there was no change in the composition of the Group for the current quarter and financial year-to-date.

4. Taxation

	Current year quarter 30/9/02 RM'000	Current year to date 30/9/02 RM'000
Current tax expense		
- current (i)	1,224	4,397
- prior year	262	262
Deferred tax expense (ii)	42	127
	<u>1,528</u>	<u>4,786</u>
Tax expense based on statutory income tax rate of 28%	1,222	4,368
Tax effect of expenses that are not deductible in determining taxable profit:		
Depreciation of non-qualifying assets	28	101
Other non-deductible expenses	16	55
Tax expense for the period [(i) +(ii)]	<u>1,266</u>	<u>4,524</u>

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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5. Dividend

No dividend is recommended nor paid for the current quarter.

6. Seasonal or cyclical factors

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

7. Segment information

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

	As at 30 September 2002	
	Revenue	Profit/(loss)
	RM'000	before tax
		RM'000
Wholesale and distribution	214,678	18,291
Manufacturing and services	61,015	443
Investment holding and others	-	(33)
	<hr/>	<hr/>
	275,693	18,701
Inter-segment elimination	(84,034)	(3,408)
	<hr/>	<hr/>
	191,659	15,293
Unallocated income	-	307
	<hr/>	<hr/>
	191,659	15,600
	<hr/> <hr/>	<hr/> <hr/>

8. Comparison with preceding quarter's results

The Group recorded a profit before tax of RM4.366 million on the back of revenue of RM63.926 million for the current quarter ended 30 September 2002 as compared to RM5.840 million on the back of revenue of RM66.574 million in the preceding quarter.

The decrease in profits and revenue is mainly due to softening of demand experienced in the current quarter.

9. Review of performance

For the nine months ended 30 September 2002, the Group recorded a profit before tax of RM15.600 million on the back of revenue of RM191.659 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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The Group recorded a post-acquisition profit after taxation and minority interests of RM4.779 million for the nine months ended 30 September 2002 as compared to RM1.513 million for both the preceding quarter ended 30 June 2002 and for the six months ended 30 June 2002.

10. Capital commitment

	30 September 2002 RM'000
Property, plant and equipment	
Authorised but not contracted for	2,060
Contracted but not provided for in the financial statements	<u>3,059</u>
	<u>5,119</u>
	=====
Investment	
Contracted but not provided for in the financial statements (See Note 17 A(ii) below)	<u>11,880</u>
	=====

11. Changes in contingent liabilities

There was no changes in contingent liabilities since the date of the Prospectus dated 27 June 2002 to 12 November 2002, being the date not earlier than 7 days from the date of this announcement.

12. Debt and Equity Securities

Save as disclosed in Note 17 A(i) below, 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.

13. Related party transactions

Significant related party transactions with companies in which certain Directors have interest for the nine months ended 30 September 2002 are as follows:

	RM'000
Sales	(3,441)
Purchases	592
Rental expense payable	191
Rental income receivable	(23)
	=====

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

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14. Subsequent Events

There were no material subsequent events since 30 September 2002 until 12 November 2002, 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 the Proposed Investment as mentioned in Note 17 A(ii) below.

15. Sales of Unquoted Investments and/or Properties

There were no profits or losses on sale of unquoted investments and/or properties for the current quarter and financial year-to-date.

16. Investment in Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter and financial year-to-date. The investment in quoted securities as at 30 September 2002 is as follows:

	RM'000
At cost	<u>10</u>
At market value	<u>7</u>

17. Status of Corporate Proposal

A) i) Public Issue

As at 19 July 2002, the Public Issue has been successfully allotted and the issued and paid-up capital of Engtex was enlarged from RM50,900,000 comprising 50,900,000 ordinary shares of RM1.00 each to RM60,000,000 comprising 60,000,000 ordinary shares of RM1.00 each. The admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up capital of Engtex of 60,000,000 ordinary shares of RM1.00 each was completed on 2 August 2002.

ii) Proposed Investment

On 25 September 2002, the Company had entered into the following agreements:

- a) a Share Sale and Purchase Agreement (“SPA”) between Engtex and Ultimate Target Sdn Bhd (“Ultimate Target”) (collectively “the Parties”) with the Vendors of Linear Solid (i.e. Lee Geok Ai and Law Seong Chye), wherein the Parties propose to acquire 100% of the equity interest in Linear Solid comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM1,500,000; and
- b) a conditional Shareholders’ Agreement (“SA”) with Ultimate Target wherein the Parties have agreed to subscribe for additional shares in Linear Solid in the proportion of their shareholdings in Linear Solid (*Engtex and Ultimate Target*

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will hold 80% and 20% respectively) (“Agreed Proportions”). Pursuant to the SA, the Parties have also agreed to advance to Linear Solid, by way of subordinated shareholders’ loans and in the Agreed Proportions, the sum of RM10,000,000 and the Parties will subscribe, in the Agreed Proportions, for additional 3,500,000 new ordinary shares of RM1.00 each in Linear Solid at par.

On 9 August 2002, Linear Solid had entered into a conditional Sale and Purchase Agreement with Suasa Unik (M) Sdn Bhd (Receiver and Manager Appointed) (“SPASU”) 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 building is referred to as “Property”) and all plant and machinery, ancillary equipment and stocks (“Other Assets”). The Property and Other Assets are acquired on an “as is where is” basis for a total cash consideration of RM12,300,000 in accordance to the terms and conditions set out in the SPASU.

As at the date of this report, the completion of the SPA and SA is conditional upon the fulfilment of all terms and conditions set out in the SPASU. With the completion of the SPASU, Linear Solid shall involve in the business of manufacture of ductile iron pipes and fittings, which are suitable for water and sewerage pipeline systems.

- 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 2002 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	5,000	-	5,000
2	Expansion plan for manufacturing plants	2,200	680	1,520
3	Implementation of Enterprise Resource Planning system	600	-	600
4	Repayment of bank borrowings	10,691	7,824	2,867
5	Working capital	4,445	4,042	403
6	Listing expense	2,000	2,390	(390)
		24,936	14,936	10,000

The unutilised portion of RM10,000,000 is placed with a licensed financial institution. Engtex had also announced its plan to utilise RM5,000,000 which was originally meant for the repayment of borrowings and financing the acquisition of a land and factory building for its subsidiary to finance the Proposed Investment mentioned above. The proposed revision is not subject to the approval of the Securities Commission as the revised utilisation is for the core business activities of Engtex and also not subject to the approvals of the shareholders of Engtex as the revision concerned is less than 25% from the originally proposed utilisation.

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18. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2002, which are denominated in Ringgit Malaysia, were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term			
Bank overdraft	5,815	-	5,815
Bills payable	41,864	3,587	45,451
Term loans	2,676	-	2,676
Hire purchase liabilities	932	-	932
	<u>51,287</u>	<u>3,587</u>	<u>54,874</u>
Long term			
Term loans	5,186	-	5,186
Hire purchase liabilities	55	-	55
	<u>5,241</u>	<u>-</u>	<u>5,241</u>

19. Off Balance Sheet Financial Instruments

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

20. Material Litigation

There were no impending material litigations as at 12 November 2002, being the date not earlier than 7 days from the date of this announcement.

21. Prospects

The Group will continue focusing on expanding its existing product range within the pipes, valves and fittings, plumbing materials and general hardware products industry, and enhancing its distribution and wholesale and manufacturing divisions in line with the Integrated One-Stop Distribution Centre concept. The investment opportunity as elaborated in Note 17 A(ii)(b) 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 2002 will remain satisfactory.

22. Profit Forecast and/or Profit Guarantee

At this stage, this is not applicable.

23. Basic and diluted earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM3.039 million for the current quarter ended 30 September 2002 and RM4.779 million for the nine months ended 30 September 2002, and the weighted average number of ordinary shares outstanding of 32,986,460.

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Weighted average number of ordinary shares

	Number of shares
Issued ordinary shares at beginning of the period	2
Effects of shares issued in:	
- 30 May 2002	13,092,784
- 10 June 2002	15,808,459
- 19 July 2002	4,085,215
 Weighted average number of ordinary shares	 <u><u>32,986,460</u></u>

24. 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 2002 RM'000	30 June 2002 RM'000
Subsidiary:-		
- Corporate guarantees to financial institutions for banking facilities granted to its non wholly-owned subsidiaries	8,000	8,000
- Bankers' guarantee utilized by its non wholly-owned subsidiaries	381	381
	<u><u>8,381</u></u>	<u><u>8,381</u></u>

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