

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

**Quarterly Report on consolidated results  
For the fourth quarter ended 31 December 2002.**  
(The figures have not been audited)

**Condensed Consolidated Balance Sheet  
As at 31 December 2002**

	Note	As at 31 December 2002 RM'000	As at 31 December 2001 RM'000
<b>Property, plant and equipment</b>	2	60,518	-
<b>Other investments</b>	16	10	-
<b>Current assets</b>			
Inventories		43,583	-
Trade and other receivables		77,730	-
Cash and cash equivalents		11,797	-
		133,110	-
<b>Current liabilities</b>			
Trade and other payables		31,932	-
Borrowings	18	57,744	-
Taxation		1,987	-
		91,663	-
<b>Net current assets</b>		41,447	-
		<u>101,975</u>	<u>-</u>
		=====	=====
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital		60,000	-
Reserves		31,595	-
		<u>91,595</u>	<u>-</u>
<b>Shareholders' fund</b>		91,595	-
<b>Minority shareholders' interest</b>		3,564	-
<b>Long term and deferred liabilities</b>			
Borrowings	18	4,733	-
Deferred taxation		2,083	-
		<u>101,975</u>	<u>-</u>
		=====	=====

The notes set out on pages 8 to 16 form an integral part of, and, should be read in conjunction with, this interim financial report.

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

**Condensed Consolidated Income Statement  
For the year ended 31 December 2002**

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/12/2002 RM'000	Preceding year corresponding quarter 31/12/2001 RM'000	Current year To date 31/12/2002 RM'000	Preceding year corresponding period 31/12/2001 RM'000
<b>Revenue</b>	62,202	-	146,722	-
Cost of sales	(53,360)	-	(125,027)	-
<b>Gross profit</b>	8,842	-	21,695	-
Other operating income	1,362	-	1,548	-
Operating expenses	(4,963)	-	(10,302)	-
Exceptional items	-	-	-	-
<b>Operating profit</b>	5,241	-	12,941	-
Interest expense	(922)	-	(1,856)	-
Interest income	52	-	123	-
Share of profits of associated company	-	-	-	-
<b>Profit before taxation</b>	4,371	-	11,208	-
Tax expense	(1,443)	-	(2,970)	-
<b>Profit after taxation</b>	2,928	-	8,238	-
Add : Minority interests	153	-	229	-
<b>Profit after taxation and minority interests</b>	3,081	-	8,467	-
<b>Net profit for the period</b>	3,081	-	8,467	-
Basic earnings per ordinary shares (sen)	9.3	-	25.7	-
Diluted earnings per ordinary shares (sen)	9.3	-	25.7	-

*Note:*

The effect to the current year-to-date results, as a result of the inclusion of net pre-acquisition profits arising from acquisition of Engtex Sdn Berhad and its subsidiaries, and Engtex Ductile Iron Pipe Industry Sdn Bhd (formerly known as Linear Solid Sdn Bhd) totalling RM6.037 million into the respective classification of income and expenses to comply with MASB 21, is as follows:

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

	<b>Before allocation RM'000</b>	<b>Allocation of pre- acquisition profits RM'000</b>	<b>After allocation RM'000</b>
Revenue	253,929	(107,207)	146,722
Cost of sales	(215,178)	90,151	(125,027)
Gross profit	38,751	(17,056)	21,695
Operating income	1,814	(266)	1,548
Operating expenses	(17,154)	6,852	(10,302)
Operating profit	23,411	(10,470)	12,941
Interest expense	(3,214)	1,358	(1,856)
Interest income	123	-	123
Profit before taxation	20,320	(9,112)	11,208
Tax expense	(6,230)	3,260	(2,970)
Profit after taxation	14,090	(5,852)	8,238
Minority interest	414	(185)	229
Profit after taxation and minority interests	14,504	(6,037)	8,467

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

**Condensed Consolidated Statement Of Changes In Equity  
For the year ended 31 December 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
<b>At 1 January 2002</b>	*-	-	-	(10)	(10)
Arising from acquisition of shares in subsidiaries	22,445	4,489	8,398	-	35,332
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	-	-	-	7,627	7,627
Amortisation of reserve on consolidation	-	-	(840)	840	-
Dividends	-	-	-	-	-
<b>At 31 December 2002</b>	<b>60,000</b>	<b>15,580</b>	<b>7,558</b>	<b>8,457</b>	<b>91,595</b>

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

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

**Condensed Consolidated Cash Flow Statement  
For year ended 31 December 2002**

	<b>31 December 2002 RM'000</b>	<b>31 December 2001 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	11,208	-
Adjustments for:		
Amortisation of reserve on consolidation	(840)	-
Depreciation	2,894	-
Loss on disposal of property, plant and equipment	39	-
Interest expense	1,856	-
Interest income	(123)	-
Property, plant and equipment written off	11	-
	<hr/>	<hr/>
Operating profit before working capital changes	15,045	-
Changes in working capital:		
Inventories	(6,197)	-
Trade and other receivables	5,626	-
Trade and other payables	(19,465)	-
	<hr/>	<hr/>
Cash used in operations	(4,991)	-
Income taxes paid	(5,713)	-
Interest received	123	-
Interest paid	(1,472)	-
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	(12,053)	-
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary, net of cash acquired (i)	(5,914)	-
Proceed from disposal of property, plant and equipment	3,685	-
Purchase of property, plant and equipment	(6,441)	-
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(8,670)	-
	<hr/>	<hr/>

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

	<b>31 December 2002 RM'000</b>	<b>31 December 2001 RM'000</b>
<b>Cash flows from financing activities</b>		
Dividend paid to shareholders of the Company	-	-
Proceeds from loans and other borrowings	78,620	-
Repayment of loans and other borrowings	(74,316)	-
Proceeds from issuance of shares, rights issue, net of payment to former shareholders of acquired subsidiaries and listing expense	21,025	-
Payment of hire purchase and finance lease liabilities	(982)	-
Interest paid	(384)	-
Dividend paid to minority shareholders	-	-
Proceeds from issuance of shares to minority shareholders	700	-
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>24,663</b>	<b>-</b>
	-----	-----
<b>Net increase in cash and cash equivalents</b>	<b>3,940</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>*-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b> (ii)	<b>3,940</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

\* - RM2.00

*(i) Included in the net cash used in investing activities is the effect of acquisition of Engtex Sdn. Berhad and its subsidiaries, and Engtex Ductile Iron Pipe Industry Sdn Bhd as follows:*

	<b>RM'000</b>
Property, plant and equipment	59,963
Other investments	10
Current assets	129,242
Current liabilities	(142,389)
Long term liabilities	(10,242)
Minority interest	(291)
Reserve on consolidation	(8,398)
Net assets acquired	<hr/> 27,895
Purchase consideration satisfied by shares	<hr/> (26,933)
Portion discharged by cash	962
Add: Net overdraft acquired	<hr/> 4,952
Cash flow on acquisition, net of cash acquired	<hr/> <hr/> 5,914

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***(ii) Cash and cash equivalents comprise:***

	<b>RM'000</b>
Cash and bank balances	9,197
Deposit	2,600
Bank overdrafts	<u>(7,857)</u>
	<u><u>3,940</u></u>

The notes set out on pages 8 to 16 form an integral part of, and, should be read in conjunction with, this interim financial report.

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

### **Notes to the interim financial report for the financial quarter ended 31 December 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 except for the adoption of the following:

- i) MASB 20, Provisions, Contingent Liabilities and Contingent Assets, which are applied retrospectively. Comparative figures have not been restated and no prior year adjustment is shown as they have no material impact on the financial statements;
- ii) MASB 21, Business combination which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented; and
- iii) MASB23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented.

The audit reports of the preceding annual financial statements of subsidiaries in the Proforma Group were reported without qualification.

#### **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 17A below, there was no change in the composition of the Group for the current quarter.



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

### 4. Taxation

	<b>Current year Quarter 31/12/02 RM'000</b>	<b>Current year to date 31/12/02 RM'000</b>
Current tax expense		
- current	1,205	2,309
- prior year	(61)	201
Deferred tax expense	299	460
	<u>1,443</u>	<u>2,970</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.

### 5. Dividend

No dividend was paid for the current quarter. The Directors had recommended a final dividend of 7% less tax totalling RM3,024,000 in respect of the year ended 31 December 2002, which is subject to the approval by the shareholders at the forthcoming Annual General Meeting. This proposed dividend has not been included in the financial statements.

### 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.

	<b>Wholesale &amp; distribution RM'000</b>	<b>Manufacturing &amp; services RM'000</b>	<b>Investment holding and others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<i>Business segments</i>					
Revenue from external customer	118,474	28,126	122	-	146,722
Inter-segment revenue	42,408	21,041	2,245	(65,694)	-
<b>Total revenue</b>	<u>160,882</u>	<u>49,167</u>	<u>2,367</u>	<u>(65,694)</u>	<u>146,722</u>
<b>Segment result</b>	<u>9,934</u>	<u>1,464</u>	<u>2,248</u>	<u>(1,545)</u>	<u>12,101</u>
Unallocated income					840
Operating profit					12,941
Interest expense					(1,856)
Interest income					123
Profit before tax					11,208
Tax expense					(2,970)
Minority interests					229

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

Post-acquisition net profit						8,467
	Wholesale & distribution RM'000	Manufacturing & services RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000	
<b>Segment assets</b>	159,439	65,521	46,317	(77,639)	193,638	
Unallocated assets	-	-	-	-	-	
<b>Total assets</b>					<u>193,638</u>	
<b>Segment liabilities</b>	(132,962)	(42,781)	(92)	77,356	(98,479)	
Unallocated liabilities	-	-	-	-	-	
<b>Total liabilities</b>					<u>(98,479)</u>	
Capital expenditure	991	6,193	-	-	7,184	
Impairment losses	-	-	-	-	-	
Depreciation and amortisation	993	1,901	-	(840)	2,054	
Other non-cash expenses	-	-	-	840	840	

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

The Group recorded a profit before tax of RM4.371 million on the back of revenue of RM62.202 million for the current quarter ended 31 December 2002 as compared to RM4.366 million on the back of revenue of RM63.926 million in the preceding quarter.

The decrease in revenue is mainly due to the continued softening of market demand.

### 9. Review of performance

The Group recorded a profit before taxation of RM20.32 million on the back of revenue of RM253.929 million. The effect of the inclusion of net pre-acquisition profits arising from acquisition of Engtex Sdn Berhad and its subsidiaries, and Engtex Ductile Iron Pipe Industry Sdn Bhd (formerly known as Linear Solid Sdn Bhd) totalling RM6.037 million into the respective classification of income and expenses to comply with MASB 21, is as follows:

	Before allocation RM'000	Allocation of pre- acquisition profits RM'000	After allocation RM'000
Revenue	253,929	(107,207)	146,722
Profit before taxation	20,320	(9,112)	11,208

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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**10. Capital commitment**

	<b>31 December 2002 RM'000</b>
Property, plant and equipment	
Authorised but not contracted for	1,520
Contracted but not provided for in the financial statements	<u>4,122</u>
	5,642
	=====
Investment	
Contracted but not provided for in the financial statements (See Notes 17A and 17B below)	<u>9,000</u>
	=====

**11. Changes in contingent liabilities**

The changes in contingent liabilities of the Group and the Company since 31 December 2002 until 19 February 2003, being the date not earlier than 7 days from the date of this announcement are as follows:

	<b>RM'000</b>
<b>Company:-</b>	
- Corporate guarantees to financial institutions for banking facilities granted to its subsidiaries	26,430
- Corporate guarantees to suppliers for credit facilities granted to its subsidiaries	<u>7,450</u>
	<u>33,880</u>

**12. 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.

**13. Related party transactions**

Significant related party transactions with companies in which certain Directors have interest for the seven months ended 31 December 2002 are as follows:

	<b>RM'000</b>
Sales	(2,366)
Purchases	379
Rental expense payable	148

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Rental income receivable	(42)
	=====

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

### 14. Subsequent Events

There were no material subsequent events since 31 December 2002 until 19 February 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 the Proposed Investment as mentioned in Note 11 above and Note 17A below.

### 15. 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, the particulars of which were disclosed in Para 4.14.2 of Prospectus dated 27 June 2002, are as follows:

	<b>Current year quarter 31/12/02 RM'000</b>	<b>Current year to date 31/12/02 RM'000</b>
(i) Total disposals	3,250	3,250
(ii) Gain on disposals	28	28

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

### 16. 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 31/12/02 RM</b>	<b>Current year to date 31/12/02 RM</b>
(i) Total purchases	36	41
(ii) Total disposals	36	36
(iii) Loss on disposals	-	-

(b) Total investments in quoted securities as at 31 December 2002 are as follows :-

(i) At cost	<u>RM'000</u> 10
(ii) At market value	<u>9</u>

## **17. Status of Corporate Proposal**

### **(A) Proposed Investment**

Further to the announcement on 25 September 2002 whereby the Company had entered into:

- a) a Share Sale and Purchase Agreement (“SPA”) between Engtex and Ultimate Target Sdn Bhd (“Ultimate Target”) (collectively “the Parties”) with the Vendors of Engtex Ductile Iron Pipe Industry Sdn Bhd (formerly known as Linear Solid Sdn Bhd) (“EDIPI”), i.e. Lee Geok Ai and Law Seong Chye, wherein the Parties propose to acquire 100% of the equity interest in EDIPI comprising 1,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM1,500,000 (referred to as “Acquisition”); and
- b) a Shareholders’ Agreement (“SA”) with Ultimate Target wherein the Parties have agreed to subscribe for additional shares in EDIPI in the proportion of their shareholdings in EDIPI (*Engtex and Ultimate Target will hold 80% and 20% respectively*) (“Agreed Proportions”). Pursuant to the SA, the Parties have also agreed to advance to EDIPI, 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 EDIPI at par, by which the said subscription was completed on 28 December 2002;

the Company, on 10 December 2002, further entered into the following agreements as announced on the eventdate:

- a) a supplemental agreement to the SPA was entered between the Parties and the Vendors whereby the terms of the SPA were amended to allow the Parties to complete the Acquisition earlier to coincide with the completion of the purchase of the Other Assets upon the terms of the SSPASU (defined below); and
- b) a supplemental agreement to the SPASU was entered between EDIPI and Suasa Unik (M) Sdn Bhd (Receiver and Manager Appointed) (“Suasa Unik”) (“SSPASU”) to allow EDIPI to complete the purchase of the Other Assets earlier, prior to the completion of the SPASU.

On 9 August 2002, EDIPI had entered into a conditional Sale and Purchase Agreement with Suasa Unik (“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. The SPASU is subject to the approvals from the High Court of

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Malaya, state authorities and other relevant authorities. On 19 December 2002, EDIPI has obtained approval from the state authorities for the transfer of the Property and currently pending the approval from the High Court of Malaya, which is scheduled for hearing on 17 March 2003.

- B) The status of the utilisation of the total proceeds from the Rights Issue and the Public Issue of RM24,936,196 as at 31 December 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 which was subsequently revised for the Proposed Investment as described in Note 17 (A) above	5,000	4,000	1,000
2	Expansion plan for manufacturing plants	2,200	680	1,520
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 expense	2,000	2,390	(390)
	Total	24,936	22,111	2,825

A portion of RM2,000,000 is placed as deposit with a licensed financial institution whilst the remaining balance is kept as cash at bank.

## 18. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2002, which are denominated in Ringgit Malaysia, were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<b>Short term</b>			
Bank overdraft	7,857	-	7,857
Bills payable	42,981	3,519	46,500
Term loans	2,487	-	2,487
Hire purchase liabilities	900	-	900
	<u>54,225</u>	<u>3,519</u>	<u>57,744</u>
<b>Long term</b>			
Term loans	4,684	-	4,684
Hire purchase liabilities	49	-	49
	<u>4,733</u>	<u>-</u>	<u>4,733</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 19 February 2003, 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, 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 Investment as elaborated in Note 17(A) 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.

**22. Profit Forecast and/or Profit Guarantee**

The actual post-acquisition profit after taxation and minority interests of RM8.467 million for the year ended 31 December 2002 was below the corresponding profit forecast of RM8.840 million as disclosed in the Prospectus dated 27 June 2002 by 4.2%.

**23. Basic and diluted earnings per share**

The calculation of basic earnings per share is based on the post-acquisition net profit attributable to ordinary shareholders of RM3.081 million for the current quarter ended 31 December 2002 and RM8.467 million for the year ended 31 December 2002, and the weighted average number of ordinary shares outstanding of 32,986,460.

***Weighted average number of ordinary shares***

	<b>Number of shares</b>
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:

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

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