Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Financial statements for the year ended 31 December 2005

Domiciled in Malaysia
Registered office
33-35, 2nd Floor
Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Directors’ report for the year ended 31 December 2005

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

Principal activities

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 23 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM’000	**Company RM’000**
Net profit for the year	482	544
	====	===

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year.

Dividends

Since the end of the previous financial year, the Company paid a first and final dividend of 1% less tax totalling RM713,873 in respect of the year ended 31 December 2004 on 23 September 2005.

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2005 is 1% less tax totalling RM713,873.

Directors of the Company

Directors who served since the date of the last report are:

Dato’ Lim Kang Swee
Dato’ Lim Kang Hoo
Khoo Nang Seng @ Khoo Nam Seng
Aznam bin Mansor
Lim Ts-Fei
Dr. Wong Kai Fatt
Kang Hui Ling
Abdul Aziz bin Ismail (deceased on 22.7.2005)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2005	**Bought**	**Sold**	**At 31.12.2005**
Direct interest in the Company				
Dato' Lim Kang Swee	8,154,000	-	-	8,154,000
Dato' Lim Kang Hoo	615,749	-	-	615,749
Khoo Nang Seng @ Khoo Nam Seng	7,824,122	-	-	7,824,122
Aznam bin Mansor	8,000	-	-	8,000
Lim Ts-Fei	10,000	-	-	10,000
Indirect interest in the Company through:				
i) Kinston Park Sdn. Bhd.				
Dato' Lim Kang Hoo	32,410,000	-	-	32,410,000
ii) Bidarcita Sdn. Bhd				
Dato' Lim Kang Swee	439,000	-	-	439,000

		Number of options over ordinary shares of RM1.00 each			
	Option price	**At 1.1.2005**	**Granted**	**Exercised**	**At 31.12.2005**
Company					
Dato' Lim Kang Swee	RM1.25	150,000	-	-	150,000
Dato' Lim Kang Hoo	RM1.25	150,000	-	-	150,000
Khoo Nang Seng @ Khoo Nam Seng	RM1.25	300,000	-	-	300,000

By virtue of their interests in the shares of the Company, the above named Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Knusford Berhad has an interest.

None of the other Directors holding office at 31 December 2005 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors’ benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 25 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees’ Share Option Scheme (“ESOS”).

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the ESOS.

The Company had on 2 July 2003 established and implemented the ESOS for a period of 5 years expiring on 22 April 2008. The ESOS is governed by the ESOS By-law which were approved by the shareholders on 29 January 2003.

The options offered to take up unissued ordinary shares of RM1.00 each and the option price is as follows:

Granted date	**Expiry date**	**Option price**	**Balance at 1.1.2005**	**Granted**	**Exercised**	**Lapsed**	**Balance at 31.12.2005**
2.7.2003	22.4.2008	RM1.25	6,730,000	-	-	2,680,000	4,050,000

The salient features of the scheme are as follows:

i) The total number of new shares which may be made available under the ESOS shall not exceed ten per centum (10%) of the issued share capital of the Company.

ii) Eligible employees are those who are employed full time by and on the payroll of a company within the Group as at the date of offer.

iii) The option is personal to the grantee and is non-assignable.

Options granted over unissued shares (continued)

iv) The options granted may be exercised at any time within a period of five (5) years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.

v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Other statutory information (continued)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

…………………………………………………………
Dato' Lim Kang Hoo

…………………………………………………………
Dato' Lim Kang Swee

Kuala Lumpur,

Date:

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 10 to 48 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

…………………………………………………………
Dato' Lim Kang Hoo

…………………………………………………………
Dato' Lim Kang Swee

Kuala Lumpur,

Date:

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Mong Fang**, the officer primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 48 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on ……………..

…………………………………..
Lee Mong Fang

Before me:

Report of the auditors to the members of Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 10 to 48. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

   i) the state of affairs of the Group and of the Company at 31 December 2005 and the results of their operations and cash flows for the year ended on that date; and

   ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Company No. 380100-D

The subsidiary in respect of which we have not acted as auditors are identified in Note 23 to the financial statements and we have considered its financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG	**Hew Lee Lam Sang**
Firm Number: AF 0758	Partner
Chartered Accountants	Approval Number: 1862/10/07(J)

Kuala Lumpur,

Date:

Knusford Berhad
(Company No. 380100-D)
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and its subsidiaries

Balance sheets at 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Property, plant and equipment	2	40,023	40,104	3,109	2,231
Investments in subsidiaries	3	-	-	65,892	65,892
Land held for property development	4	27,528	27,528	-	-
Deferred tax assets	5	644	562	-	-
Goodwill on consolidation	6	208	277	-	-
		68,403	68,471	69,001	68,123
Current assets					
Inventories	7	20,426	26,835	-	-
Properties under development	8	16,555	23,759	-	-
Trade and other receivables	9	74,534	57,302	32,259	32,567
Tax recoverable		671	4,192	-	-
Cash and cash equivalents	10	32,213	44,336	20,891	21,688
		144,399	156,424	53,150	54,255
Current liabilities					
Trade and other payables	11	30,883	42,550	170	196
Borrowings	12	6,140	3,691	-	-
Taxation		144	586	24	55
		37,167	46,827	194	251
Net current assets		107,232	109,597	52,956	54,004
		175,635	178,068	121,957	122,127

Company No. 380100-D

Balance sheets at 31 December 2005
(continued)

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Financed by:					
Capital and reserves					
Share capital	13	99,149	99,149	99,149	99,149
Reserves	14	66,350	66,582	22,808	22,978
Shareholders' funds		165,499	165,731	121,957	122,127
Minority shareholders' interests	15	128	311	-	-
Long term and deferred liabilities					
Borrowings	12	7,803	9,451	-	-
Deferred tax liabilities	5	2,205	2,575	-	-
		10,136	12,337	-	122,127
		175,635	178,068	121,957	122,127

The financial statements were approved and authorised for issue by the Board of Directors on 20 April 2006.

The notes set out on pages 17 to 48 form an integral part of, and should be read in conjunction with, these financial statements.

Knusford Berhad
(Company No. 380100-D)
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Income statements for the year ended 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Revenue	17	110,063	97,422	1,000	1,000
Operating profit	17	2,081	10,578	477	362
Interest income		890	1,051	491	630
Interest expense		(1,175)	(1,233)	-	-
Profit before taxation		1,796	10,396	968	992
Tax expense	19	(1,497)	(1,679)	(424)	(435)
Profit after taxation		299	8,717	544	557
Minority interests		183	(144)	-	-
Net profit for the year		482	8,573	544	557
Basic earnings per ordinary share (sen)	20	0.49	8.68		
Diluted earnings per ordinary share (sen)	20	0.46	8.10		
Dividends per ordinary share - net (sen)	21	0.72	0.72		

The notes set out on pages 17 to 48 form an integral part of, and should be read in conjunction with, these financial statements.

Knusford Berhad
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Statements of changes in equity for year ended 31 December 2005

	Note	Share capital RM'000	*Non-distributable* Share premium RM'000	*Distributable* Retained profits RM'000	Total RM'000
Group					
At 1 January 2004		97,529	22,168	36,154	155,851
Issue of shares:					
Share options		1,620	401	-	2,021
Dividends – 2003 final	21	-	-	(714)	(714)
Net profit for the year		-	-	8,573	8,573
At 31 December 2004/1 January 2005		99,149	22,569	44,013	165,731
Dividends - 2004 final	21	-	-	(714)	(714)
Net profit for the year		-	-	482	482
At 31 December 2005		99,149	22,569	43,781	165,499
		======	======	======	======
		Note 13	Note 14	Note 14	
Company					
At 1 January 2004		97,529	22,168	566	120,263
Issue of shares:					
Share options		1,620	401	-	2,021
Dividends - 2003 final	21	-	-	(714)	(714)
Net profit for the year		-	-	557	557
At 31 December 2004/1 January 2005		99,149	22,569	409	122,127
Dividends - 2004 final	21	-	-	(714)	(714)
Net profit for the year		-	-	544	544
At 31 December 2005		99,149	22,569	239	121,957
		======	=====	=====	=====
		Note 13	Note 14	Note 14	

The notes set out on pages 17 to 48 form an integral part of, and should be read in conjunction with, these financial statements.

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Cash flow statements for the year ended 31 December 2005

		Group		Company	
		2005	**2004**	**2005**	**2004**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities					
Profit before taxation		1,796	10,396	968	992
Adjustments for:					
Amortisation of negative goodwill		-	(6,895)	-	-
Amortisation of goodwill		69	69	-	-
Depreciation		6,623	6,668	52	25
Dividend income		-	-	(1,000)	(1,000)
Property, plant and equipment written off		2	6	-	-
Gain on disposal of property, plant and equipment		(152)	(228)	-	-
Gain on unrealized foreign exchange		(122)	-	-	-
Interest expense		1,175	1,233	-	-
Interest income		(890)	(1,051)	(491)	(630)
Impairment losses on property, plant and equipment		71	-	-	-
Operating profit/(loss) before working capital changes		8,572	10,198	(471)	(613)
Changes in working capital:					
Properties under development		7,204	(905)	-	-
Inventories		6,409	(1,277)	-	-
Trade and other receivables		(17,232)	(3,399)	(53)	5,874
Trade and other payables		(11,193)	886	(26)	(8,014)
Cash (used in)/generated from operations		(6,242)	5,503	(550)	(2,753)
Dividends received		-	-	720	1,000
Income taxes refunded/(paid)		1,135	(595)	(175)	(450)
Net cash (used in)/generated from operating activities		(5,107)	4,908	(5)	(2,203)

Company No. 380100-D

Cash flow statements for the year ended 31 December 2005

(continued)

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Cash flows from investing activities					
Interest received		890	1,051	491	630
Acquisitions of subsidiaries, net of cash acquired	24	-	(390)	-	-
Acquisition of existing subsidiary from minority interest		(5)	-	-	-
Purchase of property, plant and equipment	*(i)*	(7,387)	(6,610)	(930)	(2,256)
Proceeds from disposal of property, plant and equipment		961	1,529	-	-
Deposits pledged with banks		(139)	(193)	(65)	(109)
Net cash used in investing activities		(5,680)	(4,613)	(504)	(1,735)
Cash flows from financing activities					
Advances to subsidiaries		-	-	361	-
Dividends paid		(714)	(714)	(714)	(714)
Interest paid		(1,175)	(1,233)	-	-
Proceeds from revolving credits		650	700	-	-
Proceeds from the issuance of shares		-	2,021	-	2,021
Repayments of hire purchase liabilities		(1,528)	(2,706)	-	-
Repayment of revolving credits		-	(500)	-	-
Proceeds from bridging term loan		507	-	-	-
Net cash (used in)/ generated from financing activities		(2,260)	(2,432)	(353)	1,307
Net decrease in cash and cash equivalents		(13,047)	(2,137)	(862)	(2,631)
Cash and cash equivalents at beginning of year		37,436	39,573	18,267	20,898
Cash and cash equivalents at end of year	*(ii)*	24,389	37,436	17,405	18,267

Cash flow statements for the year ended 31 December 2005
(continued)

(i) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM7,774,000 (2004 - RM7,563,000) of which RM387,000 (2004 - RM953,000) were acquired by means of hire purchase arrangements.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		**Company**	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	3,891	5,788	3	17
Deposits with licensed banks (excluding deposits pledged)	21,729	32,094	17,402	18,250
Bank overdrafts	(1,231)	(446)	-	-
	24,389	37,436	17,405	18,267

The notes set out on pages 17 to 48 form an integral part of, and should be read in conjunction with, these financial statements.

Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intra-group transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Freehold land is stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Freehold land is not amortised. The straight line method is used to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:

Buildings	2%
Equipment, furniture and fittings	10%
Plant and machinery	5% - 20%
Motor vehicles	20%

(d) Hire purchase liabilities

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and depreciated over their estimated useful lives and the liabilities corresponding to the remaining capital payments are included within borrowings. The interest element is amortised over the period of the agreement using the sum-of-digits method.

(e) Investments

Long term investments in subsidiaries are stated at cost less impairment loss where applicable.

(f) Land held for property development

Land held for property development consist of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle of 2 to 3 years. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Land held for property development is classified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle of 2 to 3 years.

Cost associate with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

1. Summary of significant accounting policies (continued)

(g) Goodwill/Negative goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses (refer Note 1(o)).

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is stated at cost less accumulated amortisation.

Goodwill and negative goodwill are amortised through the income statement of the Group over five (5) years from the date of initial recognition.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value with first-in first-out being the main basis for cost. Cost of trading inventories comprises purchase price plus associated costs.

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common cost attributable to developing the properties to completion.

(i) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is shown as accrued billings under trade and other receivables and the excess of billings to purchasers over income recognised in the income statement is shown as progress billings under trade and other payables.

(j) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

1. Summary of significant accounting policies (continued)

(k) Amount due from/(to) contract customers

Amount due from/(to) contract customers on construction contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customers.

(l) Employee benefits

(i) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) Defined contribution plan

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

(iii) Equity and equity-related compensation benefits

The share option programme allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand balances and deposits with banks and highly liquid investments which have an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(n) Liabilities

Borrowings and trade and other payables are stated at cost.

1. Summary of significant accounting policies (continued)

(o) Impairment

The carrying amounts of the Group's assets, other than inventories, assets arising from construction contracts, deferred tax assets and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by specific external event of an exceptional nature that is not expected to recur and subsequent external event have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(p) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rate used in the translation of foreign currency monetary assets and liabilities is as follows:

1 USD	RM3.78	(2004:	1 USD	RM3.80)
100 Yen	RM3.23	(2004:	100 Yen	RM3.68)

1. Summary of significant accounting policies (continued)

(q) Capitalisation of borrowing costs

Borrowing costs incurred on capital work-in-progress, properties under development and gross amount due from contract customers are capitalised. Exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs, are also capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific capital work-in-progress, property under development or gross amount due from contract customers, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

(r) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1. Summary of significant accounting policies (continued)

(s) Revenue

i) Goods sold

Revenue from the sale of goods are measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

ii) Rental of machinery

Revenue from the rental of machinery is recognised in the income statement on an accrual basis in accordance with the substance of the rental agreements.

iii) Construction contracts

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

iv) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the income statement.

1. Summary of significant accounting policies (continued)

(s) Revenue (continued)

v) Interest income

Interest income is recognised in the income statement on a time proportion basis taking into account the principal outstanding and the rate applicable.

vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(t) Financing costs

All interest and other costs incurred in connection with borrowings other than that capitalised in accordance with Note 1(q), are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

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2. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 January 2005	5,225	4,806	1,755	53,375	7,650	72,811
Additions	-	3,871	686	2,918	299	7,774
Disposals	-	-	-	(1,139)	(406)	(1,545)
Written off	-	-	(32)	-	-	(32)
Transfer to inventories	-	-	-	(877)	-	(877)
At 31 December 2005	5,225	8,677	2,409	54,277	7,543	78,131
Accumulated depreciation and impairment losses						
Accumulated depreciation	-	332	911	26,577	4,887	32,707
At 1 January 2005	-	332	911	26,577	4,887	32,707
Charge for the year	-	90	187	5,356	990	6,623
Disposals	-	-	-	(491)	(245)	(736)
Impairment losses for the year	-	-	2	69	-	71
Written off	-	-	(30)	-	-	(30)
Transfer to inventories	-	-	-	(527)	-	(527)
Accumulated depreciation	-	422	1,068	30,915	5,632	38,037
Accumulated impairment losses	-	-	2	69	-	71
At 31 December 2005	-	422	1,070	30,984	5,632	38,108
Net book value						
At 31 December 2005	5,225	8,255	1,339	23,293	1,911	40,023
At 31 December 2004	5,225	4,474	844	26,798	2,763	40,104
Depreciation charge for the year ended 31 December 2004	-	79	156	5,506	927	6,668

2. Property, plant and equipment (continued)

Company

	Buildings RM'000	Equipment, furniture and fittings RM'000	Total RM'000
Cost			
At 1 January 2005	2,243	13	2,256
Additions	552	378	930
At 31 December 2005	2,795	391	3,186
Accumulated depreciation			
At 1 January 2005	25	-	25
Charge for the year	26	26	52
At 31 December 2005	51	26	77
Net book value			
At 31 December 2005	2,744	365	3,109
At 31 December 2004	2,218	13	2,231
Depreciation charge for the year ended 31 December 2004	25	-	25

Certain buildings of the Group and the Company with an aggregate net book value of RM6,073,000 (2004 - RM2,218,000) are still in the process of being registered under the name of the Company.

Assets under hire purchase

Included in the property, plant and equipment of the Group are assets acquired under hire purchase arrangements with an aggregate net book value as follows:

	Group 2005 RM'000	Group 2004 RM'000
Motor vehicles	1,552	2,020
Plant and machinery	16,451	16,441
	18,003	18,461

2. Property, plant and equipment (continued)

Security

Certain freehold land and buildings of subsidiaries with an aggregate net book value amounting to RM4,881,000 (2004 - RM4,909,000) are charged to secure banking facilities of the subsidiaries (Note 12).

Impairment losses

The cessation of the operation of a subsidiary caused the said subsidiary to assess the recoverable amount of the plant and machinery and write down the carrying amount of these assets by RM71,000 based on nil recoverable amount.

3. Investments in subsidiaries

	Company	
	2005	**2004**
	RM'000	**RM'000**
Unquoted shares, at cost	65,892	65,892
	=====	=====

Details of the subsidiaries are shown in Note 23.

4. Land held for property development

	Group	
	2005	**2004**
	RM'000	**RM'000**
Cost		
At 1 January	27,528	28,942
Additions	-	116
Transfer to property development costs (Note 8)	-	(1,530)
At 31 December	27,528	27,528
	======	======

Security

The land is charged to a licensed bank to secure banking facilities of a subsidiary (Note 12).

5. Deferred tax

The amount, determined after appropriate offsetting, is as follows:

	Group	
	2005	**2004**
	RM'000	**RM'000**
Deferred tax liabilities	2,205	2,575
	====	====
Deferred tax assets	(644)	(562)
	====	====
	1,561	2,013
	====	====

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes related to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group	
	2005	**2004**
	RM'000	**RM'000**
Land held for property development	1,975	2,320
Property, plant and equipment		
- capital allowances	980	1,094
Unabsorbed capital allowances	(160)	(48)
Provisions	(1,234)	(1,353)
	1,561	2,013
	=====	=====

No deferred tax asset has been recognised for the following items:

Deductible temporary differences	10,030	7,715
Taxable temporary differences	(2,931)	(2,250)
Unabsorbed capital allowances	4,456	4,418
Unutilised tax losses	1,728	1,532
	13,283	11,415
	=====	=====

5. Deferred tax (continued)

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

6. Goodwill/Negative goodwill

Group	**Goodwill**		**Negative goodwill**	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Cost				
At 1 January	346	-	-	34,475
Acquisition of subsidiary	-	346	-	-
At 31 December	346	346	-	34,475
Accumulated amortisation				
At 1 January	69	-	-	27,580
Amortisation charge for the year	69	69	-	6,895
At 31 December	138	69	-	34,475
Net book value	208	277	-	-

The negative goodwill arising from the acquisition of the subsidiaries had been fully amortised in the previous year.

7. Inventories

	Group	
	2005 RM'000	**2004 RM'000**
Trading inventories	20,093	26,835
Developed properties held for sale	333	-
	20,426	26,835

Included in the trading inventories are inventories in transit amounted to RM840,000 (2004- RM3,000,000).

8. Properties under development

	Group	
	2005	**2004**
	RM'000	**RM'000**
At 1 January		
Land	13,104	11,574
Development costs	36,670	16,196
Accumulated costs charged to income statement	(26,015)	(6,330)
	23,759	21,440
Transfer from land held for property development (Note 4)	-	1,530
Development costs incurred during the year	9,698	20,474
	9,698	22,004
Costs charged to income statement	(16,569)	(19,685)
Transfer to inventory	(333)	-
	(16,902)	(19,685)
	16,555	23,759
At 31 December		
Land	13,058	13,104
Development costs	46,081	36,670
Accumulated costs charged to income statement	(42,584)	(26,015)
	16,555	23,759

Additions to development costs during the year include rental of equipment of RM45,000 (2004 - RM695,000).

9. Trade and other receivables

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	69,077	52,210	-	-
Amount due from contract customers (Note 11)	-	938	-	-
Accrued billings	2,436	467	-	-
Other receivables, deposits and prepayments	3,021	3,687	82	29
Subsidiaries	-	-	32,177	32,538
	74,534	57,302	32,259	32,567

Included in the trade receivables of the Group are amounts due from companies deemed related to Directors as defined in Note 25 amounting to RM30,334,000 (2004 - RM21,300,000).

The amount due from subsidiaries comprise advances that are unsecured, interest free and have no fixed terms of repayment.

10. Cash and cash equivalents

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances	3,891	5,788	3	18
Deposits with licensed banks	28,322	38,548	20,888	21,670
	32,213	44,336	20,891	21,688

Deposits with licensed banks amounting to RM6,593,000 (2004 - RM6,454,000) and RM3,486,000 (2004 - RM3,420,000) of the Group and the Company respectively are pledged to banks to secure bank borrowings and facilities granted to subsidiaries.

Included in the Group's cash and bank balances is an amount of RM1,264,000 (2004 - RM950,000), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 2002.

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11. Trade and other payables

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Trade payables	25,420	33,828	-	-
Amount due to contract customers	157	-	-	-
Directors	72	72	69	69
Other payables and accrued expenses	5,234	8,650	101	127
	30,883	42,550	170	196

Amount due (to)/from contract customers

	Group 2005 RM'000	Group 2004 RM'000
Aggregate costs incurred to date	9,415	2,929
Add: Attributable profits	428	220
	9,843	3,149
Less: Progress billings	(10,000)	(2,211)
Amount due (to)/from contract customers reclassified	(157)	938

Included in trade and other payables of the Group are amounts due to companies deemed related to Directors as defined in Note 25 amounting to RM9,172,000 (2004 - RM14,583,000).

The amount due to Directors comprise advances that are unsecured, interest free and have no fixed terms of repayment.

12. Borrowings

	Group 2005 RM'000	Group 2004 RM'000
Current		
Bank overdrafts - secured	925	446
Bank overdrafts - unsecured	306	-
Revolving credits - unsecured	1,850	1,200
Bridging term loan - secured	507	-
Hire purchase liabilities	2,552	2,045
	6,140	3,691

12. Borrowings (continued)

	Group 2005 RM'000	Group 2004 RM'000
Non-current		
Hire purchase liabilities	7,803	9,451
	=====	=====

Terms and debt repayment schedule

Bank overdrafts are subject to interest at 7.0% (2004 - 7.25%) per annum and are secured by way of corporate guarantees, fixed deposits and fixed charge over freehold land and buildings of subsidiaries (Note 2).

Revolving credits of the subsidiaries are subject to interest at 0.5% (2004 - 0.5%) per annum above the Kuala Lumpur Interbank Offer Rates and at 1.5% (2004 - nil) above the Islamic cost of fund. Revolving credits are secured by corporate guarantee by the Company.

Bridging term loan is subject to interest at 7.50% (2004 - nil) per annum and is secured by way of fixed charges over the land held for property development.

Hire purchase liabilities are subject to fixed interest rates ranging from 2.65% to 7.50% (2004 - 2.65% to 11.00%) per annum.

Hire purchase liabilities are payable as follows:

Group	Payments 2005 RM'000	Interest 2005 RM'000	Principal 2005 RM'000	Payments 2004 RM'000	Interest 2004 RM'000	Principal 2004 RM'000
Less than one year	3,370	818	2,552	2,953	908	2,045
Between one and five years	9,240	1,437	7,803	9,670	2,093	7,577
More than five years	-	-	-	1,963	89	1,874
	12,610	2,255	10,355	14,586	3,090	11,496
	=====	=====	=====	=====	=====	=====

13. Share capital

	Group and Company 2005 RM'000	Group and Company 2004 RM'000
Ordinary shares of RM1.00 each		
Authorised	200,000	200,000
Issued and fully paid		
Opening balance	99,149	97,529
Shares issued under share option scheme	-	1,620
	99,149	99,149

14. Reserves

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-distributable				
Share premium	22,569	22,569	22,569	22,569
Distributable				
Retained profits	43,781	44,013	239	409
	66,350	66,582	22,808	22,978

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its retained profits at 31 December 2005 if paid out as dividends.

15. Minority shareholders' interests

This consists of minority shareholders' proportion of share capital and reserve of subsidiaries, net of their share of subsidiary's goodwill on consolidation.

16. Employee benefits

Share option plan

The Company had on 2 July 2003 established and implemented the ESOS which will expire on 22 April 2008. The ESOS is governed by the ESOS By-laws which were approved by the shareholders on 29 January 2003.

Movements in the number of share options held by employees are as follows:

	Company	
	2005 RM'000	**2004 RM'000**
Outstanding at 1 January	6,730,000	8,350,000
Exercised	-	(1,620,000)
Lapsed	(2,680,000)	-
Outstanding at 31 December	4,050,000	6,730,000

There are no share options granted or exercised during the year. Terms of the options outstanding at 31 December:

Expiry date	*Option price*	*Number*
22.4.2008	RM1.25	4,050,000

17. Operating profit

	Group		Company	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Revenue				
- Sale of goods	59,393	46,937	-	-
- Rental of machinery	25,802	22,028	-	-
- Contract income recognised	6,726	6,950	-	-
- Property development revenue	18,142	21,507	-	-
- Dividends from unquoted subsidiaries	-	-	1,000	1,000
	110,063	97,422	1,000	1,000
Cost of sales	(52,023)	(39,407)	-	-
Direct operating expenses	(17,736)	(17,290)	-	-
Contract costs recognised as an expense	(6,553)	(3,362)	-	-
Property development expenses	(16,569)	(19,382)	-	-
	(92,881)	(79,441)	-	-

17. Operating profit (continued)

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Gross profit	17,182	17,981	1,000	1,000
Administration expenses	(16,599)	(15,150)	(656)	(649)
Other operating income	1,567	921	133	11
Amortisation of:				
- goodwill (Note 6)	(69)	(69)	-	-
- negative goodwill (Note 6)	-	6,895	-	-
Operating profit	2,081	10,578	477	362

Operating profit is arrived at after charging:

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Allowance for doubtful debts	1,002	105	-	-
Amortisation of inventories	460	995	-	-
Auditors' remuneration				
- Holding company auditors	94	79	12	10
- Other auditors	2	2	-	-
Depreciation (Note 2)	6,623	6,668	52	25
Directors' emoluments				
- fees	20	20	20	20
- remuneration	1,453	1,580	336	336
Amortisation of goodwill	69	69	-	-
Impairment losses on property, plant and equipment	71	-	-	-
Loss on realised foreign exchange	32	-	-	-
Inventories written off	378	-	-	-
Property, plant and equipment written off	2	6	-	-
Rental of motor vehicles	173	227	-	-
Rental of premises	1,476	1,463	-	-
Rental of equipment and machineries	3,848	3,080	-	-

and crediting:

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Amortisation of negative goodwill	-	6,895	-	-
Bad debts recovered	-	254	-	-
Gain on disposal of property, plant and equipment	152	228	-	-
Rental of premises	424	410	-	-
Realised gain on foreign exchange	126	-	-	-
Unrealised gain on foreign exchange	122	-	-	-

The estimated monetary value of Directors' benefits-in-kind is RM69,875 (2004 - RM61,500).

18. Employee information

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Employees' Provident Fund	739	785	36	36
Staff costs	9,125	9,865	324	327
	9,864	10,650	360	363

The number of employees of the Group and the Company (including Directors) at the end of the year was 324 (2004 - 317) and 8 (2004 - 8) respectively.

19. Tax expense

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current	2,045	1,859	426	436
- (over)/underprovision in prior years	(96)	52	(2)	(1)
	1,949	1,911	424	435
Deferred tax expense				
- origination and reversal of temporary differences	(389)	(111)	-	-
- overprovision in prior years	(63)	(121)	-	-
	(452)	(232)	-	-
	1,497	1,679	424	435

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19. Tax expense (continued)

Reconciliation of effective tax expense

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Profit before taxation	1,796	10,396	968	992
	=====	=====	=====	====
Income tax using Malaysian tax rate	503	2,911	271	278
Non-deductible expenses	722	441	155	159
Non-taxable items	-	(2,054)	-	-
Deferred tax assets not recognised	523	666	-	-
Effect of different tax rates for chargeable income up to RM500,000	(133)	(166)	-	-
Other items	41	(50)	-	(1)
	1,656	1,748	426	436
Under/(Over) provision in prior years				
- current tax	(96)	52	(2)	(1)
- deferred tax	(63)	(121)	-	-
Tax expense	1,497	1,679	424	435
	====	====	====	====

20. Earnings per ordinary share

Basic earnings per share

The calculation of basic earnings per share is based on net profit attributable to ordinary shareholders of approximately RM482,000 (2004 - RM8,573,000) and the number of ordinary shares outstanding during the year of 99,149,000 (2004 - weighted average number of ordinary share of 98,696,000).

In the previous year, the weighted average number of ordinary shares was as follow:

	Group 2004 '000
Issued ordinary shares at beginning of the year 97,529	
Effect of shares issued during the year	1,167
	98,696
	=====

20. Earnings per ordinary share (continued)

Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM482,000 (2004 - RM8,573,000) and the weighted average number of ordinary shares outstanding during the year of approximately 105,879,000 (2004 – 105,879,000) calculated as follows:

Weighted average number of ordinary shares (diluted)	**2005 RM’000**	**2004 RM’000**
Number of ordinary shares during the year	99,149	-
Weighted average number of ordinary shares as above	-	98,696
Effect of share options	6,730	7,183
Weighted average number of ordinary shares (diluted)	105,879	105,879

21. Dividends

	Company	
	2005 RM’000	**2004 RM’000**
Ordinary		
Final paid		
2004 - 1% (2003 - 1%) per share less tax	714	714

The proposed first and final dividend of 1% less tax totalling RM713,873 in respect of the financial year ended 31 December 2005 has not been accounted for in the financial statements.

22. Segmental information

Segment information is presented in respect of the Group’s business and geographical segments. The primary format and business segments are based on the Group’s management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

22. Segmental information (continued)

Business segments

The Group comprises the following main business segments:

Trading and services	Reconditioning, sales and rental of light and heavy machinery, trading of building materials and provision of transportation services.
Property development	Development of residential properties.
Construction	Construction work under contract.

Geographical segments

The activities of the Group are carried out in Malaysia and accordingly no segmental reporting by geographical location is presented.

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22. Segmental information (continued)

	Trading and services		Property development		Construction contract		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Business segments										
Revenue from external customers	92,902	75,803	18,142	21,507	19	112	-	-	111,063	97,422
Inter-segment revenue	998	240	-	-	-	-	(998)	(240)	-	-
Total revenue	93,900	76,043	18,142	21,507	19	112	(998)	(240)	110,063	97,422
Segment result	2,592	4,082	1,139	2,203	(4)	1	(1,231)	(1,965)	2,496	4,321
Unallocated (expenses)/income									(415)	6,257
Operating profit									2,081	10,578
Interest expense									(1,175)	(1,233)
Interest income									890	1,051
Profit before taxation									1,796	10,396
Tax expense									(1,497)	(1,679)
Minority interest									183	(144)
Net profit for the year									482	8,573

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22. Segmental information (continued)

	Trading and services 2005 RM'000	Trading and services 2004 RM'000	Property development 2005 RM'000	Property development 2004 RM'000	Construction contract 2005 RM'000	Construction contract 2004 RM'000	Eliminations 2005 RM'000	Eliminations 2004 RM'000	Consolidated 2005 RM'000	Consolidated 2004 RM'000
Segment assets	164,083	194,258	36,902	44,953	116	228	(12,246)	(38,492)	188,855	200,947
Unallocated assets									23,947	23,948
Total assets									212,802	224,895
Segment liabilities	(62,610)	(93,933)	(28,696)	(36,819)	(189)	(189)	44,388	71,028	(47,107)	(59,913)
Unallocated liabilities									(196)	(251)
Total liabilities									(47,303)	(60,164)
Capital expenditure	7,701	7,367	73	196	-	-	-	-	7,774	7,563
Depreciation and amortisation	(7,133)	(6,665)	(19)	(3)	-	-	-	-	(7,152)	(6,668)
Non-cash expenses other than depreciation and amortisation	(1,911)	(105)	-	-	-	-	-	-	(1,911)	(105)

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23. Subsidiaries

The principal activities of the subsidiaries, which are all incorporated in Malaysia, and the interest of Knusford Berhad are shown below:

Name of Company	**Principal activities**	**Effective ownership interest 2005**	**2004**
Wengcon Holdings Sdn. Bhd.	Reconditioning, sales and rental of heavy machinery	100%	100%
Wengcon Equipment Sdn. Bhd.	Rental of machinery and equipment, provision of transportation services and trading of building materials	100%	100%
Segi Tiara Sdn. Bhd.	Construction work under contract	100%	100%
D-Hill Sdn. Bhd.	Property development	100%	100%
Subsidiaries of Wengcon Holdings Sdn. Bhd.			
Wengcon Machinery Sdn. Bhd.	Reconditioning, sales and rental of light and medium machinery	100%	100%
Wengcon Marketing Sdn. Bhd.	Trading in building materials	100%	100%
Hi-Plus Development Sdn. Bhd.	Rental of machinery and equipment	100%	51%
Endau Prima Sdn. Bhd.	Processing and sale of wood chips. The company temporarily ceased operation during the year	100%	100%
Segi Gemilang Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Ikhlas Kekal Sdn. Bhd.*	Rebuilding and refurbishing of heavy machinery	51%	51%
Subsidiaries of Wengcon Equipment Sdn. Bhd.			
Radiant Seas Sdn.Bhd.	Rental of machinery and equipment	100%	100%
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	80%	80%

**Audited by another firm of accountants.*

24. Acquisition of subsidiaries

On 30 June 2005, the Group's wholly owned subsidiary, Wengcon Holdings Sdn. Bhd., acquired an additional 4,900 ordinary shares of RM1 each representing 49% of the remaining issued and paid-up capital of Hi-Plus Development Sdn. Bhd. ("Hi-Plus") for a cash consideration of RM4,900, resulting in Hi-Plus being a wholly owned subsidiary of the Group. The acquisition was accounted for using the acquisition method of accounting and has no significant impact to the Group's results for the year.

On 12 May 2004, the Group's wholly owned subsidiary, Wengcon Holdings Sdn. Bhd., subscribed for 520,000 ordinary shares of RM1 each representing 51% effective equity interest of the enlarged issued and paid-up capital of Ikhlas Kekal Sdn. Bhd. for a cash consideration of RM520,000. The acquisition was accounted for using the acquisition method of accounting.

The fair value of assets and liabilities assumed in the acquisition of the subsidiaries and the cash flow effects were as follows:

	2004 **RM'000**
Property, plant and equipment	83
Current assets	661
Current liabilities	(403)
Net assets acquired	341
Less: Minority interest	(167)
Goodwill on acquisition	346
Consideration paid, satisfied in cash	520
Cash acquired	(130)
Net cash outflow	390

25. Related parties

The Group has controlling related party relationship with its subsidiaries as disclosed in Note 23.

The Group has related party relationships with the following companies, which are deemed related to the Directors and major shareholders as follows:

i) Ekovest Berhad, Ekovest Construction Sdn. Bhd., Binawani Sdn. Bhd. and Felda Ekovest Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo, Khoo Nang Seng @ Khoo Nam Seng;

ii) Aramijaya Sdn. Bhd. and Pestarena Industri Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Dato' Lim Kang Swee; and

iii) Lim Keng Cheng, a Director of Yasmin Marine Technology Sdn. Bhd., the Group's wholly owned subsidiary, is also a Director of Pembinaan Sahabatjaya Sdn., Bhd.. He holds 48% of indirect shareholdings interest in Pembinaan Sahabatjaya Sdn. Bhd.

Significant transactions with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

		Group	
		2005	**2004**
Type of transactions	**Related party**	**RM'000**	**RM'000**
Sale and rental of machinery	Ekovest Berhad	6	5
and equipment,	Felda Ekovest Sdn. Bhd.	-	601
transportation charges	Ekovest Construction Sdn. Bhd.	7,457	18,449
and sale of building materials	Aramijaya Sdn. Bhd.	9,954	4,272
	Pembinaan Sahabatjaya Sdn. Bhd.	15,185	4,863
Purchase and rental of	Ekovest Berhad	1,994	1,887
machinery and equipment	Binawani Sdn. Bhd.	76	8
and purchase of building	Aramijaya Sdn. Bhd.	1	10
materials	Felda Ekovest Sdn. Bhd.	95	17
	Pembinaan Sahabatjaya Sdn. Bhd.	1,147	736
Rental of premises	Ekovest Berhad	114	96
	Pestarena Industri Sdn. Bhd.	1,111	1,110
Progress billings for construction work	Pembinaan Sahabatjaya Sdn. Bhd.	5,097	10,150
		=====	=====

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

26. Contingent liabilities

	Company 2005 RM'000	Company 2004 RM'000
Guarantees and contingencies relating to borrowings of subsidiaries	751	859
	====	====

27. Capital commitments

	Group 2005 RM'000	Group 2004 RM'000
Property, plant and equipment		
Authorised but not contracted for	17,300	17,300
	=====	=====

28. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidty risk arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The exposure to credit risk is monitored and credit evaluations are performed on an ad hoc basis. Fixed deposits are placed only with licensed financial institutions.

At balance sheet date, the Group has no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

In the current low interest rate scenario, the Group borrows for operations at variable rates using its revolving credits. The Group's finance lease liabilities are subject to interest at fixed rates. At balance sheet date, there was no significant exposure of interest rate risk.

28. Financial instruments (continued)

Financial risk management objectives and policies (continued)

Foreign currency risk

The Group incurs foreign currency risk on purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to risk is US Dollar and Japanese Yen.

The Group does not hedge its foreign currency exposures but the management is monitoring these exposures on an ongoing basis.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they reprice or mature, whichever is earlier.

	<-------------2005-------------->			<------------2004-------------->		
	Effective interest rate per annum %	**Total RM**	**Within 1 year RM**	**Effective interest rate per annum %**	**Total RM**	**Within 1 year RM**
Financial assets						
Deposits with licensed banks	2.70	28,322	28,322	2.36	38,548	38,548
Financial liabilities						
Bank overdrafts - secured	7.00	925	925	7.50	446	446
Bank overdrafts - unsecured	7.00	306	306	-	-	-
Bridging term loan - secured	7.50	507	507	-	-	-
Revolving credits - unsecured	5.57	1,850	1,850	5.40	1,200	1,200
Company						
Financial assets						
Deposits with licensed banks	2.52	20,888	20,888	2.52	21,670	21,670

28. Financial instruments (continued)

Fair values

Recognised financial instruments

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables and short terms borrowings approximate their carrying amounts due to the relatively short term nature of these financial instruments.