

15. Operating profit/(loss)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue				
- Sale of goods	68,827	60,136	-	-
- Rental of machinery	33,955	50,355	-	-
- Construction	2,475	-	-	-
- Other services	11,627	2,654	-	-
- Property development	7,866	-	-	-
- Dividends from unquoted subsidiaries	-	-	745	-
	<u>124,750</u>	<u>113,145</u>	<u>745</u>	<u>-</u>
Cost of sales/services	(104,507)	(93,699)	-	-
	<u>20,243</u>	<u>19,446</u>	<u>745</u>	<u>-</u>
Gross profit				
Administration expenses	(16,562)	(13,220)	(549)	(282)
Other operating income	1,286	763	-	-
Amortisation of negative goodwill (Note 13)	6,895	6,895	-	-
	<u>11,862</u>	<u>13,884</u>	<u>196</u>	<u>(282)</u>
Operating profit/(loss) is arrived at after charging:				
Auditors' remuneration	74	57	10	10
Allowance for doubtful debts	1,100	2,250	-	-
Amortisation of inventories	919	1,178	-	-
Depreciation (Note 2)	4,699	4,149	-	-
Directors' emoluments				
- fees	20	20	20	20
- remuneration	1,244	645	336	90
Rental of motor vehicles	210	156	-	-
Rental of premises	1,480	1,292	-	-
Rental of equipment	7,238	7,254	-	-
	<u>7,895</u>	<u>6,895</u>	<u>356</u>	<u>110</u>
and crediting:				
Amortisation of negative goodwill	6,895	6,895	-	-
Gain on disposal of property, plant and equipment	183	299	-	-
Rental of premises	387	362	-	-
	<u>7,665</u>	<u>7,556</u>	<u>356</u>	<u>110</u>

The estimated monetary value of Directors' benefits-in-kind is RM56,000 (2002 - RM51,000).

16. Employee information

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Staff costs	12,650	10,239	361	90
Number of employees (including Directors) as at end of the year	326	187	8	8

17. Interest expense

	Group	
	2003 RM'000	2002 RM'000
Revolving credit	33	30
Bank overdrafts	42	37
Finance lease	329	136
	404	203

18. Tax expense

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current tax expense				
- current	2,303	3,614	370	120
- prior years	(698)	274	(8)	20
	1,605	3,888	362	140
Deferred tax expense				
- origination and reversal of temporary differences	(19)	(307)	-	-
	1,586	3,581	362	140

18. Tax expense (continued)

Reconciliation of effective tax expense

Group	2003 RM'000	2002 RM'000
Profit before taxation	12,340	14,540
Income tax using Malaysian tax rate	3,455	4,071
Non-deductible expenses	336	414
Non-taxable items	(2,110)	(1,930)
Deferred tax assets not recognised	776	456
Effect of tax losses recognised	(10)	-
Other items	(163)	296
	2,284	3,307
(Over)/under provision in prior years	(698)	274
Tax expense	1,586	3,581
Company		
Profit before taxation	834	172
Income tax using Malaysian tax rate	234	48
Non-deductible expenses	136	72
	370	120
(Over)/under provision in prior years	(8)	20
Tax expense	362	140

19. 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 RM10,754,000 (2002 - RM10,964,000) and the weighted average number of ordinary shares outstanding during the year of approximately 84,611,000 (2002 - 74,042,002).

19. Earnings per ordinary share (continued)

<i>Weighted average number of ordinary shares</i>	2003 RM'000	2002 RM'000
Issued ordinary shares at beginning of the year	74,042	74,042
Effect of shares issued during the year	10,569	-
	<u>84,611</u>	<u>74,042</u>

Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM10,754,000 (2002 – RM10,964,000) and the weighted average number of ordinary shares outstanding during the year of 85,995,000 (2002 - 74,042,002) calculated as follows:

<i>Net profit attributable to ordinary shareholders (diluted)</i>	2003 RM'000	2002 RM'000
Net profit attributable to ordinary shareholders	10,754	10,964
After tax effect of notional interest savings	-	-
	<u>10,754</u>	<u>10,964</u>

Weighted average number of ordinary shares (diluted)

	2003 RM'000	2002 RM'000
Weighted average number of ordinary shares as above	84,611	74,042
Effect of share options	1,384	-
	<u>85,995</u>	<u>74,042</u>

20. Dividends

	Group and Company	
	2003 RM'000	2002 RM'000
Ordinary		
Final paid		
2002 - 1% (2001 - 10%) per share	<u>533</u>	<u>5,331</u>

The proposed final dividend of 1% less tax totalling RM702,209 in respect of the financial year ended 31 December 2003 has not been accounted for in the financial statements.

21. 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.

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.

21. Segmental information (continued)

	Trading and services		Property development		Construction contract		Eliminations		Consolidated	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<i>Business segments</i>										
Revenue from external customers	114,409	113,145	7,866	-	2,475	-	-	-	124,750	113,145
Inter-segment revenue	1,579	-	-	-	-	-	(1,579)	-	-	-
Total revenue	115,988	113,145	7,866	-	2,475	-	(1,579)	-	124,750	113,145
Segment result	5,539	7,192	(151)	-	58	-	-	-	5,446	7,192
Unallocated income									6,416	6,692
Operating profit									11,862	13,884
Interest expense									(404)	(203)
Interest income									882	859
Profit before taxation									12,340	14,540
Tax expense									(1,586)	(3,581)
Minority interest									-	5
Net profit for the year									10,754	10,964

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21. Segmental information (continued)

	Trading and services		Property development		Construction		Eliminations		Consolidated	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Segment assets	175,838	155,608	39,907	-	702	-	(20,798)	(8,334)	195,649	147,274
Unallocated assets									24,209	18,555
Total assets									<u>219,858</u>	<u>165,829</u>
Segment liabilities	(95,599)	(58,620)	(19,813)	-	(659)	-	59,238	20,825	(56,833)	(37,795)
Unallocated liabilities									(279)	(164)
Total liabilities									<u>(57,112)</u>	<u>(37,959)</u>
Capital expenditure	23,228	6,632	-	-	-	-	-	-	23,228	6,632
Depreciation and amortisation	(5,619)	(5,327)	-	-	-	-	-	-	(5,619)	(5,327)
Non-cash expenses other than depreciation and amortisation	(1,100)	(2,250)	-	-	-	-	-	-	(1,100)	(2,250)

22. 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	
		2003	2002
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%	-
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	51%	51%
Endau Prima Sdn. Bhd.	Processing and sale of wood clips	100%	-
Segi Gemilang Sdn. Bhd.	Rental of machinery	100%	-
Subsidiaries of Wengcon Equipment Sdn. Bhd.			
Radiant Seas Sdn. Bhd.	Rental of machinery and equipment	100%	-
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	80%	-

23. Acquisitions of subsidiaries

On 30 January 2003, the Company acquired the entire issued and paid-up capital of D-Hill Sdn. Bhd. for a total cash consideration of RM8 million.

On 25 March 2003, the Company, through its wholly owned subsidiary, Wengcon Equipment Sdn. Bhd. ("WESB"), acquired two (2) ordinary shares of RM1 each representing the entire issued and paid-up capital of Radiant Seas Sdn. Bhd. for a cash consideration of RM2.

On 22 April 2003, the Company, through its wholly owned subsidiary, Wengcon Holdings Sdn. Bhd. ("WHSB"), acquired two (2) ordinary shares of RM1 each representing the entire issued and paid-up capital of Endau Prima Sdn. Bhd. for a cash consideration of RM2.

On 14 July 2003, the Company, through WESB, subscribed for 80 ordinary shares of RM1 each representing 80% of the enlarged share capital of Yasmin Marine Technology Sdn. Bhd. (formerly known as Astra Samudera Sdn. Bhd.) for a cash consideration of RM80.

On 8 August 2003, the Company, through WHSB, acquired two (2) ordinary shares of RM1 each representing the entire issued and paid-up capital of Segi Gemilang Sdn. Bhd. ("SGSB") for a cash consideration of RM2. On 4 December 2003, WHSB subscribed for additional nine hundred ninety nine thousand nine hundred and ninety eight (999,998) ordinary shares of RM1 each in the enlarged share capital of SGSB for a cash consideration of RM999,998.

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

	2003 RM'000	2002 RM'000
Non current assets		
Property, plant and equipment	2	-
Properties under development	32,061	-
	<hr/>	<hr/>
	32,063	-
Current assets	4,422	10
Current liabilities	(24,378)	-
Long term liabilities	(3,107)	-
	<hr/>	<hr/>
Net assets	9,000	10
Less: Minority interests	-	(5)
	<hr/>	<hr/>
Consideration paid, satisfied in cash	9,000	5
Cash acquired	(1,378)	-
	<hr/>	<hr/>
Net cash outflow	7,622	5
	<hr/> <hr/>	<hr/> <hr/>

23. Acquisitions of subsidiaries (continued)

Effect of acquisition

The acquisition of subsidiaries had the following effect on the Group's results and net assets for year ended 31 December 2003:

	2003
	RM'000
Income statement:	
Revenue	13,109
Operating costs	(14,811)

Loss before taxation	(1,702)
Tax expense	38

Decrease in the Group's net profit for the year	(1,664)
	=====
Balance sheet:	
Property, plant and equipment	19,449
Non-current assets	(15,178)
Current assets	19,898
Current liabilities	(16,345)
Long term liabilities	(9,488)

Decrease in the Group's net assets	(1,664)
	=====

24. Related parties

The Company has controlling related party relationship with its subsidiaries as disclosed in Note 22.

The Company has related party relationships with the following companies, which are deemed related to the Directors 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 and Aznam bin Mansor;
- ii) Aramijaya Sdn. Bhd. and Pestarena Industri Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Lim Kang Swee; and
- iii) Promijaya Sdn. Bhd. is deemed related to Lim Kang Swee and Abdul Aziz bin Ismail.

24. Related parties (continued)

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

Type of transactions	Related party	Group	
		2003 RM'000	2002 RM'000
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Ekovest Berhad	43	1,210
	Felda Ekovest Sdn. Bhd	545	383
	Ekovest Construction Sdn. Bhd.	7,505	172
	Aramijaya Sdn. Bhd.	2,966	-
	Promijaya Sdn. Bhd.	-	15
Purchase and rental of machinery and equipment and purchase of building materials	Ekovest Berhad	2,372	4,052
	Binawani Sdn. Bhd.	47	80
	Aramijaya Sdn. Bhd.	729	-
	Felda Ekovest Sdn. Bhd.	11	-
Rental of premises	Ekovest Berhad	114	114
	Pestarena Industri Sdn. Bhd.	1,110	1,032
		17,300	17,300

These transactions have been entered into in the normal course of business and are undertaken on an arms' length basis.

25. Capital commitments

	Group	
	2003 RM'000	2002 RM'000
Property, plant and equipment		
Authorised but not contracted for	17,300	17,300
	17,300	17,300

26. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and currency 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.

Foreign currency risk

There is no significant exposure of foreign currency risk as supplies are mainly sourced locally whilst the Group is primarily operating in Malaysia

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.

Interest rate risk

In the current low interest rate scenario, the Group borrows for operations at variable rates using its revolving credit. 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.

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26. Financial instruments (continued)

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.

Group	2003		2002	
	Effective interest rate per annum %	Within 1 year RM'000	Effective interest rate per annum %	Within 1 year RM'000
Financial assets				
Deposits with licensed banks	2.70	32,221	2.70	30,388
Financial liabilities				
Revolving credit (secured) - variable rate of 0.5% above Kuala Lumpur Interbank Offer Rates	4.05	1,000	4.00	1,000
Company				
Financial assets				
Deposits with licensed banks	2.58	24,078	2.70	18,403

26. 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.

27. Changes in accounting policies and prior year adjustments

Changes in accounting policies

In the current financial year, the Group and the Company adopted three new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:-

- (a) MASB 25, Income Taxes which has been adopted retrospectively. Comparative figures have been adjusted to reflect the change in this accounting policy;
- (b) MASB 27, Borrowing Costs which is applied retrospectively. Comparative figures have not been restated as the previous accounting policy was in line with the accounting standard; and
- (c) MASB 29, Employee Benefits which has been adopted retrospectively. The adoption of this standard had no material impact on the financial statements.

With the adoption of MASB 25, deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax assets can be utilised. Previously deferred tax assets were not recognised unless there was a reasonable expectation of realisation in the near future.

The change in accounting policy, applied retrospectively, had the following impact on results as follows:

	Group	
	2003	2002
	RM'000	RM'000
Net profit before change in accounting policy	10,908	10,657
Effect of adoption MASB 25	(154)	307
Net profit for the year	10,754	10,964

Prior year adjustments

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 January 2003 as disclosed in Note 28 and the statement of changes in equity respectively.

28. Comparative figures

- (i) The following comparatives have been restated to reflect the change in accounting policy as explained in Note 27.

	As restated RM'000	Group As previously stated RM'000
<i>Income statement</i>		
Tax expense	3,581	3,888
Profit after taxation	10,959	10,652
Net profit for the year	10,964	10,657
	<u>14.8</u>	<u>14.4</u>
<i>Balance sheet</i>		
Deferred tax assets	841	-
Reserves	40,038	39,197
	<u>20,300</u>	<u>19,766</u>
<i>Statement of changes in equity</i>		
Retained profits at 1 January 2002	20,300	19,766
Retained profits at 31 December 2002	25,933	25,092

- (ii) The following comparatives have been reclassified to conform with current year's presentation.

	As restated RM'000	Company As previously stated RM'000
<i>Cash flows statements</i>		
Cash flows from operating activities		
Trade and other receivables	(83)	4,820
Cash flows from financing activities		
Repayments from subsidiaries	4,903	-
	<u>(93,699)</u>	<u>(90,149)</u>
<i>Note 15 - Operating profit/(loss)</i>		
Cost of sales/services	(93,699)	(90,149)
Gross profit	19,446	22,996
Administration expenses	(13,220)	(16,770)