

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

**Financial statements for the year  
ended 31 December 2001**

Registered office  
33-35, 2<sup>nd</sup> 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 2001**

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 2001.

**Principal activities**

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 21 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**Results**

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the year	17,025	5,781
	=====	=====

**Dividends**

Since the end of the previous financial year, the Company paid a final dividend of 10% less tax totalling RM5,331,024 in respect of the year ended 31 December 2000 on 18 September 2001.

The final dividend recommended by the Directors in respect of the year ended 31 December 2001 is 10% less tax totalling RM5,331,024.

**Reserves and provisions**

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

**Issue of shares**

During the financial year, the Company issued 12,591,799 ordinary shares of RM1 each by way of Rights Issue on the basis of approximately 1.0005 new ordinary shares for every 4 existing ordinary shares held at RM1.15 per share. The Company has also undertaken a public issue of 11,109,000 ordinary shares of RM1 each at RM1.60 per share.

The issuance of the above shares were made in conjunction with the Company's listing on the Main Board of the Kuala Lumpur Stock Exchange and the proceeds from the issuance of those shares would be utilised for working capital purposes, to settle borrowings and listing expenses, and to acquire property, plant and equipment, which had been detailed in the prospectus dated 28 March 2001.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

## Directors of the Company

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

Lim Kang Swee  
 Abdul Aziz Bin Ismail  
 Dato' Lim Kang Hoo  
 Khoo Nang Seng @ Khoo Nam Seng  
 Aznam Bin Mansor  
 Lim Ts-Fei  
 Dr. Wong Kai Fatt  
 Chan Seng Chow (appointed on 29.3.2002)  
 Dato' Haji Mohamed Moiz Bin J.M. Ali Moiz (resigned on 6.8.2001)

The holdings in the ordinary shares of the Company of those who were Directors at year end as recorded in the Register of Director' Shareholdings are as follows:-

	Number of ordinary shares			
	At 1.1.2001	Bought	Sold	At 31.12.2001
Shareholdings in which Directors have direct interest				
Lim Kang Swee	7,194,174	2,809,826	-	10,004,000
Abdul Aziz Bin Ismail	7,601,912	1,911,088	(9,503,000)	10,000
Dato' Lim Kang Hoo	3,579,862	1,360,887	(4,475,000)	465,749
Khoo Nang Seng @ Khoo Nam Seng	3,579,862	905,138	-	4,485,000
Aznam Bin Mansor	7,601,912	1,909,088	(9,503,000)	8,000
Lim Ts-Fei	-	10,000	-	10,000
Dr. Wong Kai Fatt	-	10,000	-	10,000
Shareholdings in which Directors have indirect interest through Kinston Park Sdn. Bhd.				
Dato' Lim Kang Hoo	-	41,910,000	-	41,910,000
Aznam Bin Mansor	-	41,910,000	-	41,910,000
Abdul Aziz Bin Ismail	-	41,910,000	-	41,910,000

By virtue of their interest in the shares of Kinston Park Sdn. Bhd., Dato' Lim Kang Hoo, Aznam Bin Mansor and Abdul Aziz Bin Ismail are deemed to have interest in the shares of all the subsidiaries of the Company, to the extent of the Company's holdings.

## **Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received or 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 Group 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 23 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.

## **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.

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 2001 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.

## **Significant events**

### *Listing of the Company on the Main Board of the Kuala Lumpur Stock Exchange*

The Company has been listed on the Main Board of the Kuala Lumpur Stock Exchange on 23 May 2001. In connection with this, the Company had undertaken a rights issue of 12,591,799 new ordinary shares of RM1 each at an issue price of RM1.15 per share and a public issue of 11,109,000 new ordinary shares of RM1 each at an issue price of RM1.60 per share. A prospectus was also issued on 28 March 2001 in conjunction with the above.

### *Settlement agreement*

On 1 November 2001, the Company entered into a settlement agreement with Pembinaan Sahabatjaya Sdn. Bhd. whereby it was agreed that an amount of RM17,600,000, being part of the amount owing by Pembinaan Sahabatjaya Sdn. Bhd. to the Group, be settled through the sale of a piece of freehold land belonging to D-Hill Sdn. Bhd., a wholly owned subsidiary of Pembinaan Sahabatjaya Sdn. Bhd. Pursuant to this, Wengcon Equipment Sdn. Bhd., a wholly owned subsidiary of the Company entered into a Sale and Purchase Agreement with D-Hill Sdn. Bhd. to acquire the said land.

Company No. 380100-D

**Auditors**

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

Signed in accordance with a resolution of the Directors:

.....  
**Abdul Aziz Bin Ismail**

.....  
**Lim Ts-Fei**

Kuala Lumpur,

Date:

**Knusford Berhad**  
(Company No. 380100-D)  
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**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 31, are drawn up in accordance with 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 2001 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:

.....  
**Abdul Aziz Bin Ismail**

.....  
**Lim Ts-Fei**

Kuala Lumpur,

Date:

**Knusford Berhad**  
(Company No. 380100-D)  
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**Statutory declaration pursuant to  
Section 169(16) of the Companies Act, 1965**

I, **Abdul Aziz Bin Ismail**, being the Director primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 31, 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 abovenamed in Kuala Lumpur on  
.....

.....  
**Abdul Aziz Bin Ismail**

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 31. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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 2001 and of 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 have been properly kept in accordance with the provisions of the said Act.

Company No. 380100-D
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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**

Firm Number: AF 0758

Chartered Accountants

**Lim Hun Soon @ David Lim**

Partner

Approval Number: 1514/5/02(J)

Kuala Lumpur,

Date:

**Knusford Berhad**  
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**Balance sheets at 31 December 2001**

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>Property, plant and equipment</b>	2	19,987	14,521	-	-
<b>Investment in subsidiaries</b>	3	-	-	57,892	57,892
<b>Land held for future development</b>	4	17,620	-	-	-
		<u>37,607</u>	<u>14,521</u>	<u>57,892</u>	<u>57,892</u>
<b>Current assets</b>					
Inventories	5	23,980	18,372	-	-
Trade and other receivables	6	61,195	64,107	17,408	4,856
Cash and cash equivalents	7	42,696	28,457	18,862	1
		<u>127,871</u>	<u>110,936</u>	<u>36,270</u>	<u>4,857</u>
<b>Current liabilities</b>					
Trade and other payables	8	31,187	20,929	89	75
Borrowings	9	1,231	2,818	-	-
Taxation		4,107	6,872	-	-
Proposed dividend		5,331	5,331	5,331	5,331
		<u>41,856</u>	<u>35,950</u>	<u>5,420</u>	<u>5,406</u>
<b>Net current assets/(liabilities)</b>		86,015	74,986	30,850	(549)
<b>Expenditure carried forward</b>	10	-	694	-	694
		<u>123,622</u>	<u>90,201</u>	<u>88,742</u>	<u>58,037</u>
<b>Financed by:-</b>					
<b>Capital and reserves</b>					
Share capital	11	74,042	50,341	74,042	50,341
Reserves	12	28,540	10,292	14,700	7,696
		<u>102,582</u>	<u>60,633</u>	<u>88,742</u>	<u>58,037</u>
<b>Negative goodwill</b>	13	20,685	27,580	-	-
<b>Long term liabilities</b>					
Borrowings	9	355	1,988	-	-
		<u>123,622</u>	<u>90,201</u>	<u>88,742</u>	<u>58,037</u>

The notes set out on pages 16 to 31 form an integral part of, and, should be read in conjunction with, these financial statements.

**Knusford Berhad**  
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**Income statements for the year ended 31 December 2001**

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>Revenue</b>	14	115,912	10,930	7,800	7,800
		=====	=====	=====	=====
<b>Operating profit</b>	14	22,689	8,679	7,664	7,641
Interest income		1,272	45	409	-
Interest expense	16	(306)	(42)	-	-
		-----	-----	-----	-----
<b>Profit before tax</b>		23,655	8,682	8,073	7,641
Tax expense	17	(6,630)	(610)	(2,292)	(2,165)
		-----	-----	-----	-----
<b>Net profit for the year</b>		17,025	8,072	5,781	5,476
		=====	=====	=====	=====
Basic earnings per ordinary share (sen)	18	25.1	192.4		
		=====	=====		
Dividend per ordinary share - gross (sen)	19	10.0	10.0	10.0	10.0
		=====	=====	=====	=====

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**Knusford Berhad**  
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**Statements of changes in equity for year ended  
 31 December 2001**

<b>Group</b>	<b>Note</b>	<i>Non-distributable</i> <b>Share capital</b> <b>RM'000</b>	<i>Share premium</i> <b>RM'000</b>	<i>Distributable</i> <b>Retained profits</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>At 1 January 2000</b>		*	-	-	*
Net profit for the year		-	-	8,072	8,072
Dividend	19	-	-	(5,331)	(5,331)
Issue of share capital		50,341	7,551	-	57,892
<b>At 31 December 2000</b>		50,341	7,551	2,741	60,633
Net loss not recognised in income statement:					
Listing expenses	10	-	(2,000)	-	(2,000)
Net profit for the year		-	-	17,025	17,025
Dividend	19	-	-	(5,331)	(5,331)
Issue of share capital		23,701	8,554	-	32,255
<b>At 31 December 2001</b>		74,042	14,105	14,435	102,582
		=====	=====	=====	=====
<b>Company</b>					
<b>At 1 January 2000</b>		*	-	-	*
Net profit for the year		-	-	5,476	5,476
Dividend	19	-	-	(5,331)	(5,331)
Issue of share capital		50,341	7,551	-	57,892
<b>At 31 December 2000</b>		50,341	7,551	145	58,037
Net loss not recognised in income statement:					
Listing expenses	10	-	(2,000)	-	(2,000)
Net profit for the year		-	-	5,781	5,781
Dividend	19	-	-	(5,331)	(5,331)
Issue of share capital		23,701	8,554	-	32,255
<b>At 31 December 2001</b>		74,042	14,105	595	88,742
		=====	=====	=====	=====

Note 11

\* Represented by RM2

The notes set out on pages 16 to 31 form an integral part of, and, should be read in conjunction with, these financial statements.

**Knusford Berhad**  
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**Cash flow statements for the year ended 31 December 2001**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	23,655	8,682	8,073	7,641
Adjustments for:				
Depreciation	3,115	322	-	-
Dividend income	-	-	(7,800)	(7,800)
Expenditure carried forward written off	-	61	-	61
Gain on disposal of property, plant and equipment	(64)	-	-	-
Interest expense	306	42	-	-
Interest income	(1,272)	(45)	(409)	-
Negative goodwill amortised	(6,895)	(6,895)	-	-
Property, plant and equipment written off	115	-	-	-
	-----	-----	-----	-----
Operating profit/(loss) before working capital changes	18,960	2,167	(136)	(98)
Changes in working capital:				
Trade and other receivables (ii)	(14,695)	3,050	(12,559)	(4,837)
Trade and other payables	10,258	(4,577)	14	13
Inventories	(5,545)	51	-	-
	-----	-----	-----	-----
Cash generated from/(used in) operations	8,978	691	(12,681)	(4,922)
Dividends received	-	-	5,616	5,616
Tax paid	(9,388)	-	(101)	-
	-----	-----	-----	-----
<b>Net cash (used in)/generated from operating activities</b>	(410)	691	(7,166)	694
	-----	-----	-----	-----
<b>Cash flows from investing activities</b>				
Interest received	1,272	45	409	-
Acquisition of subsidiaries, net of cash acquired (i)	-	24,855	-	-
Purchase of land held for future development (ii)	(20)	-	-	-
Purchase of property, plant and equipment (iii)	(8,124)	-	-	-
Proceeds from disposal of property, plant and equipment	211	-	-	-
Deposits pledged with banks	(43)	-	-	-
	-----	-----	-----	-----
<b>Net cash (used in)/generated from investing activities</b>	(6,704)	24,900	409	-
	-----	-----	-----	-----

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(5,331)	-	(5,331)	-
Deferred listing expenses	(1,306)	(694)	(1,306)	(694)
Interest paid	(306)	(42)	-	-
Proceeds from the issuance of shares	32,255	-	32,255	-
Repayment of finance lease liabilities	(1,156)	-	-	-
Revolving credit	(503)	-	-	-
Repayment of term loans	(2,481)	-	-	-
Trust receipts	916	-	-	-
	-----	-----	-----	-----
<b>Net cash generated from/ (used in) financing activities</b>	<b>22,088</b>	<b>(736)</b>	<b>25,618</b>	<b>(694)</b>
	-----	-----	-----	-----
<b>Net increase in cash and cash equivalents</b>	<b>14,974</b>	<b>24,855</b>	<b>18,861</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	(iv) 24,856	1	1	1
	-----	-----	-----	-----
<b>Cash and cash equivalents at end of year</b>	(iv) 39,830	24,856	18,862	1
	=====	=====	=====	=====

(i) *Acquisition of subsidiaries*

In 2000, the Group acquired Wengcon Holdings Sdn. Bhd. and Wengcon Equipment Sdn. Bhd. The fair values of assets and liabilities assumed were as follows:-

	<b>Group 2000 RM'000</b>
Property, plant and equipment	14,843
Current assets	113,243
Current liabilities	(33,731)
Long term liabilities	(1,988)
	-----
Net assets acquired	92,367
Negative goodwill on acquisition	(34,475)
	-----
Total purchase consideration	57,892
Less: Discharged by issuance of Knusford Berhad's share	(57,892)
Cash and cash equivalents of subsidiaries (net of pledged deposits)	(24,855)
	-----
Cash flow on acquisition, net of cash acquired	(24,855)
	=====

*(ii) Purchase of land held for future development*

During the year, the Group acquired a land held for future development with an aggregate cost of RM17,620,000 (2000 – Nil) of which RM17,600,000 was through settlement of receivables.

*(iii) Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM8,906,000 (2000 - Nil) of which RM782,000 (2000 - Nil) were acquired by means of finance lease arrangements.

*(iv) Cash and cash equivalents*

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

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	3,218	9,483	12	1
Deposits with licensed banks (excluding deposits pledged)	36,612	16,151	18,850	-
Bank overdrafts	-	(778)	-	-
	<u>39,830</u>	<u>24,856</u>	<u>18,862</u>	<u>1</u>
	=====	=====	=====	=====

The notes set out on pages 16 to 31 form an integral part of, and, should be read in conjunction with, these financial statements.



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## **Notes to the financial statements**

### **1. Summary of significant accounting policies**

The following accounting policies are adopted by the Group and 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 in compliance with approved accounting standards in Malaysia other than as disclosed in Note 1(i).

#### **(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.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed 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.

The Group figures for the previous financial year in respect of Income Statement, Statement of Changes in Equity and Cash Flow Statements as well as the notes to the financial statements relating to the Income Statement reflect only the post acquisition results of the subsidiaries from the date of acquisitions on 6 December 2000.

#### **(c) Property, plant and equipment**

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement.

**(d) Leased assets**

Leases in which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

**(e) Depreciation**

Freehold land is not amortised. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets over their estimated useful lives.

The principal annual rates used are as follows:-

Buildings	2%
Office equipment	10%
Furniture and fittings	10%
Renovation	10%
Office cabin	10%
Plant and machinery	5% - 20%
Motor vehicles	20%

**(f) Investments**

Long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

**(g) Land held for future development**

Land held for future development comprising land and development costs are stated at cost. Proportionate of the land held for future development would be transferred to properties under development upon commencement of active development.

**(h) Negative goodwill**

Negative goodwill on acquisition 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.

Negative goodwill is amortised through the income statement of the Group over 5 years.

**(i) Inventories**

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

Inventories of machinery being rented out, which are also held for trading, are amortised at a rate of 5% per annum.

The policy of not capitalising machinery being rented out is not in compliance with MASB 10 on Leases. The standard requires assets held for operating leases to be recorded as property, plant and equipment of lessors. The Directors are of the view that the machinery being rented out are also held for trading and therefore it is inappropriate to account for the machinery as property, plant and equipment. The non-compliance has no material effect on the financial statements.

**(j) Expenditure carried forward**

Expenses incurred in relation to listing and restructuring exercise, of which associated with the issuance of new shares of the Company, are deferred and written off against share premium on completion of the listing and restructuring exercise.

**(k) 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 flows statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**(l) Receivables**

Known bad receivables are written off and specific allowance is made for any receivables considered to be doubtful of collection.

**(m) Taxation**

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

**(n) Income recognition**

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.

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.

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

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

**(o) Interest expense**

All interest and other costs incurred in connection with borrowings are expensed as incurred.

The interest component of finance lease 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

<b>Group</b>	<b>Freehold land</b>	<b>Buildings</b>	<b>Office equipment</b>	<b>Furniture and fittings</b>	<b>Renovation</b>	<b>Office cabin</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Total</b>
<i>Cost</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2001	5,173	2,953	438	45	515	41	18,257	4,480	31,902
Additions	-	-	60	1	-	-	7,787	1,058	8,906
Disposals	-	-	-	-	-	-	-	(324)	(324)
Write-off	-	(131)	-	-	-	-	-	-	(131)
Transfer to inventories	-	-	-	-	-	-	(121)	-	(121)
<b>At 31 December 2001</b>	<b>5,173</b>	<b>2,822</b>	<b>498</b>	<b>46</b>	<b>515</b>	<b>41</b>	<b>25,923</b>	<b>5,214</b>	<b>40,232</b>
<b>Accumulated depreciation</b>									
At 1 January 2001	-	140	184	23	167	18	13,954	2,895	17,381
Charge for the year	-	43	44	5	51	4	2,317	651	3,115
Disposals	-	-	-	-	-	-	-	(177)	(177)
Write-off	-	(16)	-	-	-	-	-	-	(16)
Transfer to inventories	-	-	-	-	-	-	(58)	-	(58)
<b>At 31 December 2001</b>	<b>-</b>	<b>167</b>	<b>228</b>	<b>28</b>	<b>218</b>	<b>22</b>	<b>16,213</b>	<b>3,369</b>	<b>20,245</b>
<b>Net book value</b>									
At 31 December 2001	5,173	2,655	270	18	297	19	9,710	1,845	19,987
At 31 December 2000	5,173	2,813	254	22	348	23	4,303	1,585	14,521
Charge for the year ended 31 December 2000	-	4	3	-	4	1	264	46	322

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Included in the property, plant and equipment of the Group are motor vehicles, and plant and machinery acquired under finance lease arrangements with net book value of approximately RM948,000 (2000 - RM305,000) and Nil (2000 - RM1,637,000) respectively.

Certain freehold land and buildings with net book value amounting to approximately RM4,737,000 (2000 - RM7,199,000) are charged to secure bank facilities of a subsidiary.

### 3. Investment in subsidiaries

	<b>Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	57,892	57,892
	=====	=====

Details of the subsidiaries are shown in Note 21.

### 4. Land held for future development

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Freehold land, at cost	17,620	-
	=====	=====

The freehold land is pending sub-division and registration of the title.

### 5. Inventories

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Trading and rental inventories, at cost	28,616	21,773
Accumulated amortisation	(4,636)	(3,401)
	-----	-----
	23,980	18,372
	=====	=====

**6. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	61,250	53,344	-	-
Allowance for doubtful receivables	(3,852)	(1,620)	-	-
	<u>57,398</u>	<u>51,724</u>	<u>-</u>	<u>-</u>
Subsidiaries	-	-	17,394	4,837
Other receivables, deposits and prepayments	3,785	12,364	2	-
Tax recoverable	12	19	12	19
	<u>61,195</u>	<u>64,107</u>	<u>17,408</u>	<u>4,856</u>
	=====	=====	=====	=====

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

**7. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	3,218	9,483	12	1
Deposits with licensed banks	39,478	18,974	18,850	-
	<u>42,696</u>	<u>28,457</u>	<u>18,862</u>	<u>1</u>
	=====	=====	=====	=====

Deposits with licensed banks of subsidiaries amounting to RM2,866,000 (2000 - RM2,823,000) are pledged to banks to secure bank borrowings and facilities granted to subsidiaries.

**8. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade payables	28,423	15,609	-	-
Directors	72	72	69	69
Other payables and accruals	2,692	5,248	20	6
	<u>31,187</u>	<u>20,929</u>	<u>89</u>	<u>75</u>
	=====	=====	=====	=====

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





**10. Expenditure carried forward**

	<b>Group and Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	694	61
Additions - deferred listing expenses	1,306	694
	<hr/>	<hr/>
Deferred listing expenses	2,000	755
written off to share premium	(2,000)	-
Preliminary and pre-operating expenses		
written off to income statement	-	(61)
	<hr/>	<hr/>
At 31 December	-	694
	<hr/> <hr/>	<hr/> <hr/>

**11. Share capital**

	<b>Group and Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Ordinary shares of RM1 each		
Authorised	200,000	200,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid	74,042	50,341
	<hr/> <hr/>	<hr/> <hr/>

**12. Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-distributable				
Share premium	14,105	7,551	14,105	7,551
Distributable				
Retained profits	14,435	2,741	595	145
	<hr/>	<hr/>	<hr/>	<hr/>
	28,540	10,292	14,700	7,696
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Subject to the agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its retained profits at 31 December 2001, if paid out as dividends.

### 13. Negative goodwill

	Group	
	2001 RM'000	2000 RM'000
At cost		
At 1 January	34,475	-
Arising from acquisition of subsidiaries	-	34,475
	-----	-----
At 31 December	34,475	34,475
	-----	-----
Accumulated amortisation		
At 1 January	6,895	-
Current year amortisation	6,895	6,895
	-----	-----
At 31 December	13,790	6,895
	-----	-----
	20,685	27,580
	=====	=====

The negative goodwill was derived from the acquisition of the subsidiaries in 2000 where the fair values of the subsidiaries were higher than the cost of investment. A full year amortisation was made in the previous year.

### 14. Operating profit

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue				
- Sale of goods	63,895	5,781	-	-
- Rental of machinery	46,259	4,608	-	-
- Other services	5,758	541	-	-
- Dividends from unquoted subsidiaries	-	-	7,800	7,800
	-----	-----	-----	-----
	115,912	10,930	7,800	7,800
Cost of sales/services	(84,357)	(7,918)	-	-
	-----	-----	-----	-----
Gross profit	31,555	3,012	7,800	7,800
Administration expenses	(16,365)	(1,287)	(136)	(159)
Other operating income	604	59	-	-
Negative goodwill amortised	6,895	6,895	-	-
	-----	-----	-----	-----
Operating profit	22,689	8,679	7,664	7,641
	=====	=====	=====	=====

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration	55	9	10	3
Allowance for doubtful debts	2,232	-	-	-
Amortisation of inventories	1,235	51	-	-
Depreciation (Note 2)	3,115	322	-	-
Directors' emoluments				
- fees	30	-	-	-
- remuneration	445	82	-	48
Expenditure carried forward written off (Note 10)	-	61	-	61
Property, plant and equipment written off	115	-	-	-
Rental of motor vehicles	125	11	-	-
Rental of premises	554	45	-	-
Rental of equipment	3,374	190	-	-
	=====	=====	=====	=====
and crediting:				
Gain on disposal of property, plant and equipment	64	-	-	-
Rental of premises	282	24	-	-
	=====	=====	=====	=====

## 15. Employee information

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Staff costs	9,391	758	-	48
	=====	=====	=====	=====
Number of employees (including Directors) as at end of the year	302	245	-	-
	=====	=====	=====	=====

**16. Interest expense**

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Revolving credit	10	3
Bank overdrafts	30	1
Term loans	102	19
Finance lease liabilities	164	19
	<u>306</u>	<u>42</u>
	=====	=====

**17. Tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax expense				
- current	6,032	551	2,292	2,165
- underprovision in prior period	598	59	-	-
	<u>6,630</u>	<u>610</u>	<u>2,292</u>	<u>2,165</u>
	=====	=====	=====	=====

The Group's effective tax rates in the current year and previous year are lower than the prima facie tax rate due to non taxable income arising from negative goodwill.

Subject to agreement by the Inland Revenue Board, the Group has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following item:-

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Other timing differences	7,383	5,180
	=====	=====

## 18. Earnings per ordinary share

The calculation of basic earnings per share is based on net profit attributable to ordinary shareholders of approximately RM17,025,000 (2000 – RM8,072,000) and the weighted average number of ordinary shares outstanding during the year of approximately 67,777,000 (2000 - 4,195,000).

*Weighted average number of ordinary shares*

	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Issued ordinary shares at beginning of the year	50,341	*
Effect of shares issued during the year	17,436	4,195
	<u>67,777</u>	<u>4,195</u>
	=====	=====

\* Represented by RM2

## 19. Dividend

	<b>Group and Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>RM'000</b>	<b>RM'000</b>
Proposed final dividend of 10% (2000 – 10%) per share less tax	5,331	5,331
	<u>=====</u>	<u>=====</u>

The proposed final dividend for 2000 was based on the enlarged share capital of 74,042,002 ordinary shares of RM1 each after completion of the public issue in 2001.

## 20. Segmental information

No segmental information is presented as the Group primarily is operating in the same industry and in Malaysia.

## 21. Subsidiaries

The principal activities of the subsidiaries, which are all incorporate in Malaysia, and the interest of Knusford Behad are shown below:-

<b>Name of Company</b>	<b>Principal activities</b>	<b>Effective ownership interest</b>	
		<b>2001</b>	<b>2000</b>
Wengcon Holdings Sdn. Bhd.	Reconditioning, sales and rental of heavy machinery.	100%	100%
Wengcon Machinery Sdn. Bhd.*	Reconditioning, sales and rental of light and medium machinery.	100%	100%

Name of Company	Principal activities	Effective ownership interest	
		2001	2000
Wengcon Marketing Sdn. Bhd.*	Trading in building materials.	100%	100%
Wengcon Equipment Sdn. Bhd.	Rental of machinery and equipment, provision of transportation services and trading of building materials.	100%	100%

\* Subsidiaries of Wengcon Holdings Sdn. Bhd.

## 22. Acquisition of subsidiaries

There is no acquisition of subsidiary during the year.

On 6 December 2000, the Company acquired all the shares of Wengcon Holdings Sdn. Bhd. and Wengcon Equipment Sdn. Bhd. for a consideration of approximately RM28,721,000 and RM29,171,000 respectively satisfied by the issuance of 50,341,201 ordinary shares of RM1 each at an issue price of RM1.15 per share. The acquisition was accounted for using the acquisition method of accounting. The subsidiaries had contributed, net profit after tax of RM1,336,000 to the consolidated net profit for the financial year ended 31 December 2000.

## 23. Related parties

The Company has controlling related party relationship with its subsidiaries as disclosed in Note 21.

The Company has related party relationships with the following companies, which are deemed related to the Directors as follows:

- i) Ekovest Berhad, 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) Pestarena Industri Sdn. Bhd. is deemed related to Dato' Lim Kang Hoo and Lim Kang Swee;
- iii) Cekap Anika Sdn. Bhd. is deemed related to Lim Kang Swee; and
- iv) Promijaya Sdn. Bhd. is deemed related to Lim Kang Swee and Abdul Aziz bin Ismail.

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

<b>Type of transactions</b>	<b>Related party</b>	<b>Group</b>	
		<b>2001 RM'000</b>	<b>2000 RM'000</b>
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Ekovest Berhad	4,530	762
	Felda Ekovest Sdn. Bhd	6,494	533
	Binawani Sdn. Bhd.	9	-
	Cekap Anika Sdn. Bhd.	24	-
	Promijaya Sdn. Bhd.	2	-
Purchase and rental of machinery and equipment and purchase of building materials	Ekovest Berhad	5,088	-
Management fees receivable	Cekap Anika Sdn. Bhd.	-	2
Rental of premises and motor vehicles payable	Ekovest Berhad	190	7
	Pestarena Industri Sdn. Bhd.	314	21
	Binawani Sdn. Bhd.	69	-
		=====	=====

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

## 24. Capital commitment

	<b>Group and Company</b>	
	<b>2001 RM'000</b>	<b>2000 RM'000</b>
Property, plant and equipment		
Authorised but not contracted for	17,300	-
	=====	=====

## 25. Comparatives

The following comparatives have been reclassified to ensure comparability with the current financial year:

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Cash flow statements</b>				
Cash flows from operating activities				
Interest received	-	45	-	-
Interest paid	-	(42)	-	-
Dividends received	-	-	5,616	-
Cash flows from investing activities				
Interest received	45	-	-	-
Dividends received	-	-	-	5,616
Acquisition of subsidiaries, net of cash acquired				
	24,855	27,678	-	-
Cash flows from financing activities				
Interest paid	(42)	-	-	-
	=====	=====	=====	=====
Cash and cash equivalents at end of year				
	24,856	27,679	1	1
	=====	=====	=====	=====
(i) Acquisition of subsidiaries				
Cash and cash equivalents of subsidiaries				
	24,855	27,678	-	-
Cash flow on acquisition, net of cash acquired				
	24,855	27,678	-	-
	=====	=====	=====	=====
(ii) Cash and cash equivalents comprise:				
Cash and bank balances	9,483	9,482	1	1
Deposits with licensed banks	16,151	18,975	-	-
Bank overdrafts	(778)	(778)	-	-
	-----	-----	-----	-----
	24,856	27,679	1	1
	=====	=====	=====	=====

The reclassifications above have been made to ensure consistent classification of transactions in the income statement. Deposits pledged with banks have also been excluded from cash and cash equivalents.