KNUSFORD BERHAD
(380100-D)
(Incorporated in Malaysia)

ANNUAL REPORT 2006

VISION

Pacing our stride to be an eventual top equipment purveyor by choice

MISSION

To deliver quality through products and services whilst forgoing ahead with unsurpassed business excellence

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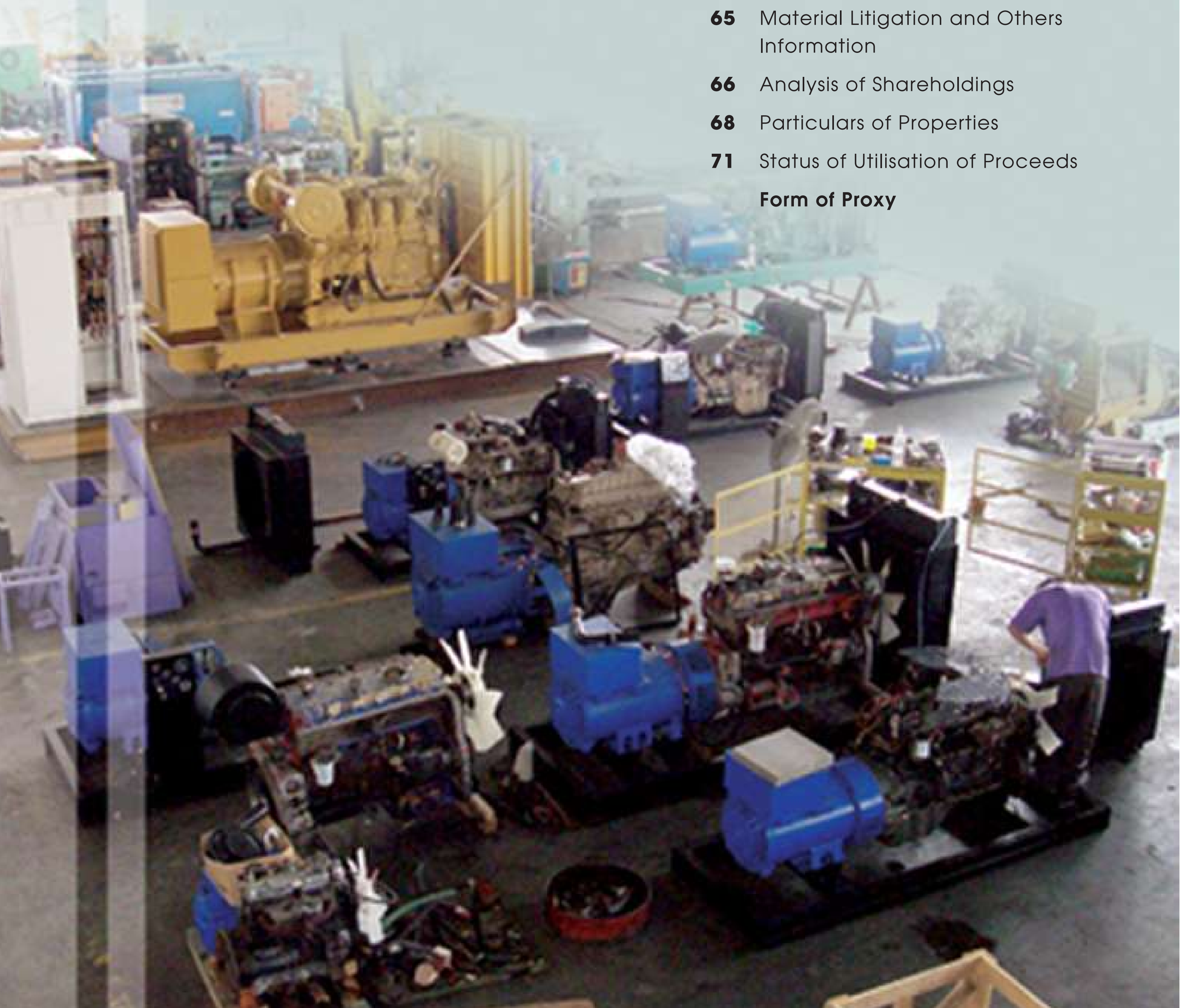

Corporate Information

BOARD OF DIRECTORS

Dato' Lim Kang Swee	-	Managing Director
Dato' Lim Kang Hoo	-	Executive Director
Khoo Nang Seng @ Khoo Nam Seng	-	Executive Director
Aznam Bin Mansor	-	Non-Executive Director
Lim Ts-Fei	-	Independent & Non-Executive Director
Dr. Wong Kai Fatt	-	Independent & Non-Executive Director
Kang Hui Ling	-	Independent & Non-Executive Director

COMPANY SECRETARY
Lim Thiam Wah, ACIS

REGISTERED OFFICE
33-35, Ground Floor, Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur
Tel: 03-40232525
Fax: 03-40214027

PRINCIPAL PLACE OF BUSINESS
Lot 8, Jalan Kecapi 33/2
Section 33, Elite Industrial Estate
40350 Shah Alam
Selangor Darul Ehsan
Tel: 03-51222525
Fax: 03-51225252

STOCK EXCHANGE LISTING
Bursa Malaysia Main Board

REGISTRAR
Insurban Corporate Services Sdn Bhd
149, Jalan Aminuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel: 03-77275573
Fax: 03-77285948

AUDITORS
KPMG
Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-20953388
Fax: 03-20950971

PRINCIPAL BANKERS
Malayan Banking Berhad
Hong Leong Bank Berhad
RHB Bank Berhad

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at GRAND SEASONS HOTEL, 72 JALAN PAHANG, 53000 KUALA LUMPUR on Monday, 25 June 2007 at 10.30 a.m. for the purpose of transacting the following businesses:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 DECEMBER 2006 together with the Reports of the Directors and the Auditors thereon.
(Ordinary Resolution 1)

2. To re-elect the following Directors who retire by rotation in accordance with Article 82 of the Company's Articles of Association:-

   i) Ms. Lim Ts-Fei *(Ordinary Resolution 2)*
   ii) Ms. Kang Hui Ling *(Ordinary Resolution 3)*

3. To approve the payment of Directors' Fees for the financial year ended 31 DECEMBER 2006.
(Ordinary Resolution 4)

4. To declare a First and Final Dividend of 1 sen per ordinary share less income tax in respect of the financial year ended 31 DECEMBER 2006.
(Ordinary Resolution 5)

5. To re-appoint Messrs. KPMG as Auditors and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 6)

6. As Special Business, to consider and if thought fit, to pass the following resolutions with or without modifications:-

   I) ORDINARY RESOLUTION - AUTHORITY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities, where such approvals are necessary, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting".
   (Ordinary Resolution 7)

   II) ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND ADDITIONAL MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

   "That Authority be and is hereby given pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in paragraph 3.4 of the Circular to Shareholders dated 4 June 2007 with the related parties listed in paragraph 3.3 of the Circular which are necessary for the day-to-day operations, in the ordinary course of business, made on at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those normally available to the public and are not to the detriment of the minority shareholders;

   And that the authority conferred by this Mandate shall commence immediately upon the passing of this resolution and is subject to annual renewal. In this respect the authority shall only continue to be in force until:-

i) the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at that Annual General Meeting;

ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but not extending to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

iii) revoke or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier".

(Ordinary Resolution 8)

7. To transact any other matter for which due notices have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Eleventh Annual General Meeting, the First and Final dividend of 1 sen per ordinary share less income tax will be paid on 18 September 2007 to members whose names appear in the Record of Depositors on 30 August 2007.

FURTHER NOTICE IS HEREBY GIVEN THAT a Depositor shall qualify for entitlement only in respect of:

i. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 August 2007 in respect of ordinary transfers; and

ii. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Lim Thiam Wah, ACIS
Company Secretary

Kuala Lumpur

4 June 2007

Notes:

1. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

2. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

4. To be valid, the proxy form, duly completed must be deposited at the Registered Office not less than 48 hours before the time for holding the meeting or any adjournment thereof.

5. Explanatory notes on Special Business:-

   i. The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

   ii The Proposed Ordinary Resolution 8, if passed, will authorise the Group to enter into recurrent related party transactions as specified in the Circular to shareholders dated 4 June 2007, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business made on at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

Particulars of Directors who are standing for re-election at the Eleventh Annual General Meeting.

Details	Ms. Lim Ts-Fei	Ms. Kang Hui Ling
Directorships	Independent Non-Executive Director	Independent Non-Executive Director
Age	44	35
Nationality & Race	Malaysian Chinese	Malaysian Chinese
Qualification	Details as contained on page no. 8	Details as contained on page no. 9
Working experience & occupations	Details as contained on page no. 8	Details as contained on page no. 9
Other directorships of public listed companies	*NIL*	Ekovest Berhad Pembinaan Limbongan Setia Bhd
Attendance at board meetings	Details as contained on page no. 9	Details as contained on page no. 9
Securities holdings in the Company @ 31.3.2007	10,000 ordinary shares	*NIL*
Family relationship with any director and / or major shareholders of the Company	*NIL*	*NIL*
Conflict of interest	Details as contained on page no. 9	Details as contained on page no. 9
Convictions of Offences	*NIL*	*NIL*

General Meetings

General Meeting held during the financial year ended 31 December 2006: -

Type of Meeting	Date	Hour	Place
Tenth Annual General Meeting	26 June 2006	10.30 a.m.	Grand Seasons Hotel 72 Jalan Pahang 53000 Kuala Lumpur

DATO' LIM KANG SWEE, aged 48, Malaysian, was appointed as the Managing Director of Knusford Berhad on 7 December 2000. Dato' Lim has more than fifteen years of experience in the rental and reconditioning business. After completing his secondary education he started his sole-proprietorship under the name of Wincon Trading & Co. which deals in rental, reconditioning of machinery and sale in spare parts and building materials. He travels extensively overseas to Japan, United Kingdom and Australia to meet with manufacturers, principals and dealers of spare parts, new and used machinery and equipment in order to source for quality supplies. Further, he has built a good understanding and reputation with suppliers during his fifteen years in the business. Hence, his vast experience and knowledge will contribute positively to the Knusford Berhad Group. In 1994, he discontinued his sole-proprietorship business, after which he teamed up with Mr. Khoo Nang Seng @ Khoo Nam Seng and his brother, Dato' Lim Kang Hoo to manage and expand the business of Wengcon Holdings Sdn Bhd. At present, he is also a director of several other private limited companies.

DATO' LIM KANG HOO, aged 52, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 7 December 2000. Dato' Lim is a businessman with over thirty years of experience in the construction related industry. He started his involvement in the machinery business soon after completing his secondary education, assisting the family construction business. Later he team-up with Mr. Khoo Nang Seng @ Khoo Nam Seng in 1989 to form Wengcon Equipment Sdn Bhd. The company's rapid development and growth was largely due to his dynamism and vision. His vast experience in the industry is an asset to the Knusford Berhad Group. At present, he is the Executive Vice Chairman of Ekovest Berhad, director of Pembinaan Limbongan Setia Berhad and also a director of several other private limited companies.

MR. KHOO NANG SENG @ KHOO NAM SENG, aged 67, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 7 December 2000. He is the co-founder and a director of Wengcon Holdings Sdn Bhd and Wengcon Equipment Sdn Bhd. He was trained at Technical College, Kuala Lumpur in civil engineering. Upon graduation, he joined and served Jabatan Kerja Raya for six years. In 1970, he ventured into the construction business on his own and in 1989, teamed up with Dato' Lim Kang Hoo to form Wengcon Equipment Sdn Bhd. His tremendous drive and sharp business acumen was one of the major reasons behind the success of the group. At present, he is an executive director of Ekovest Berhad and also a director of several other private limited companies.

EN. AZNAM BIN MANSOR, aged 49, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 7 December 2000. He graduated with a Degree in Bachelor of Law (Hons) from the North East London Polytechnic, London in 1983 and was called to the Malaysian Bar as an Advocates and Solicitor in 1986. He started his career as a legal officer in Malayan Banking Berhad. He then joined Skrine & Co., a legal firm, and held the position of legal assistant for eight years. Presently, he is a partner of Lee Hishamuddin Allen & Gledhill, a legal firm in Kuala Lumpur, a non-executive director and chairman of Industri Teknologi Mikro Berhad, and a director of several other private limited companies.

MS. LIM TS-FEI, aged 44, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 9 January 2001. She graduated with a Degree in Bachelor of Law from the University of Hull, England and was called to the English Bar as a barrister in 1988. Upon her return to Malaysia, she commenced her chambering with Chye, Chow, Chung & Co., a legal firm in Kuala Lumpur. She was called to the Malaysian Bar in 1989 and continued to practise as a legal assistance in the same firm for eight years. She is presently a partner of the firm.

DR. WONG KAI FATT, aged 60, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 9 January 2001. He graduated with a Bachelor of Medicine, Bachelor of Surgery from the University of Singapore in 1972. He worked in Johor Bahru General Hospital and Ipoh General Hospital for three years before venturing into his own private practice in Kuala Lumpur.

MS. KANG HUI LING, aged 35, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 28 February 2005. She holds a Bachelor of Accounting (Hons) Degree from University of Malaya in 1997. She is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Public Accountants. Since her graduation, she acquired 4 years of audit experience in one of the big five audit firm. As audit senior associate, she also gained exposure in the field of operational audit and financial due diligence. Subsequently she joined a medium size multinational consultancy firm as the Finance and Admin Manager where she was responsible for establishing and implementing the company's accounting and operating policies and procedures. She is presently a partner of a professional firm registered with the Malaysian Institute of Accountants. She is also an independent non-executive director of Ekovest Berhad and Pembinaan Limbongan Setia Bhd.

Conflict of interest

There is no conflict of interest between the Directors and the Group except for the recurrent related party transactions where the Directors have interest, as disclosed in Note 29 of the Audited Financial Statements.

Conviction for offences

None of the Directors have been convicted for any offences (excluding traffic offences) within the last 10 years.

Board of Directors' Meetings

A total of 5 Board of Directors' Meetings were held during the financial year ended 31 December 2006.

Attendance at the Board of Directors' Meetings

		Board Meeting
1.	Dato' Lim Kang Swee	4/5
2.	Dato' Lim Kang Hoo	4/5
3.	Khoo Nang Seng @ Khoo Nam Seng	3/5
4.	Aznam Bin Mansor	4/5
5.	Lim Ts-Fei	5/5
6.	Dr. Wong Kai Fatt	5/5
7.	Kang Hui Ling	4/5

Family Relationship

No Director has family relationship with other Directors or major shareholders except for Dato' Lim Kang Swee and Dato' Lim Kang Hoo, who are brothers.

Managing Director's Statement

On behalf of the Board of Directors, it gives me great pleasure in presenting to you the annual report and audited financial statement of the Company and the Group for the financial year ended 31 December 2006.

Overview and results

For the financial year ended 31 December 2006, the Group recorded a profit before taxation of RM3.327 million and a profit after taxation of RM1.009 million from a turnover of RM88.390 million compared to RM1.796 million profit before taxation and RM0.299 million profit after taxation generated from a turnover of RM110.487 million achieved in the previous financial year.

Notwithstanding the decrease in turnover, the profit before and after taxation recorded this year is higher than that of the previous year. This is attributable to the continuing effort put in by the management to improve cost efficiency and optimize resources within the Group. The improved results is encouraging given the difficult times faced by the construction and property development sectors for the last few years, which have adversely affected the operations of the Group.

Dividend

The Board of Directors has recommended, subject to the approval of shareholders being obtained, a first and final dividend of 1%, less tax payable on 18 September 2007 in respect of the financial year ended 31 December 2006.

Corporate Development

As the management has been concentrating its effort in strategizing and streamlining its operation during this period amidst the lackluster performance in the construction and development sectors, no corporate exercise has been carried out in the financial year ended 31 December 2006

Industry overview and prospects

With the implementation of the small sized contracts worth some RM15 billion and a further more than RM100 billion of medium and large construction contracts to be awarded under the 9th Malaysia Plan, the management is cautiously optimistic of a better performance in the near future.

The government has recently announcement its commitment in developing the southern part of Johor, namely the Iskandar Development Region ("IDR") into a strong and sustainable metropolis of international standing. It is envisage that the Group would be able to benefit from its close association with one of the development vehicle entrusted with the waterfront development within the IDR.

The Board acknowledges that the industry in which the Group is involved in is extremely competitive. Nevertheless, we are confident that with the coming on stream of the 9th Malaysia Plan and the continuing effort by the management in striving for efficiency in its performance, the Group will be able to achieve better results for the years ahead.

The Board is committed to maintain high standards of accountability and corporate governance as part of our effort to promote greater transparency to our shareholders.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to thank all our valued customers, bankers, business associates and the shareholders for their continuous support and confidence in the Group.

I would like to take this opportunity to express my gratitude to the Board of Directors for their continuing contributions and commitment and all our management and staff for their dedications, hard work and untiring effort in propelling the Group forward.

Dato' Lim Kang Swee
Managing Director

Seminar Corroboration with IEM

Tenaga Expo - KLCC

Big 5 Exhibition at Dubai

Rental Fleet for KLIA -
7 Tons Forklift

Rental Fleet - 14 Units Forklift for JB Port

SDMO

Bungalow

Petronas

Custom Made - Battery Forklift

Supply Generator Set at Melaka

Generator Set Load Testing at Shah Alam Factory

The Board of Directors ("the Board") of Knusford Berhad ("KB") supports the Principles and Best Practices of Corporate Governance as laid out in the Malaysian Code of Corporate Governance ("the Code") and is committed to ensuring that high standards of corporate governance are practiced throughout the Group with the purpose of enhancing shareholders' value as well as maintaining stakeholders' interest.

These principles and practices, supported by existing internal controls processes, are regularly audited and reviewed, to ensure transparency and accountability. The Board is therefore pleased to provide the following statement, which outlines the application of corporate governance principles and the extent of compliance with the best practices advocated pursuant to paragraph 15.26 of the Bursa Securities Listing Requirements ("LR") for the financial year ended 31 December 2006.

The best practices that have yet to be adopted during the financial year and the corresponding reasons are set out in the table below:

Provision of the Code	Details	Reasons
Part 2, AA II	No Chairman of the Board	The Company does not have an appointed Chairman of the Board. The Managing Director is responsible for the daily management of the Group's business operations and implementation of policies and strategies adopted by the Board as well as overseeing the orderly conduct and workings of the Board. This arrangement is acceptable to the Board members as a member of the Board is elected to chair each Board meeting.
Part 2, AA VII	No Senior Independent Non-Executive Director to whom concerns may be conveyed	The Managing Director encourages full deliberation of issues affecting the Group by all members of the Board. Therefore, the Board considered that it is not necessary to appoint a Senior Independent Non-Executive Director to allow concerns to be conveyed.

BOARD OF DIRECTORS

The Board

KB is led by an experienced Board comprising individuals from diversified backgrounds with a wide range of skills, experience and expertise in different fields. The Board members play an important role in providing a balanced approach towards deliberating issues on strategy, performance, resources and standards of conduct. This is practiced through adopting the specific responsibilities listed by the Code.

Board Meetings

The Board meets at least 4 times a year, with additional board meetings convened when necessary. The Board will deliberate on the financial statements and results of the Group, the performance of its individual business units, strategic and corporate issues relating to the business of the Group during these meetings.

The minimum 50% attendance requirement by Directors in respect of Board meetings as stipulated by the Bursa Securities LR was duly complied. During the financial year under review, the Board met five (5) times and the attendance record for each Director is presented in the Profile of Directors as set out on page 9.

Board Committees

The Board has delegated certain responsibilities to three (3) Board Committees. All the committees are provided with written terms of reference. These committees have the authority to examine particular issues and report to the Board with their proceedings and deliberations. Where committees have no authority to make decisions on matters reserved for the Board, recommendations would be highlighted to the Board for approval. The Chairmen of the various committees report the outcomes of their committee meetings to the Board, and any further deliberation is made at the Board level, if required.

The three (3) principle committees are set out as below:

(a) Audit Committee
The composition, terms of reference and a summary of the activities of the Audit Committee are set out separately in the Audit Committee Report as laid out on pages 20 to 22 of this Annual Report.

(b) Nomination Committee
Any appointments to the Board and the on-going assessment of the current Directors have been entrusted to the Nomination Committee ("NC"). The NC comprises exclusively of Independent Non-Executive Directors as detailed below:

Lim Ts-Fei	(Independent Non-Executive Director)
Dr Wong Kai Fatt	(Independent Non-Executive Director)
Kang Hui Ling	(Independent Non-Executive Director)

The functions of the NC include:
- recommending new candidates for directorship to the Board;
- recommending to the Board, directors to fill the seats on Board Committees; and
- reviewing the board composition and effectiveness of the Board and Board committees and the skills, qualification and competencies of the Board as a whole.

The Board considers that the current mix of skills and experience of its members is sufficient for the discharge of its duties. As such, no annual review was performed by the NC during the financial year.

(c) Remuneration Committee
The Remuneration Committee ("RC") comprise exclusively of Independent Non-Executive Directors and is responsible for setting the policy framework and assessing the remuneration packages for the Executive Directors, with advice from external consultants where necessary. It is ultimately the responsibility of the entire Board to approve the remuneration of these Executive Directors. None of the Executive Directors participate in any way in determining their individual packages. The remuneration of the Non-Executive Directors is determined by the Board as a whole with individual Directors refraining from discussing their own remuneration.

The members of the RC are as follows:

Lim Ts-Fei	(Independent Non-Executive Director)
Dr Wong Kai Fatt	(Independent Non-Executive Director)
Kang Hui Ling	(Independent Non-Executive Director)

Directors' Training
All the Directors have attended the Mandatory Accreditation Programme (MAP) within the period stipulated. Members of the Board continue to keep abreast with development and enhance their skills and knowledge by attending various training programmes, trade fairs, seminars and conferences.

Board Balance

There are Seven (7) Board members, comprising Three (3) Independent Non-Executive Directors, One (1) Non-Executive Non-Independent Director and Three (3) Executive Directors. The independent non-executive directors have the necessary skill and experience to provide independent judgement to support issues of strategy, performance, resources and standards of conduct. This is in compliance with the requirement for one-third of the Board to be independent.

The Board is of the opinion that the experience of the members of the Board of Directors which encompasses various backgrounds and experience in business, international and financial knowledge will greatly contribute to the success of the Company and the Group. The Board is satisfied that the current composition of the Board fairly reflects the investment of minority shareholders and represents the required mix of skills and experience required to discharge the Board's duties and responsibilities. As there is also active participation by the all the Directors, including the Three (3) Independent Non-Executive Directors, no individual or small group of individuals dominate the Board's decision-making process.

The profile of each Board member is entailed on pages 8 to 9 of this Annual Report.

Supply of Information

To enable the Board to effectively discharge its responsibilities, the Board is granted unrestricted access to all information in relation to the Group so as to enable them to consider matters arising and to facilitate informed decision making. Such information include the meeting agenda and Board papers on operational, financial, corporate, business development and audit matters.

Senior Management staff is invited to attend Board meetings to explain and clarify the matters being tabled.

In addition, there is a formal schedule of matters reserved specifically for the Board's decision. These are generally significant matters pertaining to the business operations of the Group.

All Directors have access to the advice and services of the Company Secretary. The Board can also obtain independent professional advice, whether as a full Board or in their individual capacity, at the Company's expense, where necessary, to enable them to discharge their responsibilities.

Re-election

The Company's Articles of Association provides that one-third of the Directors shall retire from office and shall be eligible for re-election at the annual general meeting. Furthermore, each Director shall retire from office at least once in every three years.

DIRECTORS' REMUNERATION

The remuneration policy for Directors is structured in such a way that links rewards to corporate and individual performance in order to attract, retain and motivate Executive Directors of the quality required to manage the business of the Group. The Board as a whole will take into consideration the remuneration packages of Non-Executives Directors with individual Directors abstaining from discussing their own remuneration. In the case of Non-Executive Directors, the Company's Articles of Association requires that any increase in fees should be approved at a general meeting.

The details of directors' remuneration payable to the Directors for the financial year ended 31 December 2006, distinguishing between Executive and Non-Executive Directors, categorised into the appropriate components are as follows:

(a) Total Remuneration

	Categories of Remuneration (RM) Salary	Bonus	Fees	EPF	Benefits-In-Kind	Total
Executive	840,000	90,000	-	111,600	47,700	1,089,300
Non-Executive	-	-	20,000	-	7,500	27,500
Total	840,000	90,000	20,000	111,600	55,200	1,116,800

(b) Directors' remuneration by bands

Directors' Remuneration by Bands	Executive Directors (RM)	Non-Executive Directors (RM)
Up to RM50,000	-	4
RM150,001 to RM200,000	1	-
RM250,001 to RM300,000	1	-
RM650,001 to RM700,000	1	-
Total	3	4

The Board of Directors is of the view that the above disclosures on directors' remuneration are sufficient to cater to the transparency and accountability aspects of the Code.

SHAREHOLDERS

Dialogue Between The Company And Investors

The Board acknowledges the importance of being responsible to its investors and as such has maintained an active communication policy that enables the Board and Management to communicate effectively with its investors, stakeholders and the general public.

Information is disseminated to shareholders and investors through various disclosures and announcements to Bursa Malaysia Securities Berhad. This includes quarterly results, annual reports and other announcements via circulars and press releases. Such information are also made available on the Bursa Malaysia website. Response to queries raised by shareholders and members of public received through phone calls or letters are co-ordinated by the Company Secretary. A website is also maintained at www.wengcon.com.my for shareholders and the public to access corporate information and events relating to the Group.

The Board will regularly review the information disseminated to ensure that consistent and accurate information is provided to the shareholders of the Group.

Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM")

The AGM and EGM is the principal forum for dialogue between shareholders and the Board. At such meetings, shareholders are encouraged to participate in the meetings and are given ample opportunity and time in the question and answer session on the prospects, performance of the Group and other matters of concern. Members of the Board are present to answer queries raised at these meetings. Shareholders who are unable to attend are allowed to appoint proxies.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB). In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors take appropriate steps to present a clear, balanced and understandable assessment of the Group's financial position, performance and prospects. The Directors also strive to ensure that financial reporting presents a true and fair assessment of the Company's position and prospects. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board prior to its release to the relevant authorities.

The Responsibility Statement by Directors pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 19 of the Annual Report.

Statement on Internal Control

The Statement on Internal Control furnished on page 18 of the Annual Report provides an overview on the state of internal controls of the Group.

Relationship With Auditors

The Board via the Audit Committee has established a formal and transparent professional relationship with the Group's internal and external auditors. The external and internal auditors continued to carry out their functions and report to the Audit Committee accordingly in the quarterly Audit Committee meetings. The role of the Audit Committee in relation to the auditors are also described in the Audit Committee Report set out on pages 20 to 22 of this Annual Report.

INTRODUCTION

The Malaysian Code on Corporate Governance places the onus of establishing a system of internal control on the Board of Directors of public listed companies to safeguard shareholders' investment and the Company's assets. In this regard, the Board of Directors ("the Board") of Knusford Berhad ("KB") is pleased to provide below the statement on the state of internal controls of the Company prepared pursuant to the Bursa Malaysia Securities Berhad Listing Requirements under paragraph 15.27(b) and the Statement on Internal Control – Guidance for Directors of Public Listed Companies.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility and accountability for establishing and maintaining a system of internal controls and risk management practices and for reviewing its adequacy and integrity.

However, the internal control system established are subject to limitations that are inherent in any system of internal control. As such, this system can only manage, rather than eliminate all risks that may impede the achievement of corporate objectives. Therefore, the system of internal control can only provide reasonable assurance rather than absolute assurance against material misstatement or loss.

RISK MANAGEMENT PROCESS

There is an established process and ongoing commitment by the Board to identify, evaluate and manage significant risks faced by the Group. The Heads of Department are responsible for managing and implementing effective internal control procedures in their respective departments. The daily conduct and performance of businesses and operational procedures including assessment of control procedures are closely monitored through the review of performance and management reports provided to the Board.

These practices, which are drawn up by the Executive Directors and Senior Management, are intended and aimed at achieving the business objectives and strategic plans of the Group.

INTERNAL CONTROL FUNCTION

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. The Audit Committee, in turn, assesses the adequacy and integrity of the Group's internal control system through reviews conducted and reports it received from internal audit function and management.

The internal audit function is independent of the activities it audits. The internal audit function provides independent and regular reviews on the systems of internal controls so as to obtain reasonable assurance on the operations of such system of internal control. Follow-up reviews were also conducted to ensure that recommendations for improvement are implemented on a timely basis.

OTHER KEY FEATURES OF INTERNAL CONTROL SYSTEM

The other key elements of the Group's internal control system are described below:

- There is a formal organisation structure with clear lines of responsibilities and levels of authority and accountability to facilitate internal check and balance.
- Monthly management accounts is prepared by the Group Finance Department for Management's review, while quarterly financial results is presented to the Board for purposes of monitoring the Group's progress towards achieving its business objectives.
- Information is provided to management for monitoring of performance against strategic plan, covering significant key operation and financial indicators.
- The impact of changes in the business environment on the Group is assessed by the Board.
- Standard operating procedure manuals incorporating various internal controls are in place to govern the Group's business operations and functions and to ensure compliance with relevance laws and regulations.
- Outstation office are visited by members of Senior Management on a periodic basis.
- The outsourced internal audit function provides independent reviews on the adequacy and effectiveness of the Group's internal control system.

CONCLUSION

The Board is committed towards operating a sound system of internal control and effective risk management practices throughout the Group. The Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. As such, the Board will, when necessary, put in place appropriate action plans to rectify any potential weaknesses or further enhance the existing systems of internal control.

Directors' Responsibility Statement in respect of the preparation of the Audited Financial Statements for the financial year ended 31 December 2006

The Board is responsible for ensuring that the financial statements are drawn up in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the results and cash flows of the Group and the Company for the financial year ended on that date.

In preparing the financial statements, the Directors have applied appropriate accounting policies consistently which are in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), made reasonable and prudent judgements and estimates, and used the going concern basis for the preparation of the financial statements.

The Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy and are kept in accordance with the Companies Act, 1965. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the Group's assets and to prevent and detect fraud and other irregularities.

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2006.

COMPOSITION AND ATTENDANCE OF MEETINGS

The Audit Committee ("the Committee") met five (5) times during the year. The composition of the Committee and the details of the attendance of the Committee members are set out as follows:

		Total Meetings Attended
Chairman:	Lim Ts-Fei (Independent Non-Executive Director)	5/5
Members:	Dr Wong Kai Fatt (Independent Non-Executive Director)	4/5
	Kang Hui Ling (Independent Non-Executive Director)	4/5

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Composition

(1) The Audit Committee shall be appointed from amongst the Board members and shall comprise no fewer than three (3) members, a majority of whom shall be independent directors.

(2) At least one member of the Committee:
   a. must be a member of the Malaysian Institute of Accountants ("MIA"); or
   b. if he is not a member of MIA, he must have at least three (3) years working experience and:
      - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967

(3) No Alternate Director may be appointed as a member of the Committee.

Chairman

The Chairman, who shall be elected by the members of the Audit Committee, shall be an independent director.

Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it to the Committee members prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Audit Committee Meetings.

Meetings

The Committee shall meet at least four (4) times in each financial year. At the invitation of the Committee, other directors, senior management staff and the external consultant may attend the meeting where considered necessary.

In addition, the Chairman may call a meeting of the Audit Committee if requested by the internal or external auditors.

Quorum

The quorum for a meeting shall be at least two (2) members and shall be in accordance with paragraph 15.19 of the Bursa Securities Listing Requirements.

Powers of the Audit Committee

The Audit Committee shall be empowered with the following:

- Authority to investigate any matter within its terms of reference
- Right to employ resources which are required to perform its duties
- Full and unrestricted access to any information pertaining to the Group
- Direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any)
- Right to obtain independent professional or other advice
- Right to convene meetings with the external auditors, excluding the attendance of the executive members of the audit committee, whenever deemed necessary

Duties and Responsibilities of the Audit Committee

(1) Review the following and report the same to the Board of Directors of the Company:

(a) the audit plan;

(b) the evaluation of the system of internal control by the internal auditors;

(c) the external audit report;

(d) the assistance given to external auditors by employees of the company;

(e) the adequacy of the scope, function and resources of the internal audit function and ensure that it has the necessary authority to carry out its work;

(f) the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(g) the quarterly results and year end financial statement, prior to approval by the Board of Directors, focusing particularly on:
- changes in or implementation of major accounting policies;
- significant and unusual events; and
- compliance with accounting standards and other legal requirement.

(h) whether the share options allocated are in compliance with the by-laws and criteria of Employee Share Option Scheme approved by shareholders;

(i) Any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises question of management integrity;

(j) Any resignation from the external auditors of the company; and

(k) Whether there is a reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.

(2) Perform such other functions and duties as may be agreed to by the Committee and the Board.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the activities undertaken by the Audit Committee include:

(a) Reviewed the quarterly unaudited consolidated results of the Group and the annual audited financial statements prior to commending them to the Board for approval.

(b) Reviewed the audit report from external auditors in relation to their audit findings and the accounting issues arising from the audits conducted.

(c) Ensured the adequacy in coverage in respect of the audit plans proposed by the external and internal auditors prior to approval for execution.

(d) Reviewed the internal audit reports, audit findings, recommendations made and Management's response to these recommendations.

(e) Directed Management to implement action plans for purposes of enhancing and improving the existing systems of internal control.

(f) In compliance with paragraph 8.21A of the Bursa Securities Listing Requirements, the Audit Committee has ensured that the allocation of share options pursuant to the ESOS approved by shareholders is in compliance with its established criteria.

(g) Reviewed Recurrent Related Party Transactions ("RRPTs") to ensure that relevant approvals have been obtained for all RRPTs entered into and that the review procedures in respect of such transactions are adhered to.

(f) Reviewed the draft circular to shareholders in connection with the renewal of the proposed shareholder's mandate for RRPTs of a revenue nature before recommending to the Board of Directors to table to shareholders for approval.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

During the financial year under review, the outsourced internal audit function conducted various internal audit visits in accordance with the internal audit plan approved by the Audit Committee with the objective of assessing the adequacy, efficiency and effectiveness of the Group's internal control systems. The results of the audits executed and recommendations for improvement are presented at the quarterly Audit Committee meetings.

None of the matters raised on the internal controls have results in any material losses, contingencies or uncertainties that would require separate disclosure in the Group's annual report.

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 2006.

Principal activities

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 28 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
Profit for the year	1,134	804

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 2005 on 20 September 2006.

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2006 is 1% less tax totalling RM723,788.

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

Directors' interests

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 1.1.2006	Bought	Sold	At 31.12.2006
Shareholdings in which Directors have direct interests 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
Shareholdings in which Directors have deemed interests 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			
	At 1.1.2006	Granted	Exercised	At 31.12.2006
Company				
Dato' Lim Kang Swee	150,000	-	-	150,000
Dato' Lim Kang Hoo	150,000	-	-	150,000
Khoo Nang Seng @ Khoo Nam Seng	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 2006 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 29.

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 issue of the Employees' Share Option Scheme ("ESOS").

Issue of shares and debentures

There were no changes in the authorised, 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 is as follows:

Granted date	Expiry date	Option price	Balance at 1.1.2006	Granted	Exercised	Lapsed	Balance at 31.12.2006
2.7.2003	22.4.2008	RM1.25	4,050,000	-	-	(1,491,000)	2,559,000

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.

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 balance sheets and income 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 and 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 2006 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 that financial year and the date of this report.

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Lim Kang Hoo

Dato' Lim Kang Swee

Kuala Lumpur

Date: 23 April 2007

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 30 to 64 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 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: 23 April 2007

Statutory Declaration

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

I, Lim Siong Seong, the officer primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 64 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 23 April 2007.

Lim Siong Seong

Before me:

Report of the Auditors

to the members of Knusford Berhad

We have audited the financial statements set out on pages 30 to 64. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2006 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.

The subsidiary in respect of which we have not acted as auditors is identified in Note 28 to the financial statements and we have considered its financial statements and the auditors' report 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
Firm Number: AF 0758
Chartered Accountants

Chong Dee Shiang
Partner
Approval Number: 2782/09/08(J)

Kuala Lumpur

Date: 23 April 2007

Balance Sheets

at 31 December 2006

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Assets					
Property, plant and equipment	3	31,712	26,074	3	3
Intangible assets	4	-	208	-	-
Investment property	5	21,659	13,949	10,910	3,106
Investments in subsidiaries	6	-	-	65,892	65,892
Land held for property development	7	27,528	27,528	-	-
Deferred tax assets	8	-	644	-	-
Total non-current assets		80,899	68,403	76,805	69,001
Receivables, deposits and prepayments	9	53,445	74,534	24,017	32,259
Inventories	10	22,641	20,426	-	-
Property development cost	11	18,158	16,555	-	-
Tax recoverable		1,267	671	-	-
Cash and cash equivalents	12	35,098	32,213	21,485	20,891
Total current assets		130,609	144,399	45,502	53,150
Total assets		211,508	212,802	122,307	122,151
Equity					
Share capital		99,149	99,149	99,149	99,149
Reserves		22,569	22,569	22,569	22,569
Retained earnings		44,201	43,781	329	239
Total equity attributable to shareholders of the Company		165,919	165,499	122,047	121,957
Minority interest		3	128	-	-
Total equity	13	165,922	165,627	122,047	121,957
Liabilities					
Borrowings	14	6,020	7,803	-	-
Deferred tax liabilities	8	2,597	2,205	-	-
Total non-current liabilities		8,617	10,008	-	-
Payables and accruals	16	33,210	30,883	174	170
Borrowings	14	3,599	6,140	-	-
Taxation		160	144	86	24
Total current liabilities		36,969	37,167	260	194
Total liabilities		45,586	47,175	260	194
Total equity and liabilities		211,508	212,802	122,307	122,151

The notes on pages 35 to 64 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2006

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Continuing operations					
Revenue	17	88,390	110,487	1,000	1,000
Cost of sales	18	(74,213)	(92,934)	-	-
Gross profit		14,177	17,553	1,000	1,000
Other income		1,685	1,143	227	133
Administrative expenses		(12,204)	(16,546)	(573)	(656)
Other expenses		(212)	(69)	-	-
Results from operating activities		3,446	2,081	654	477
Interest income		867	890	636	491
Interest expense		(986)	(1,175)	-	-
Profit before tax	19	3,327	1,796	1,290	968
Tax expense	21	(2,318)	(1,497)	(486)	(424)
Profit for the year		1,009	299	804	544
Attributable to:					
Shareholders of the Company		1,134	482	804	544
Minority interest		(125)	(183)	-	-
Profit for the year		1,009	299	804	544
Basic earnings per ordinary share (sen)	22	1.14	0.49		

The notes on pages 35 to 64 are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

for year ended 31 December 2006

Group	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
		Attributable to shareholders of the Company					
		Non-distributable		Distributable			
At 1 January 2005		99,149	22,569	44,013	165,731	311	166,042
Profit for the year		-	-	482	482	(183)	299
Dividends to shareholders	23	-	-	(714)	(714)	-	(714)
At 31 December 2005/ 1 January 2006		99,149	22,569	43,781	165,499	128	165,627
Profit for the year		-	-	1,134	1,134	(125)	1,009
Dividends to shareholders	23	-	-	(714)	(714)	-	(714)
At 31 December 2006		99,149	22,569	44,201	165,919	3	165,922

Company	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2005		99,149	22,569	409	122,127
Profit for the year		-	-	544	544
Dividends to shareholders	23	-	-	(714)	(714)
At 31 December 2005/ 1 January 2006		99,149	22,569	239	121,957
Profit for the year		-	-	804	804
Dividends to shareholders	23	-	-	(714)	(714)
At 31 December 2006		99,149	22,569	329	122,047

The notes on pages 35 to 64 are an integral part of these financial statements.

for the year ended 31 December 2006

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Cash flows from operating activities					
Profit before tax		3,327	1,796	1,290	968
Adjustments for:					
Amortisation of goodwill	4	-	69	-	-
Depreciation on property, plant and equipment	3	7,219	6,525	-	-
Depreciation on investment property	5	166	91	72	52
Dividend income		-	-	(1,000)	(1,000)
Gain on disposal of property, plant and equipment		(389)	(152)	-	-
Interest expense		986	1,175	-	-
Interest income		(867)	(890)	(636)	(491)
Impairment losses on property, plant and equipment	3	162	71	-	-
Impairment losses on goodwill	4	208	-	-	-
Property, plant and equipment written off		-	2	-	-
Unrealised foreign exchange gain		(20)	(122)	-	-
Operating profit/(loss) before changes in working capital		10,792	8,565	(274)	(471)
Change in properties under development		(1,603)	7,204	-	-
Change in inventories		(1,557)	6,409	-	-
Change in receivables, deposits and prepayments		21,089	(17,232)	74	(53)
Change in payables and accruals		2,346	(11,195)	4	(26)
Cash generated from/(used in) operations		31,067	(6,249)	(196)	(550)
Dividends received		-	-	720	720
Income taxes (paid)/refunded		(1,861)	1,135	(144)	(175)
Net cash generated from/(used in) operating activities		29,206	(5,114)	380	(5)
Cash flows from investing activities					
Acquisition of existing subsidiary from minority interest	30	-	(5)	-	-
Acquisition of property, plant and equipment	*(i)*	(13,597)	(3,356)	-	-
Acquisition of investment property	5	(7,876)	(4,024)	(7,876)	(930)
Advances to subsidiaries		-	-	8,168	361
Interest received		867	890	636	491
Deposits pledged with banks		(394)	(139)	(127)	(65)
Proceeds from disposal of property, plant and equipment		690	961	-	-
Net cash (used in)/generated from investing activities		(20,310)	(5,673)	801	(143)
Cash flows from financing activities					
Dividends paid		(714)	(714)	(714)	(714)
Interest paid		(986)	(1,175)	-	-
(Repayment of)/proceeds from revolving credits		(1,200)	650	-	-
Repayment of finance lease liabilities		(2,452)	(1,528)	-	-
(Repayment of)/proceeds from bridging term loan		(507)	507	-	-
Net cash used in financing activities		(5,859)	(2,260)	(714)	(714)
Net increase/(decrease) in cash and cash equivalents		3,037	(13,047)	467	(862)
Cash and cash equivalents at 1 January		24,389	37,436	17,405	18,267
Cash and cash equivalents at 31 December	*(ii)*	27,426	24,389	17,872	17,405

i) *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM13,978,000 (2005 – RM3,743,000), of which RM381,000 (2005 – RM387,000) were acquired by means of finance lease arrangements.

ii) *Cash and cash equivalents*

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

		Group		Company	
		2006	2005	2006	2005
	Note	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	12	5,871	3,891	6	3
Deposits *(excluding deposits pledged)*	12	22,240	21,729	17,866	17,402
Bank overdraft repayable on demand – secured and unsecured	14	(685)	(1,231)	-	-
		27,426	24,389	17,872	17,405

The notes set out on pages 35 to 64 form an integral part of, and should be read in conjunction with, these financial statements.

Knusford Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business are as follows:

Registered office	Principal place of business
33-35, Ground Floor	Lot 8, Jalan Kecapi 33/2
Wisma Ekovest	Section 33, Elite Industrial Estate
Jalan Desa Gombak 6	40350 Shah Alam
Taman Sri Setapak	Selangor Darul Ehsan.
Off Jalan Gombak	
53000 Kuala Lumpur.	

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally engaged in investment holding while the principal activities of other Group entities are as stated in Note 28.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standards/ Interpretation	Effective date
FRS 117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments: Measurement and recognition	To be announced
Amendment to FRS 119_{2004}, Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net investment in a foreign operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a specific market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach Under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The Group and the Company plan to apply FRS 117, FRS 124 and the Amendment to FRS 119_{2004} initially for the annual period beginning 1 January 2007 and to apply the rest of the above-mentioned FRSs (except for FRS 6 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6 is not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

The financial statements were approved by the Board of Directors on 23 April 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3 - measurement of the recoverable amount of property, plant and equipment
- Note 8 - recognition of unutilised tax losses and capital allowances
- Note 27 - contingencies

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

2. Significant accounting policies (continued)

(a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

2. Significant accounting policies (continued)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is completed, at which time it is measured in accordance with FRS 116, Property, plant and equipment's requirement, other than those that meet the criteria to be classified as held for sales in accordance with FRS 5, Non-current assets held for sale and discontinued operations.

When the use of a property changes from owner-occupied to investment property, the property is transferred at cost less accumulated depreciation and impairment losses, if any.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	20%
• equipment, furniture and fittings	10%
• plant and machinery	5%-20%
• motor vehicles	20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

2. Significant accounting policies (continued)

(d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for leasehold land classified as investment property, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

(e) Intangible assets

Goodwill

Goodwill/(negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities. Negative goodwill represents the excess of the Group's interest in the fair values of the net identifiable assets and liabilities over the cost of the acquisition.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Negative goodwill represents the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree over the cost of the acquisition.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Before adoption of FRS 3, goodwill was measured at cost less accumulated amortisation and impairment losses. Negative goodwill was stated at cost less accumulated amortisation. Goodwill/negative goodwill was amortised from the date of initial recognition over its estimated useful life of not more than five (5) years. Impairment tests on goodwill were performed when there were indications of impairment.

Following the adoption of FRS 3, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. Negative goodwill is recognised immediately in the income statement.

(f) Investment property

Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

In the previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these investment properties are now classified separately. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2 (c).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

2. Significant accounting policies (continued)

(g) 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.

(h) 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.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

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.

(j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(k) Constructions work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

2. Significant accounting policies (continued)

(k) Constructions work-in-progress (continued)

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) 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 changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Impairment of assets

The carrying amounts of assets except for inventories, assets arising from construction contracts, deferred tax assets and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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 had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(o) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

2. Significant accounting policies (continued)

(i) *Short term employee benefits* (continued)

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employee's Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) *Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(q) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(r) Revenue

(i) *Goods sold*

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2. Significant accounting policies (continued)

(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

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is measured by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimate contract costs, of the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. 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.

(v) Dividend income

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

(vi) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(s) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies (continued)

(t) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(u) Tax expense

Tax expense comprises current and deferred tax. Tax expense 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 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 recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group Cost	Note	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
At 1 January 2005		5,225	4,806	1,755	53,375	7,650	72,811
Effect of adopting FRS 140	5	(5,225)	(4,776)	(362)	-	-	(10,363)
At 1 January 2005, restated		-	30	1,393	53,375	7,650	62,448
Additions		-	-	527	2,917	299	3,743
Disposals		-	-	-	(1,139)	(406)	(1,545)
Written off		-	-	(32)	-	-	(32)
Transfer to inventories		-	-	-	(877)	-	(877)
At 31 December 2005, restated / 1 January 2006		-	30	1,888	54,276	7,543	63,737
Additions		-	-	127	13,612	239	13,978
Disposals		-	-	-	(808)	(402)	(1,210)
Transfer to inventories		-	-	-	(1,190)	-	(1,190)
At 31 December 2006		-	30	2,015	65,890	7,380	75,315
Depreciation and impairment loss							
At 1 January 2005:							
Accumulated depreciation		-	332	911	26,577	4,887	32,707
Accumulated impairment loss		-	-	-	-	-	-
		-	332	911	26,577	4,887	32,707
Effect of adopting FRS 140	5	-	(326)	(21)	-	-	(347)
At 1 January 2005, restated		-	6	890	26,577	4,887	32,360
Depreciation for the year	19	-	6	179	5,350	990	6,525
Impairment loss	19	-	-	2	69	-	71
Disposals		-	-	-	(491)	(245)	(736)
Written off		-	-	(30)	-	-	(30)
Transfer to inventories		-	-	-	(527)	-	(527)
At 31 December 2005, restated/ 1 January 2006:							
Accumulated depreciation		-	12	1,039	30,909	5,632	37,592
Accumulated impairment loss		-	-	2	69	-	71
		-	12	1,041	30,978	5,632	37,663
Depreciation for the year	19	-	6	168	6,164	881	7,219
Impairment loss	19	-	-	-	162	-	162
Disposals		-	-	-	(520)	(389)	(909)
Transfer to inventories		-	-	-	(532)	-	(532)
At 31 December 2006:							
Accumulated depreciation		-	18	1,207	36,021	6,124	43,370
Accumulated impairment loss		-	-	2	231	-	233
		-	18	1,209	36,252	6,124	43,603
Carrying amounts							
At 1 January 2005, restated		-	24	503	26,798	2,763	30,088
At 31 December 2005, restated/ 1 January 2006		-	18	847	23,298	1,911	26,074
At 31 December 2006		-	12	806	29,638	1,256	31,712

3. Property, plant and equipment (continued)

Company	Note	Buildings RM'000	Equipment, furniture and fittings RM'000	Total RM'000
Cost				
At 1 January 2005		2,243	13	2,256
Effect of adopting FRS 140	5	(2,243)	(10)	(2,253)
At 1 January 2005, restated/ 31 December 2005, restated/ 1 January 2006/ 31 December 2006		-	3	3
Accumulated depreciation				
At 1 January 2005		25	-	25
Effect of adopting FRS 140	5	(25)	-	(25)
At 1 January 2005, restated/ 31 December 2005, restated/ 1 January 2006/ 31 December 2006		-	-	-
Carrying amounts				
At 1 January 2005, restated/ 31 December 2005, restated/ 1 January 2006/ 31 December 2006		-	3	3

Impairment loss

During the year, a subsidiary assessed the recoverable amount of its plant and machinery and write down the carrying amount of the assets in full by RM162,000.

In 2005, the cessation of the operation of a subsidiary caused the said subsidiary to assess the recoverable amount of the plant and machinery and wrote down the carrying amount of the assets by RM71,000 based on nil recoverable amount.

Leased plant and machinery

At 31 December 2006, the net carrying amount of leased motor vehicles and plant and machinery was RM12,586,000 (2005 – RM18,003,000).

Property, plant and equipment acquired on instalment purchase plans

During the financial year, the Group acquired RM381,000 (2005 – RM387,000) worth of motor vehicles and plant and machinery by means of finance lease agreements.

4. Intangible assets

Group	Note	Goodwill RM'000
Cost		
At 1 January 2005/ 31 December 2005/ 31 December 2006		346
Amortisation and impairment loss		
At 1 January 2005:		
Accumulated amortisation		69
Amortisation for the year	19	69
At 31 December 2005/1 January 2006:		
Accumulated amortisation		138
Impairment loss for the year	19	208
At 31 December 2006:		
Accumulated amortisation		138
Accumulated impairment loss		208
		346
Carrying amounts		
At 1 January 2005		277
At 31 December 2005/1 January 2006		208
At 31 December 2006		-

Amortisation and impairment loss

The amortisation and impairment loss are recognised in operating expenses in the income statement.

Impairment loss

During the year, the performance of a subsidiary continued to be in a net loss position causing the Group to assess the recoverable amount of goodwill arising from acquisition and write down the carrying amount of the goodwill in full amounting to RM208,000.

5. Investment property

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Cost					
At 1 January		14,387	-	3,183	-
Effect of adopting FRS 140	3	-	10,363	-	2,253
At 1 January, restated		14,387	10,363	3,183	2,253
Acquisitions		7,876	4,024	7,876	930
At 31 December		22,263	14,387	11,059	3,183
Accumulated depreciation					
At 1 January		438	-	77	-
Effect of adopting FRS 140	3	-	347	-	25
At 1 January, restated		438	347	77	25
Depreciation for the year		166	91	72	52
At 31 December		604	438	149	77
Carrying amount		21,659	13,949	10,910	3,106

5. Investment property (continued)

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Included in the above are:					
Freehold land		5,225	5,225	-	-
Buildings		16,434	8,724	10,910	3,106
		21,659	13,949	10,910	3,106
Fair value		22,343	14,452	10,992	3,124

Certain buildings of the Group and the Company with an aggregate net book value of RM7,824,000 (2005 – RM6,073,000) and RM7,824,000 (2005 – RM2,745,000) respectively are in the process of being registered under the name of the Company.

Security

Certain freehold land and buildings of subsidiaries with an aggregate net book value of RM4,853,000 (2005 – RM4,881,000) are charged to secure banking facilities of the subsidiaries (Note 14).

6. Investments in subsidiaries

	Company 2006 RM'000	Company 2005 RM'000
At cost:		
Unquoted shares	65,892	65,892

Details of the subsidiaries are as stated in Note 28.

7. Land held for property development

	Group 2006 RM'000	Group 2005 RM'000
Cost		
At 1 January/31 December	27,528	27,528

Security

The land is charged to a licensed bank to secure banking facilities of a subsidiary (Note 14).

8. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Group	Assets 2006 RM'000	Assets 2005 RM'000 Restated	Liabilities 2006 RM'000	Liabilities 2005 RM'000 Restated	Net 2006 RM'000	Net 2005 RM'000 Restated
Property, plant and equipment	-	-	(1,848)	(980)	(1,848)	(980)
Land held for development	-	-	(1,803)	(1,975)	(1,803)	(1,975)
Unabsorbed capital allowances	503	160	-	-	503	160
Provisions	551	1,234	-	-	551	1,234
Tax assets/ (liabilities)	1,054	1,394	(3,651)	(2,955)	(2,597)	(1,561)
Set off of tax	(1,054)	(750)	1,054	750	-	-
Net tax assets/ (liabilities)	-	644	(2,597)	(2,205)	(2,597)	(1,561)

In recognising the deferred tax assets attributable to unutilised capital allowance carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised capital allowance carry-forwards amounting to approximately RM1,863,000 will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM503,000.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2006 RM'000	Group 2005 RM'000 Restated
Deductible temporary differences	3,210	2,808
Taxable temporary differences	(900)	(821)
Unabsorbed capital allowances	1,798	1,247
Tax loss carry-forwards	579	484
	4,687	3,718

The deductible temporary differences 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 the Group can utilise the benefits there from. Unutilised tax loss carry-forwards and unutilised capital allowance carry-forwards amounting RM2,144,000 and RM6,659,000 will not be available to the Group if there is substantial change in shareholders (more than 50%)

Movement in temporary differences during the year

Group	At 1.1.2005 RM'000 Restated	Recognised in income statement (Note 21) RM'000	At 31.12.2005 RM'000	Recognised in income statement (Note 21) RM'000	At 31.12.2006 RM'000
Property, plant and equipment	(1,094)	114	(980)	(868)	(1,848)
Land held for development	(2,320)	345	(1,975)	172	(1,803)
Unabsorbed capital allowances	48	112	160	343	503
Provisions	1,353	(119)	1,234	(683)	551
	(2,013)	452	(1,561)	(1,036)	(2,597)

8. Deferred tax assets and liabilities (continued)

Movement in unrecognised deferred tax assets during the year

Group	At 1.1.2005 RM'000 Restated	Additions RM'000	Recognition RM'000	At 31.12.2005 RM'000 Restated	Additions RM'000	Recognition RM'000	At 31.12.2006 RM'000
Deductible temporary differences	2,767	467	-	3,234	874	-	4,108
Tax loss carry-forwards	428	56	-	484	95	-	579
	3,195	523	-	3,718	969	-	4,687

9. Receivables, deposits and prepayments

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Current					
Trade					
Trade receivables		53,193	74,105	-	-
Less: Allowance for doubtful debts		(4,820)	(5,028)	-	-
	a	48,373	69,077	-	-
Accrued billings		1,409	2,436	-	-
		49,782	71,513	-	-
Non-trade					
Amount due from subsidiaries	b	-	-	24,009	32,177
Other receivables, deposits and prepayments		3,663	3,021	8	82
		3,663	3,021	24,017	32,259
		53,445	74,534	24,017	32,259

Note a

Included in trade receivables of the Group are amounts due from companies deemed related to Directors as defined in Note 29 amounting to RM4,926,000 (2005 – RM30,334,000). Trade receivables are denominated in its functional currency, Ringgit Malaysia. Bad debts amounting to RM13,000 (2005 - Nil) have been written off against allowance for doubtful debts during the year.

Note b

The amount due from subsidiaries is unsecured, interest free and is repayable on demand.

10. Inventories

	Group 2006 RM'000	Group 2005 RM'000
Trading inventories	22,308	20,093
Developed properties held or sale	333	333
	22,641	20,426

Inventories recognised as cost of sales amounted to RM26,018,000 (2005 – RM21,979,000). The write down of the inventories to net realisable value amounted to RM708,000 (2005 – RM460,000).

11. Property development costs

	Group 2006 RM'000	Group 2005 RM'000
At 1 January		
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
Development costs incurred during the year	4,368	9,698
	4,368	9,698
Costs charged to income statement	(2,765)	(16,569)
Transfer to inventory	-	(333)
	(2,765)	(16,902)
	18,158	16,555
At 31 December		
Land	13,058	13,058
Development costs	50,449	46,081
Accumulated costs charged to income statement	(45,349)	(42,584)
	18,158	16,555

Additions to development costs during the year include rental of equipment of RM63,000 (2005 - RM45,000).

12. Cash and cash equivalents

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Deposits are placed with licensed banks	29,227	28,322	21,479	20,888
Cash and bank balances	5,871	3,891	6	3
	35,098	32,213	21,485	20,891

Included in the Group's cash and bank balances is an amount of RM409,000 (2005 – RM1,264,000), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 2002.

Deposits placed with licensed banks pledged for bank facility

Deposits with licensed banks amounting to RM6,987,000 (2005 – RM6,593,000) and RM3,613,000 (2005 – RM3,486,000) of the Group and the Company respectively are pledged to banks to secure bank borrowings and facilities granted to subsidiaries (Note 14).

13. Capital and reserves

Share capital

	Group and Company	
	2006	2005
	RM'000	RM'000
Ordinary shares of RM1 each		
Authorised:	200,000	200,000
Issued and fully paid:	99,149	99,149

Share premium

Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank all of its distributable reserves at 31 December 2006 if paid out as dividends.

14. Borrowings

This note provides information about the contractual terms of the Group's borrowings.

	Group	
	2006	2005
	RM'000	RM'000
Non-current		
Finance lease liabilities	6,020	7,803
	6,020	7,803
Current		
Bank overdraft – secured	502	925
Bank overdraft – unsecured	183	306
Revolving credits – unsecured	650	1,850
Bridging term loan – secured	-	507
Finance lease liabilities	2,264	2,552
	3,599	6,140

Security and terms

Bank overdrafts are subject to interest 8.25% (2005 - 7.5%) per annum and are secured by way of corporate guarantees, fixed deposits and fixed charge over subsidiaries freehold land and buildings (Note 5).

Revolving credits of the subsidiaries are subject to interest at 0.5% (2005 - 0.5%) per annum above the Kuala Lumpur Interbank Offer Rates and at 1.5% (2005 – 1.5%) above the Islamic cost of funds. Revolving credits are secured by corporate guarantee by the Company.

Bridging term loan is subject to interest at 7.5% (2005 – 7.5%) per annum and is secured by way of fixed charges over the land held for property development (Note 7).

Finance lease liabilities are subject to fixed interest rates ranging from 2.50% to 8.97% (2005 - 2.65% to 8.97%) per annum.

14. Borrowings (continued)

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 - 5 years RM'000
2006					
Bank overdraft					
- secured	2007	502	502	-	-
- unsecured	2007	183	183	-	-
Revolving credit					
- unsecured	2007	650	650	-	-
Finance lease liabilities					
- secured	2007 - 2010	8,284	2,264	2,069	3,951
		9,619	3,599	2,069	3,951
2005					
Bank overdraft					
- secured	2006	925	925	-	-
- unsecured	2006	306	306	-	-
Revolving credit					
- unsecured	2006	1,850	1,850	-	-
Bridging term loan					
- secured	2006	507	507	-	-
Finance lease liabilities					
- secured	2006 - 2010	10,355	2,552	2,012	5,791
		13,943	6,140	2,012	5,791

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000	Minimum lease payments 2005 RM'000	Interest 2005 RM'000	Principal 2005 RM'000
Less than one year	2,926	662	2,264	3,370	818	2,552
Between one and five years	6,852	832	6,020	9,240	1,437	7,803
	9,778	1,494	8,284	12,610	2,255	10,355

15. Employee benefits

Share-based payments

On 2 July 2003, the Group established a share option programme that entitles employees (including Executive Directors) to purchase shares in the Company.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares:

Grant date / employees entitled	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to employees on 2 July 2003*	9,625	Full time employee aged 18 years old and above and on the payroll within the Group as at the date of offer	5 years
Total share options	9,625		

* The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.

The number and exercise price of share options are as follows:

	Average exercise price 2006	Number of options ('000) 2006	Average exercise price 2005 Restated	Number of options ('000) 2005 Restated
Outstanding at 1 January	1.25	4,050	1.25	6,730
Lapsed during the year	1.25	(1,491)	1.25	(2,680)
Outstanding at 31 December	1.25	2,559	1.25	4,050
Exercisable at 31 December	1.25	2,559	1.25	4,050

The options outstanding at 31 December 2006 have an exercise price of RM1.25 and a contractual life of 5 years.

During the year, no share options were exercised (2005 – Nil).

16. Payables and accruals

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Trade					
Trade payables	a	28,282	25,420	-	-
Amount due to contract customers	b	-	157	-	-
		28,282	25,577	-	-
Non-trade					
Other payables and accrued expenses		4,856	5,234	105	101
Directors	c	72	72	69	69
		4,928	5,306	174	170
		33,210	30,883	174	170

16. Payables and accruals (continued)

Note a

Included in trade payables of the Group is an amount due to companies deemed related to Directors amounting to RM5,014,000 (2005 – RM9,172,000). Payables denominated in currencies other than the functional currency comprise RM250,000 (2005 – RM132,000) of trade payables denominated in US Dollar, RM3,993,000 (2005 – RM1,776,000) of trade payables denominated in Japanese Yen and RM347,000 (2005 – RM nil) of trade payables denominated in Euro Dollar.

Note b

	Group	
	2006 RM'000	2005 RM'000
Amount due to contract customers		
Aggregate costs incurred to date	-	9,415
Add: Attributable profits	-	428
	-	9,843
Less: Progress billings	-	(10,000)
Amount due to contract customers	-	(157)

Note c

The amount due to Directors comprises advances that are unsecured, interest free and are repayable on demand.

17. Revenue

Group	2006 RM'000	2005 RM'000 Restated
Sales of goods	53,846	66,100
Rental of machinery	31,113	25,802
Contract income recognised	-	19
Property development revenue	2,739	18,142
Investment property	692	424
	88,390	110,487
Company		
Dividend income from unquoted subsidiaries	1,000	1,000

18. Cost of sales

Group	2006 RM'000	2005 RM'000 Restated
Cost of sales	52,438	58,556
Direct operating expenses	18,747	17,736
Contract costs recognised as an expense	-	20
Property development expenses	2,765	16,569
Investment property	263	53
	74,213	92,934

19. Profit before tax

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Profit before tax is arrived at after charging:					
Allowance for doubtful debts		-	1,002	-	-
Amortisation of goodwill	4	-	69	-	-
Auditors' remuneration:					
Audit services					
- Auditors of the Company		82	76	15	12
- Other auditors		2	2	-	-
Depreciation on property, plant and equipment	3	7,219	6,525	-	-
Depreciation on investment property	5	166	91	72	52
Impairment losses on property, plant and equipment	3	162	71	-	-
Impairment losses on goodwill	4	208	-	-	-
Inventories written off		-	378	-	-
Loss on realised foreign exchange		-	32	-	-
Property, plant and equipment written off		-	2	-	-
Personnel expenses (including key management personnel)					
- Contribution to Employee Provident Fund		668	739	29	36
- Wages, salaries and others		7,353	9,125	260	324
Rental of motor vehicles		-	173	-	-
Rental of premises		1,502	1,476	-	-
Rental of equipment and machineries		1,681	3,848	-	-
Write down of inventories		708	460	-	-
and after crediting:					
Gain on disposal of property, plant and equipment		389	152	-	-
Rental of premises		692	424	-	-
Realised gain on foreign exchange		-	126	-	-
Reversal of allowance for doubtful debts		195	-	-	-
Unrealised gain on foreign exchange		20	122	-	-

20. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Directors				
- Fees	20	20	20	20
- Remuneration	1,183	1,453	269	336
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	55	70	8	-
Total short-term employee benefits	1,258	1,543	297	356

21. Tax expense

Recognised in the income statement

	Note	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Tax expense		2,318	1,497	486	424
Major components of tax expense include:					
Current tax expense					
Malaysian - current year		1,152	2,045	488	426
- prior year		130	(96)	(2)	(2)
Total current tax		1,282	1,949	486	424
Deferred tax expense					
Origination and reversal of temporary differences		1,025	(389)	-	-
Overprovision in prior years		11	(63)	-	-
Total deferred tax		1,036	(452)	-	-
Total tax expense		2,318	1,497	486	424

Reconciliation of effective tax expense

	Group 2006 RM'000	Group 2005 RM'000 Restated	Company 2006 RM'000	Company 2005 RM'000 Restated
Profit for the year	1,009	299	804	544
Total tax expense	2,318	1,497	486	424
Profit excluding tax	3,327	1,796	1,290	968
Tax at Malaysian tax rate of 28%	932	503	361	271
Effect of different tax rate for chargeable income up to RM500,000	(87)	(133)	-	-
Effect of change in tax rate*	(172)	-	-	-
Non-deductible expenses	535	722	127	155
Deferred tax assets not recognised	969	523	-	-
Other items	-	41	-	-
	2,177	1,656	488	426
Under / (over) provided in prior years	141	(159)	(2)	(2)
	2,318	1,497	486	424

* In the Malaysian Budget 2007, it was announced that the corporate income tax rate will be reduced to 27% in 2007 and to 26% in 2008. Consequently, deferred tax assets and liabilities are measured using these tax rates.

22. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on net profit attributable to ordinary shareholders of approximately RM1,134,000 (2005 – RM482,000) and the number of ordinary shares outstanding during the year of 99,149,000 (2005 – 99,149,000).

Diluted earnings per share

The diluted earnings per ordinary share is not shown as the exercise price of options under the ESOS is higher than the Company's share price at the balance sheet date.

23. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2006			
Final 2005 ordinary	0.72	714	20 September 2006
2005			
Final 2004 ordinary	0.72	714	23 September 2005

After the balance sheet date, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM'000
Final ordinary	0.73	724

24 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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 property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

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.
Investment property	Rental of investment property

Geographical segments

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

24. Segmental reporting (continued)

	Trading and services 2006 RM'000	Trading and services 2005 RM'000	Property development 2006 RM'000	Property development 2005 RM'000	Construction 2006 RM'000	Construction 2005 RM'000	Investment property 2006 RM'000	Investment property 2005 RM'000 Restated	Eliminations 2006 RM'000	Eliminations 2005 RM'000	Consolidated 2006 RM'000	Consolidated 2005 RM'000 Restated
Business segments												
Total external revenue	84,959	91,902	2,739	18,142	-	19	692	424	-	-	88,390	110,487
Inter-segment revenue	9,122	998	-	-	-	-	-	-	(9,122)	(998)	-	-
Total segment revenue	94,081	92,900	2,739	18,142	-	19	692	424	(9,122)	(998)	88,390	110,487
Segment result	3,773	2,221	80	1,139	(4)	(4)	429	371	(615)	(1,231)	3,663	2,496
Unallocated expenses											(217)	(415)
Results from operating activities											3,446	2,081
Interest expense											(986)	(1,175)
Interest income											867	890
Profit before taxation											3,327	1,796
Tax expense											(2,318)	(1,497)
Profit for the year											1,009	299
Segment assets	150,460	153,240	35,685	36,902	33	116	21,659	13,949	(17,825)	(12,246)	190,012	191,961
Unallocated assets											21,496	20,841
Total assets											211,508	212,802
Segment liabilities	(61,545)	(62,482)	(28,032)	(28,696)	(2)	(189)	-	-	44,253	44,388	(45,326)	(46,979)
Unallocated liabilities											(260)	(196)
Total liabilities											(45,586)	(47,175)
Capital expenditure	13,978	3,743	-	-	-	-	7,876	4,024	-	-	21,854	7,767
Depreciation	(7,202)	(6,508)	(17)	(17)	-	-	(166)	(91)	-	-	(7,385)	(6,616)
Amortisation of goodwill	-	-	-	-	-	-	-	-	-	-	-	(69)
Impairment losses on goodwill	-	-	-	-	-	-	-	-	-	-	(208)	-
Non-cash expenses other than depreciation and amortisation	(870)	(1,911)	-	-	-	-	-	-	-	-	(870)	(1,911)

25. Financial instruments

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of the Group'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 is represented by the carrying amounts of each financial asset.

Interest rate risk

The Group borrows for operations at variable rate 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.

Effective interest rates and repricing analysis

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

Group 2006	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 -4 years RM'000	4 -5 years RM'000
Fixed rate instruments								
Deposit with licensed banks	12	2.30-3.00	29,227	29,227	-	-	-	-
Finance lease liabilities	14	2.50-8.97	8,284	2,264	2,069	2,066	1,870	15
			37,511	31,491	2,069	2,066	1,870	15
Floating rate instruments								
Bank overdraft – secured	14	8.25	502	502	-	-	-	-
Bank overdraft – unsecured	14	8.25	183	183	-	-	-	-
Revolving credits – unsecured	14	4.87	650	650	-	-	-	-
			1,335	1,335	-	-	-	-
Company								
Fixed rate instruments								
Deposits with licensed banks	12	2.30-3.00	21,479	21,479	-	-	-	-
Group								
2005								
Fixed rate instruments								
Deposit with licensed banks	12	2.52-2.70	28,322	28,322	-	-	-	-
Finance lease liabilities	14	2.65-8.97	10,355	2,552	2,012	1,911	1,994	1,886
			38,677	30,874	2,012	1,911	1,994	1,886
Floating rate instruments								
Bank overdraft – secured	14	7.25	925	925	-	-	-	-
Bank overdraft – unsecured	14	7.25	306	306	-	-	-	-
Bridging term loan – secured	14	7.50	507	507	-	-	-	-
Revolving credits – unsecured	14	5.57	1,850	1,850	-	-	-	-
			3,588	3,588	-	-	-	-
Company								
Fixed rate instruments								
Deposits with licensed banks	12	2.52-2.70	20,888	20,888	-	-	-	-

25. Financial instruments (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are US Dollar, Japanese Yen and Euro Dollar.

The Group does hedge its foreign currency exposures and 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.

Fair values

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

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The fair values of financial liabilities, together with the carrying amounts shown in the balance sheets are as follows:

		2006		2005	
Group	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Finance lease liabilities	14	8,284	8,796	10,355	11,004

Estimation of fair values

For the above financial liabilities, fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

The interest rate used to discount estimated cash flows are as follows:

	2006	2005
Leases	3.50% - 8.97%	2.65% – 7.50%

26. Capital and other commitments

	Group 2006 RM'000	Group 2005 RM'000
Capital expenditure commitments		
Authorised but not contracted for		
Within one year	17,300	17,300

This is an amount allocated for the purchase of freehold land and building, plant and equipment from the Right Issue and Public Issue exercise in 2001.

27. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Company 2006 RM'000	Company 2005 RM'000
Guarantees and contingencies relating to borrowings of subsidiaries (unsecured)	551	751

28. 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 2006	Effective ownership interest 2005
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%	100%
Endau Prima Sdn. Bhd.	Ceased operations	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.*

29. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries as disclosed in Note 28.

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

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 subsidiary, is also a Director of Pembinaan Sahabatjaya Sdn. Bhd. who holds 48% of indirect shareholdings interest in Pembinaan Sahabatjaya Sdn. Bhd.. Lim Keng Cheng has resigned as Director of Yasmin Marine Technology Sdn. Bhd. on 10 August 2006.

iv) Danga Bay Sdn. Bhd., Danga Bay Management Sdn. Bhd. and Rampai Fokus Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo when he became a substantial shareholders in Credence Resources Sdn. Bhd., the holding company of Danga Bay Sdn. Bhd. on 19 June 2006.

Related party transactions

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

Type of transactions	Related party	2006 RM'000	2005 RM'000
Group			
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	7,083	9,954
	Danga Bay Sdn. Bhd.	2,601**	-
	Ekovest Berhad	208	6
	Ekovest Construction Sdn. Bhd.	5,305	7,457
	Pembinaan Sahabatjaya Sdn. Bhd.	9,627*	15,185
Purchase and rental of machinery and equipment and purchase of building materials	Aramijaya Sdn. Bhd.	39	1
	Binawani Sdn. Bhd.	-	76
	Danga Bay Sdn. Bhd.	15**	-
	Ekovest Construction Sdn. Bhd.	14	-
	Felda Ekovest Sdn. Bhd.	-	95
	Pembinaan Sahabatjaya Sdn. Bhd.	271*	1,147
	Rampai Fokus Sdn. Bhd.	9	-
Rental of premises paid	Binawani Sdn. Bhd.	5	-
	Ekovest Berhad	114	114
	Pestarena Industri Sdn. Bhd.	1,110	1,111
Rental of premises received	Danga Bay Sdn. Bhd.	149**	-
	Ekovest Berhad	282	-
Progress billings for construction work	Pembinaan Sahabatjaya Sdn. Bhd.	-	5,097
Company			
Rental of premises received	Danga Bay Sdn. Bhd.	107**	-

* Transactions up to 10 August 2006

** Transactions from 19 June 2006 to 31 December 2006

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

30. Acquisition of a subsidiary

On 30 June 2005, the Group's wholly owned subsidiary, Wengcon Holdings Sdn. Bhd., acquired 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 previous year.

31. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The changes in accounting policies arising from the adoption of FRS 3, Business Combination, FRS 136, Impairment of assets and FRS 138, Intangible Assets are summarised below:

FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement.

During the year, the carrying amount of goodwill of RM208,000 has been impaired and charged to the income statement (Note 4).

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2006 would decrease by RM69,000 as follows:

	Group 2006 RM'000
Income statement for the year ended 31 December	
Goodwill amortisation which would be charged to the income statement	69

This change in accounting policy has no material impact on earnings per share.

32. Comparative figures

The following comparative figures have been reclassified:

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheets				
Property, plant and equipment	26,074	40,023	3	3,109
Investment property	13,949	-	3,106	-
Note to the financial statements				
Revenue				
Sales of goods	66,100	59,393	-	-
Contract income recognised	19	6,726	-	-
Cost of sales				
Cost of sales	58,556	52,023	-	-
Contract costs recognised as an expense	20	6,553	-	-

Properties of the Group and the Company amounting to RM13,949,000 and RM3,106,000 respectively in 2005 that are owned to earn rental income or for capital appreciation or for both were reclassified from property, plant and equipment to investment property.

Following the adoption of FRS 3, Business Combination, minority interest was reclassified into equity; likewise in arriving at profit for the year, minority interest was not deducted.

Material Litigation and Others Information of Knusford Berhad and Its Subsidiaries

For The Year Ended 31 December 2006

- MATERIAL LITIGATION, CLAIMS AND ARBITRATION OF KNUSFORD BERHAD AND ITS SUBSIDIARIES

  Neither the Company nor any of its subsidiaries is engaged in any material litigation, claims and arbitration arising from the ordinary course of business either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings, pending or threatened against the Company and its subsidiaries or of any facts likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company and its subsidiaries.

- SHARE BUY-BACK

  There was no share buy-back by the Company.

- AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

  The Company did not sponsor and ADR or GDR programme.

- SANCTIONS AND/OR PENALTIES IMPOSED

  There are no fines or sanctions imposed on the Company and its subsidiaries, directors or management.

- NON AUDIT FEES

  There are no non audit fees paid to the external auditors for the financial year ended 31 December 2006.

- PROFIT ESTIMATE, FORECAST OR PROJECTION

  The Company did not issue any profit estimate, forecast or projection for the financial year.

- PROFIT GUARANTEE

  The Company did not give any profit guarantee.

- MATERIAL CONTRACTS

  There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders interest.

- OPTIONS, WARRANT OR CONVERTIBLE SECURITIES

  Except as disclosed in the directors' report under the Employees' Share Option Scheme, there was no other options, warrants or convertible securities issued by the Company.

- RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE OR TRADING NATURE AND PROPOSED ADDITIONAL MANDATE WITH THE NEW RELATED PARTY

  Pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company will be seeking shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature, at the forthcoming Annual General Meeting of Knusford Berhad scheduled to be held on 25 June 2007.

Date of Annual Report : 4 June 2007
Statement Date : 15 May 2007

SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholdings	%	Indirect Shareholdings*	%
1. Kinston Park Sdn Bhd	32,410,000	35.53	-	-
2. Dato' Lim Kang Swee	8,154,000	8.18	#439,000	0.44
3. Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15	-	-
4. Dato' Lim Kang Hoo	615,749	0.62	*32,410,000	32.53
TOTAL	49,303,871	49.48		

DIRECTORS' SHAREHOLDINGS

Name	Direct Shareholdings	%	Indirect Shareholdings*	%
1. Dato' Lim Kang Swee	8,154,000	8.18	#439,000	0.44
2. Dato' Lim Kang Hoo	615,749	0.62	*32,410,000	32.53
3. Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15	-	-
4. Aznam Bin Mansor	8,000	0.01	-	-
5. Lim Ts-Fei	10,000	0.01	-	-
6. Dr. Wong Kai Fatt	-	-	-	-
7. Kang Hui Ling	-	-	-	-
TOTAL	16,911,871	16.97		

Deemed interest by virtue of his shareholding in Bidarcita Sdn Bhd
* Deemed interest by virtue of his shareholdings in Kinston Park Sdn Bhd

CLASS OF EQUITY SECURITY

Authorised Share Capital : RM 200,000,000.00
Issued and Fully Paid-Up : RM 99,637,002.00
Class of Shares : Ordinary shares of RM 1.00 each

There is only one class of equity security in the Issued and Paid-up share capital of the Company. There were 789 shareholders holding 99,637,002 ordinary shares of RM 1.00 each as at 15 May 2007. Each share entitles the holder to 1 vote.

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	Shareholdings	%
Less than 100 shares	4	0.51	24	0.00
100 - 1,000 shares	257	32.57	253,154	0.25
1,001 – 10,000 shares	378	47.91	1,719,574	1.73
10,001 – 100,000 shares	93	11.79	2,998,100	3.01
100,001 to less than 5% of issued shares	53	6.72	50,488,028	50.67
5% and above of issued shares	4	0.51	44,178,122	44.34
TOTAL	789	100	99,637,002	100

THIRTY (30) LARGEST SHAREHOLDERS

	Name	Shareholdings	%
1	Kinston Park Sdn Bhd	23,910,000	24
2	Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15
3	Dato' Lim Kang Swee	7,144,000	7.17
4	Kinston Park Sdn Bhd	5,000,000	5.02
5	Wung Earn Lee	3,577,000	3.59
6	Kinston Park Sdn Bhd	3,500,000	3.51
7	OSK Nominees (Tempatan) Sdn Bhd	3,478,100	3.49
	- Pledged Securities Account for Ngai Sok Fong		
8	Tan Lai Leng	3,354,000	3.37
9	Wong Khai Shiuan	3,149,000	3.16
10	Mayban Securities Nominees (Tempatan) Sdn Bhd	3,045,800	3.06
	- Pledged Securities Account for Suhaizi Bin Hamid		
11	Wong Siew Chin	2,837,000	2.85
12	Ng Cheng Boey	2,151,000	2.16
13	OSK Nominees (Tempatan) Sdn Bhd	2,015,500	2.02
	- Pledged Securities Account for Gary Lee Seaton		
14	Naharuddin Bin Nizam	1,647,000	1.65
15	Mayban Securities Nominees (Tempatan) Sdn Bhd	1,630,599	1.64
	- Pledged Securities Account for Pang Piu Fong		
16	Mayban Securities Nominees (Tempatan) Sdn Bhd	1,571,600	1.58
	- Pledged Securities Account for Cheong Meow Yen		
17	Lim Keng Cheng	1,553,000	1.56
18	Lim Sew Hua	1,553,000	1.56
19	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd	1,254,700	1.26
	- Pledged Securities Account for Yap Kok Woon		
20	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd	1,135,600	1.14
	- Pledged Securities Account for Foo Suet Kum		
21	Amsec Nominees (Tempatan) Sdn Bhd	1,076,000	1.08
	- Pledged Securities Account for Tan Leak Goh		
22	Amsec Nominees (Tempatan) Sdn Bhd	1,071,600	1.08
	- Pledged Securities Account for Goh Eng Keong		
23	Dato' Lim Kang Swee	1,000,000	1.00
24	Wong Oi Lee	1,000,000	1.00
25	A. A. Anthony Nominees (Tempatan) Sdn Bhd	657,800	0.66
	- Pledged Securities Account for Tan Wen Shiow		
26	Lee Teck Ten	646,600	0.65
27	Dato' Lim Kang Hoo	615,749	0.62
28	ECM Libra Avenue Nominees (Tempatan) Sdn Bhd	521,500	0.52
	- Pledged Securities Account for Lye Sau Chee		
29	Lee Pei Sze	518,400	0.52
30	Bidarcita Sdn Bhd	439,000	0.44

as at 31 December 2006

Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area # (Hectares) / Built-up Area (sq. ft.)*/(sq.m)^	NBV (RM'000)	Date of Acquisition
Knusford Berhad						
Lot C-11-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	5	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,176*	549	21 Aug 2001
Lot C-11-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	5	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,176*	549	21 Aug 2001
Lot C-12-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	5	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	4,050*	1,071	21 Aug 2001
Lot D-09-05 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	2	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,173*	544	01 Oct 2005
Lot C-09-05 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,173*	552	21 Dec 2006
Lot C-09-06 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,173*	562	21 Dec 2006
Lot C-10-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,176*	565	21 Dec 2006
Lot C-10-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,176*	565	21 Dec 2006
Lot C-12-03 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	4,050*	1,107	21 Dec 2006

as at 31 December 2006

Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area # (Hectares) / Built-up Area (sq. ft.)*/(sq.m)^	NBV (RM'000)	Date of Acquisition
Lot D-10-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,176*	2,176*	21 Dec 2006
Lot D-11-3A Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,176*	568	21 Dec 2006
Lot D-12-03 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	4,050*	1,107	21 Dec 2006
Lot B-12-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	4,050*	1,107	21 Dec 2006
Lot B-09-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,173*	562	21 Dec 2006
Lot C-09-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	1	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,173*	562	21 Dec 2006
Wengcon Holdings Sdn Bhd Lot 3658 Jalan Genting Klang Mukim of Setapak District of Kuala Lumpur	24	Freehold	Eight(8) Two (2) storey workshop	0.304#	2,324	9 May 1996
Lot 51261 Mukim of Senai-Kulai Daerah of Johor Bahru Johor Darul Takzim	9	Freehold	Four (4) storey Shop office	295^	236	13 Jan 1997
Wengcon Equipment Sdn Bhd Lot 2259 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	_	Freehold	Vacant Land	28.1419#	13,210	1 Nov 2001
Lot B-09-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	2	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,173*	545	1 Oct 2005

as at 31 December 2006

Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area # (Hectares) / Built-up Area (sq. ft.)*/(sq.m)^	NBV (RM'000)	Date of Acquisition
Lot C-09-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	2	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	2,173*	545	1 Oct 2005
Lot C-12-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	2	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	4,050*	1,092	1 Oct 2005
Lot A-12-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	2	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	4,050*	1,092	1 Oct 2005
D-Hill Sdn Bhd Lot C-04-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	6	Leasehold 99 years Expiring on 26 Dec 2095	Apartment	1,038*	180	22 Dec 2000
Lot 1600 to 1603 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	_	Freehold	Development Land	23.958#	11,248	28 April 2003
Lot 1916 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	_	Freehold	Development Land	2.951#	1,385	28 April 2003

Note: The Group has not revalued any of its property

Status of Utilisation of Proceeds from Rights Issue and Public Issue

as at 31 December 2006

The Company has implemented the corporate exercise by Rights Issue and Public Issue during the Company's restructuring exercise in May 2001.

The status of the utilisation of proceeds raise from this restructuring exercise is as follows :-

	Approved Utilisation by SC RM'000	Utilised as at 31 Dec 2006 RM'000	Balance yet to be Utilised RM'000
Repayment of Term Loan and Overdraft	3,189	3,189	-
Repayment of Revolving Credit	500	500	-
Repayment of Hire Purchase Facilities	936	936	-
Purchase of Freehold Land and Building	12,300	-	12,300
Purchase of Plant and Equipment to facilitate the reconditioning business	5,000	-	5,000
Estimated Listing Expenses	2,000	2,000	-
General Working Capital	8,330	8,330	-
TOTAL	32,255	14,955	17,300

Form of Proxy

KNUSFORD BERHAD
[380100-D]
(Incorporated in Malaysia)

I/We ____

of ____

being a member of the abovenamed Company hereby appoint ______________________

of ____

or failing whom, ____

of ____

or the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Monday, 25 June 2007 at 10.30 a.m. and, at any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	Adoption of Audited Financial Statements	(Resolution 1)		
2.	Re-election of Directors:- i) Ms. Lim Ts-Fei ii) Ms. Kang Hui Ling	 (Resolution 2) (Resolution 3)		
3.	Approval of Directors' Fees	(Resolution 4)		
4.	Declaration of First and Final Dividend	(Resolution 5)		
5.	Re-appointment of Auditors	(Resolution 6)		
6.	I. Authorisation pursuant to Section 132D II. Proposed Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	(Resolution 7) (Resolution 8)		

Dated this _______ day of __________ 2007.

Number of shares held [ ]

____
Signature (s) of Shareholder (s)

Notes:

1. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
4. To be valid, this form, duly completed must be deposited at the Registered Office not less than 48 hours before the time for holding the meeting or any adjournment thereof.

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AFFIX
30 sen
STAMP

The Company Secretary

Knusford Berhad _(380100-D)_
33-35, Ground Floor, Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur

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KNUSFORD BERHAD
(380100-D)

Registered Office
33-35, Ground Floor, Wisma Ekovest,
Jalan Desa Gombak 6,
Taman Sri Setapak, Off Jalan Gombak,
53000 Kuala Lumpur.
Tel: (603) 4023 2525 Fax: (603) 4021 4027

Shah Alam Office
Lot 8, Jalan Kecapi 33/2,
Section 33, Elite Industrial Estate,
40350 Shah Alam, Selangor.
Tel: (603) 5122 2525 Fax: (603) 5122 5252