



KNUSFORD BERHAD

(380100-D)

(Incorporated in Malaysia)



Annual Report

2007

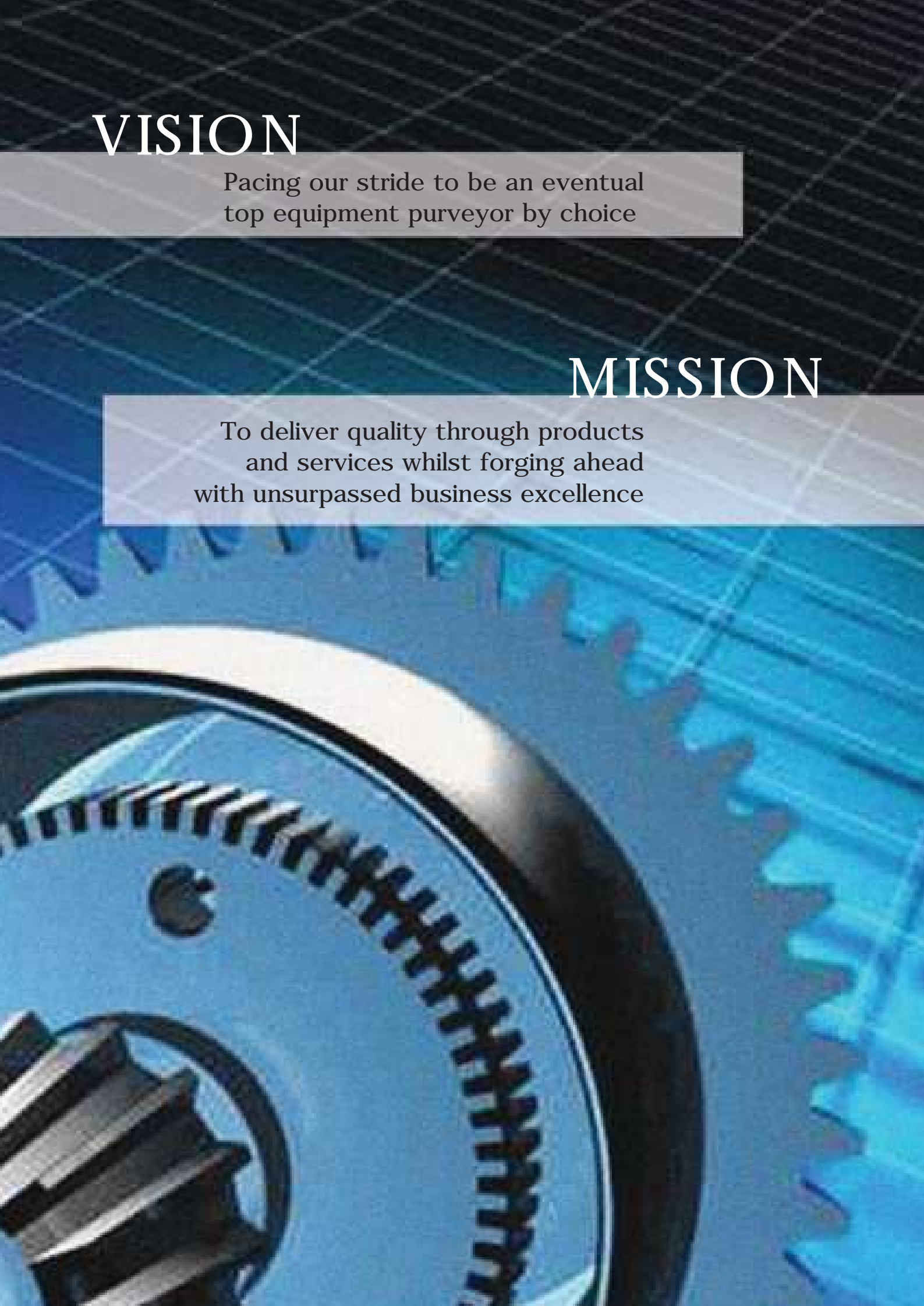


VISION

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

MISSION

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



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Corporate Information

BOARD OF DIRECTORS

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

- Managing Director

- Executive Director

- Executive Director

- Non-Executive Director

- Independent & Non-Executive Director

- Independent & Non-Executive Director

- Independent & Non-Executive Director

COMPANY SECRETARY

Lim Thiam Wah, ACIS

REGISTRAR

Insurban Corporate Services Sdn Bhd

149, Jalan Aminuddin Baki

Taman Tun Dr. Ismail

60000 Kuala Lumpur

Tel : 03-77275573

Fax : 03-77285948

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

AUDITORS

KPMG

Chartered Accountants

Level 10, KPMG Tower,

8, First Avenue, Bandar Utama,

47800 Petaling Jaya, Selangor

Tel : 03-77213388

Fax : 03-77213399

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

PRINCIPAL BANKERS

Malayan Banking Berhad

Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Main Board

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of the Company will be held at GRAND SEASONS HOTEL, 72 JALAN PAHANG, 53000 KUALA LUMPUR on Friday, 20 June 2008 at 11.00 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 2007 together with the Reports of the Directors and the Auditors thereon.
(Ordinary Resolution 1)
2. To re-elect the following Director who retires in accordance with Article 159 (6) of the Company's Articles of Association:-

Dato' Lim Kang Swee *(Ordinary Resolution 2)*
3. To re-elect the following Directors who retire by rotation in accordance with Article 82 of the Company's Articles of Association:-
 - i) En. Aznam Bin Mansor *(Ordinary Resolution 3)*
 - ii) Dr. Wong Kai Fatt *(Ordinary Resolution 4)*
4. To approve the payment of Directors' Fees for the financial year ended 31 DECEMBER 2007.
(Ordinary Resolution 5)
5. 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 2007.
(Ordinary Resolution 6)
6. To re-appoint Messrs. KPMG as Auditors and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 7)
7. 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 8)
 - II) ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHAREHOLDERS' 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 the Bursa Malaysia Securities Berhad for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as stated in Part A - paragraph 3.4 of the Circular to Shareholders dated 29 May 2008 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 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 9)

III) SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the proposed amendments to the Articles of Association of the Company as contained in Part B – Appendix 2 of the Circular to Shareholders dated 29 May 2008 be and are hereby approved AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company".

(Special Resolution)

8. 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 Twelfth Annual General Meeting, the First and Final dividend of 1 sen per ordinary share less income tax will be paid on 18 September 2008 to members whose names appear in the Record of Depositors on 29 August 2008.

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 29 August 2008 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

29 May 2008

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 8, 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 9, if passed, will authorise the Group to enter into recurrent related party transactions as specified in the Circular to shareholders dated 29 May 2008, 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.
 - iii. The Proposed Special Resolution, if passed, will bring the Articles of Association of the Company in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of Annual General Meeting

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

Details	Dato' Lim Kang Swee	Aznam Bin Mansor	Dr. Wong Kai Fatt
Directorships	Managing Director	Non-Executive Director	Independent Non-Executive Director
Age	49	50	61
Nationality & Race	Malaysian Chinese	Malaysian Malay	Malaysian Chinese
Qualification	Details as contained on page no. 8	Details as contained on page no. 8	Details as contained on page no. 8
Working experience & occupations	Details as contained on page no. 8	Details as contained on page no. 8	Details as contained on page no. 8
Other directorships of public listed companies	NIL	Mikro Berhad	NIL
Attendance at board meetings	Details as contained on page no. 9	Details as contained on page no. 9	Details as contained on page no. 9
Securities holdings in the Company @ 30.4.2008			
- Direct	8,154,000 ordinary shares	8,000 ordinary shares	NIL
- Indirect	439,000 ordinary shares	NIL	NIL
Family relationship with any director and / or major shareholders of the Company	Details as contained on page no. 9	NIL	NIL
Conflict of interest	Details as contained on page no. 9	Details as contained on page no. 9	Details as contained on page no. 9
Convictions of Offences	NIL	NIL	NIL

Statement Accompanying Notice of Annual General Meeting

General Meeting held during the financial year ended 31 December 2007:-

Type of Meeting	Date	Hour	Place
Eleventh Annual General Meeting	25 June 2007	10.30 a.m.	Grand Seasons Hotel 72 Jalan Pahang 53000 Kuala Lumpur
Extraordinary General Meeting	16 November 2007	10.00 a.m.	Grand Seasons Hotel 72 Jalan Pahang 53000 Kuala Lumpur

Profile of Directors

DATO' LIM KANG SWEE, aged 49, Malaysian, was appointed as the Managing Director of Knusford Berhad on 7 December 2000. Dato' Lim has more than twenty 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 twenty 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 53, 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 68, 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 50, 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 45, 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 61, 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 36, 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 those Directors having interests were 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 2007.

Attendance at the Board of Directors' Meetings

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

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, I am pleased to present the annual report and audited financial statements of the Company and the Group for the financial year ended 31 December 2007.

Overview and results

For the financial year ended 31 December 2007, the Group recorded a profit before taxation of RM2.659 million and a profit after taxation of RM 1.042 million from a turnover of RM82.965 million compared to RM3.327 million profit before taxation and RM1.009 million profit after taxation generated from a turnover of RM88.390 million achieved in the previous financial year. The overall financial performance of our Group has been consistent notwithstanding that our business environment is generally more challenging. However, there is a minor decrease in the turnover of our major business segments, namely machinery trading and rental and supply of construction and building materials. Notwithstanding that we were optimistic about securing jobs under the 9MP, the implementation of the 9MP has yet to make any positive impact. The growth was moderate as the much awaited boost arising from potential foreign investors was still lacking. As a result, our business in construction material supply and machinery trading has somewhat slowed down.

In response to such challenges, the Group has taken positive actions in further consolidating our relationship with existing customers. At the same time, the Group has also implemented more stringent policies and to concentrate on business with customers of good financial standing.

Another business strategy which the Board has adopted is to concentrate more on machinery rental. Despite the fact that the business environment for machinery rental is rather competitive and the profit margin may be smaller than that from machinery trading, the management acknowledges that the machinery rental business will bring in consistent income as most customers prefer to enter into long term contracts with us. The results of this strategy are encouraging and the Board will continue to monitor its effect.

Overall the property market sentiments in Malaysia over the past 1 year remained favourable with the commencement of the 9MP and the unveiling of several economic growth corridors and regional development plans. Since the Group is also involved in property development, the Board is reviewing its plans with a view to further expand its earnings from this sector.

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 2008 in respect of the financial year ended 31 December 2007.

Corporate Development

The Board has deferred plans for corporate development in the year ended 31 December 2007 as it is of the opinion that it would be in the best interest of the company to concentrate its efforts in enhancing its business activities.

Industry overview and prospects

In Malaysia, Bank Negara projected the economy to expand by 6.0% for the whole of 2007 against a backdrop of relatively stable inflation rate of between 2% to 2.5%.

Malaysia's economic growth depends greatly upon the extent to which global demand remains supportive of exports. In this regard, it has been predicted that the country's growth would probably slow down slightly in 2008 as global slow down cripples demand for the national export. Although the near term external uncertainties could hamper the country's growth, real GDP growth however is expected to remain resilient as the domestic demand and investment are expected to remain in place, in particular, with the implementation of 9MP and the scheduled kick off of the various economic growth corridors, regional development plans and mega projects.

We are pleased that we have established our presence in the Iskandar Malaysia as mentioned in our last Annual Report. The Board is optimistic that upon the development being implemented, the Group will benefit therefrom.

At the same time, the Board will continue to monitor the results of the present strategies and explore other business opportunities when such occasions arise.

The Board will also continue to be committed to ethics and responsibilities of a good corporate citizen as part of its mission to promote greater shareholders value.

Acknowledgement

On behalf of the Board of Directors, I would like to take this opportunity to thank all our shareholders, valued customers, business associates and bankers for their continuous support and confidence in the Group. I wish also to extend my appreciation to all our management and employees for their dedications, hard work and contribution to the Group.

Dato' Lim Kang Swee
Managing Director

The Board of Directors ("Board") of Knusford Berhad remains committed towards ensuring the highest standard of corporate governance is maintained throughout the Company and its subsidiaries ("the Group"). Hence, the Board is fully dedicated to continuously evaluating the Group's corporate governance practices and procedures with a view to ensure the principles and best practices in corporate governance as promulgated by the Malaysian Code on Corporate Governance ("the Code") is applied and adhered to in the best interests of the stakeholders. The Board is pleased to report to the shareholders in the manner in which the Group has applied the principles and best practices, and the best practices of the Code that were not adopted during the financial year are explained in the relevant paragraphs.

THE BOARD OF DIRECTORS

(a) Composition and Balance

The Company is led by an effective and experienced Board, encompassing of Seven (7) members, made up of Three (3) Independent Non-Executive Directors, One (1) Non-Independent Non-Executive Director and Three (3) Executive Directors. This composition satisfies the Bursa Securities Listing Requirements that requires at least 2 Directors or 1/3 of the Board whichever is higher, who are Independent Directors. The profiles of the members of the Board are set out on page 8 to page 9 of this Annual Report.

The role of the Independent Non-Executive Directors is to provide objective and independent judgment to the decision making of the Board and as such, provide an effective check and balance to the Board's decision making process. The Board composition brings together an extensive group of experienced Directors who are from diverse backgrounds and have a wide range of skills and experience in areas relevant to managing and directing the Group's operations.

The Company does not have an appointed Chairman of the Board. The Managing Director is responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations and developing the Group's business strategies 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.

The Board did not appoint a Senior Independent Non-Executive Director to whom concerns maybe conveyed as the Board encourages the active participation of each and every Board member at the Board meetings.

(b) Duties and Responsibilities

The main focus of the Board is on the overall strategic leadership, identification and management of principal risks and development and control of the Group. The Board has delegated specific responsibilities to Board Committees, all of which discharge the duties and responsibilities within their respective Terms of Reference.

The Managing Director is responsible for the daily management of the Group's operations and implementation of the policies and strategies adopted by the Board.

Reconditioned Mobile Generators
for Sale and Rental



Reconditioned Generators
for Rental





Reconditioned Forklifts
for Sale



Heavy Equipments



(c) Board Meetings

The Board meets quarterly with additional meetings being convened when necessary. In the meetings, the Board will deliberate on and considered matters relating to the Group's financial performance, strategic and corporate issues. For the financial year ended 31 December 2007, the Board met 5 times. The meeting attendance records of the Directors who held office are set out below:

Name of Director	Designation	No. of meetings attended
Dato' Lim Kang Swee	Managing Director	3/5
Dato' Lim Kang Hoo	Executive Director	5/5
Khoo Nang Seng @ Khoo Nam Seng	Executive Director	4/5
Aznam Bin Mansor	Non-Executive Director	4/5
Lim Ts-Fei	Independent Non-Executive Director	5/5
Dr. Wong Kai Fatt	Independent Non-Executive Director	5/5
Kang Hui Ling	Independent Non-Executive Director	5/5

Board meetings are structured with a pre-set agenda which encompass all aspects of matters under discussion. The Board papers are circulated to directors well in advance of the board meetings for their deliberation. All meetings of the Board are duly recorded in the Board Minutes.

Senior management may be invited to attend these meetings to explain and clarify matters being tabled.

In furtherance of their duties, the Board has unrestricted access to any information pertaining to the Group as well as to the advice and services of the Company Secretary and independent professional advisers whenever appropriate at the Group's expense.

(d) Appointment and Re-election of Directors

Any new appointments to the Board will require deliberation by the Board guided by formal recommendations by the Nomination Committee. Board members who are appointed by the Board are subject to retirement at the next Annual General Meeting ("AGM") of the Company subsequent to their appointment. Article 82 of the Company's Article of Association also provides that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and that all Directors shall retire once every three (3) years. A retiring Director shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965 ("the Act").

(e) Directors' Training

During the financial year, the Company organised a training entitled "Translating Corporate Governance Initiatives Into Competitive Advantage" conducted by Asian Academy For Corporate Administration Sdn Bhd for the Directors and senior management. Apart from this, the Directors individually continue to upgrade themselves by attending other courses, trade fairs, seminars and conferences and to update themselves on the new developments in the business environment.

BOARD COMMITTEES

Apart from the Audit Committee, there are two other additional committees established to assist the Board in execution of its responsibilities. All the committees are provided with written terms of reference. Details of the Board committees are provided overleaf.

(a) Nomination Committee

The Nomination Committee has three (3) members, all of whom are Independent Non-Executive Directors. The members of the Nomination Committee are:

- i) Chairman
Lim Ts-Fei – Independent Non-Executive Director
- ii) Members
Dr Wong Kai Fatt – Independent Non-Executive Director
Kang Hui Ling – Independent Non-Executive Director

The Nomination Committee is empowered by the Board of Directors to assist the Board of Directors in their responsibilities in nominating new directors to the Board and Board Committees. The Committee also reviews the Board of Directors composition and balance as well as considering the Board of Directors' succession planning.

The Board considers that the current mix of skills and experience of its members is sufficient for the discharge of its duties and responsibilities effectively.

(b) Remuneration Committee

The Remuneration Committee comprises exclusively of Independent Non-Executive Directors. The Remuneration Committee is to assist the Board of Directors in their responsibilities in reviewing and assessing the remuneration packages of the executive directors. The members of the Remuneration Committee are:

- i) Chairman
Lim Ts-Fei – Independent Non-Executive Director
- ii) Members
Dr Wong Kai Fatt – Independent Non-Executive Director
Kang Hui Ling – Independent Non-Executive Director

None of the Executive Directors participate in any way in determining their individual remuneration. The remuneration of the Executive Directors is to be reviewed annually. The remuneration and entitlements of the Non-Executive Directors shall be a matter to be decided by the Board as a whole.

(c) 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's Report as laid out on pages 21 to 23 of this Annual Report.

DIRECTORS' REMUNERATION

The details of the remuneration of each Director during the financial year ended 31 December 2007 are as follows:

(a) Total Remuneration

	Categories of Remuneration (RM'000)					Total
	Salary	Bonus	Fees	EPF	Benefits-In-Kind	
Executive	840	90	-	114	57	1,101
Non-Executive	-	-	20	-	8	28
Total	840	90	20	114	65	1,129

(b) Directors' remuneration by bands

The number of Directors whose total remuneration falls within the following bands during the financial year ended 31 December 2007 is as follows:

Directors' Remuneration by Bands	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Up to RM50,000	-	4	4
RM150,001 to RM200,000	1	-	1
RM250,001 to RM300,000	1	-	1
RM650,001 to RM700,000	1	-	1
Total	3	4	7

Details of individual Director's Remuneration are not disclosed in this report as the Board considers that the above Remuneration disclosures by band and analysis between Executive and Non Executive Directors satisfies the accountability and transparency aspects of the Code.

SHAREHOLDERS

(a) Shareholders and Investors Relations

The Board acknowledges the importance of accountability to the shareholders. Timely release of the financial results on a quarterly basis, press releases and announcements provide an overview of the Group's performance and operations to its shareholders.

Information disseminated to the investment community is in accordance to Bursa Malaysia disclosure rules and regulations. The Board has taken steps to ensure that no market sensitive information is disclosed to any party prior to making an official announcement to Bursa Securities.

(b) Annual General Meeting

The Annual General Meeting ("AGM") is the principal platform for dialogue with the shareholders. At the AGM, the Board presents the progress and performance of the Group to provide shareholders with the opportunity to question the business issues, concerns and operations in general. The Board will also ensure that each item of special business is included in the notice of the AGM and will be accompanied by an explanation of the effects of the proposed resolutions.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to ensure that the financial statements and quarterly announcements are prepared in accordance with the Companies Act, 1965 and applicable approved accounting standards so as to offer a balanced and comprehensive assessment of the Group's financial position and prospects.

A Responsibility Statement by the Directors is set out on page 20 of this Annual Report.

(b) Internal Control

The Group's Statement on Internal Control is set out on pages 18 to 19 of the annual report to provide an overview on the state of internal control throughout the year.

In relation to the internal audit function, having considered the Group's operational requirements, the Board is of the view that the Group should still continue to outsource its internal audit function to external consultants. Nevertheless, this outsourcing arrangement shall be reviewed annually to ensure that it continues to meet the Group's requirements. The outsourced internal auditors assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They report directly to the Audit Committee.

(c) Relationship with the Auditors

A formal and transparent relationship is maintained with the Company's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both external auditors and internal auditors.

The Audit Committee's Report is set out on pages 21 to 23.

Statement on Internal Control

INTRODUCTION

Pursuant to paragraph 15.27 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Bursa Securities Statement on Internal Control: Guidance for Directors of Public Listed Companies ('the Guidance'), the Board of Directors ("the Board") of Knusford Berhad is pleased to include a statement on the state of the Group's internal controls in this annual report.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility and re-affirms its commitment in maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets as well as reviewing the adequacy and integrity of the system of internal control.

However, as there are inherent limitations in any system of internal controls, such systems put into effect by Management can only reduce but cannot eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY FEATURES OF THE GROUP'S 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.
- 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 relevant laws and regulations.
- Outstation offices 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.

RISK MANAGEMENT PROCESS

Management is responsible for the management of risk, for developing operating and monitoring the system of internal control and for providing assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further independent assurance is provided by the internal audit function, which operates across the Group.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional service provider firm. The outsourced internal audit function assists the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. Internal audit plans that set out the coverage of audits are prepared for the Audit Committee's approval annually.

On a quarterly basis, the Group's internal auditors table the results of their review of business processes of different operating units to the Audit Committee at their scheduled meetings. The status of implementation for action plans that address control weaknesses are also followed up by the internal auditors so to ensure that these action plans have been satisfactorily implemented.

CONCLUSION

The Board is of the view that the Group's system of internal controls is adequate to safeguard shareholders' investments and the Group's assets. However, 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. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

Directors' Responsibility Statement

The Board is fully accountable to ensure that the financial statements are drawn up in accordance with Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial year ended on that date.

In the preparation of the financial statements, the Directors have:

- a) applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards;
- b) made judgments and estimates that are prudent and reasonable; and
- c) used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept in accordance with the Act. The Directors also have overall responsibility in taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Corporate Social Responsibility

The Group recognizes its social obligation to the society and is striving for a balanced approach in fulfilling its key objectives and the expectations of stakeholders.

The Group has supported various charitable causes during the financial year. The Group also reckons that the existing efforts taken are just the beginning towards higher and wider scope of corporate social responsibility and is committed to carry on its efforts further on a sustainable basis.

The Board of Directors of Knusford Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2007.

COMPOSITION AND ATTENDANCE OF MEETINGS

The members of the Audit Committee and details of their attendance at meetings during the financial year ended 31 December 2007 are 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, all members 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; or
 - c. fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Bhd.
- (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 internal and 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 external auditors;
- (c) the external audit management letter and management response;
- (d) problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (e) the assistance given to internal and external auditors by employees of the company;
- (f) the adequacy of the scope, function competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its work;
- (g) 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;
- (h) the quarterly results and year end financial statements, prior to approval by the Board of Directors, focusing particularly on:
 - changes in or implementation of major accounting policies;
 - going concern assumptions;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements.
- (i) whether the share options allocated are in compliance with the by-laws and criteria of Employee Share Option Scheme approved by shareholders;
- (j) 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;
- (k) Major findings of internal investigations and management's response;

- (l) Any appointment, audit fees and resignation from the internal and external auditors of the company; and
 - (m) Whether there is a reason (supported by grounds) to believe that the Company's internal and 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

The following activities were undertaken by the Audit Committee during the financial year ended 31 December 2007:-

- (a) Reviewed the unaudited quarterly report on the consolidated results of the Group for the quarters ended 31 December 2006, 31 March 2007, 30 June 2007 and 30 September 2007.
- (b) Reviewed and approved the internal audit plan prepared by the Internal Audit Function.
- (c) Reviewed the internal audit reports and ensured the implementation of the action plans are carried out by Management on a timely basis
- (e) Reviewed the audit plan of the external auditors.
- (f) Reviewed the annual audited financial statements, external auditors' reports and their audit findings.
- (g) Reviewed related party transactions.

Summary of Activities of the Internal Audit Function

The activities of the Internal Audit Function during the financial year were as follows:

- (a) develop the internal audit plan for year 2007;
- (b) execution of the approved internal audit plan;
- (c) presentation of the internal audit findings at the quarterly Audit Committee meetings. All findings raised by the Internal Audit Function have been appropriately addressed by Management; and
- (d) conducted follow up reviews to ensure that action plans are properly and appropriately implemented by Management.

The internal audits conducted did not reveal weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the annual report.

Directors' Report

for the year ended 31 December 2007

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 2007.

Principal activities

The Company is principally engaged in investment holding and property investment 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 attributable to:		
Shareholders of the Company	<u>1,042</u>	<u>509</u>

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 ordinary dividend of 1 sen per ordinary share less tax at 27% totalling RM727,409 (0.73 sen net per ordinary share) in respect of the year ended 31 December 2006 on 18 September 2007.

The first and final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2007 is 1 sen per ordinary share less tax at 26% totalling RM737,373 (0.74 sen net per ordinary share).

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

for the year ended 31 December 2007

Directors' interests

The interests and deemed interest 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 1.1.2007	Bought	Sold	At 31.12.2007
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	300,000	-	8,124,122
Aznam bin Mansor	8,000	-	-	8,000
Lim Ts-Fei	10,000	-	-	10,000
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 1.1.2007	Granted	Exercised	At 31.12.2007
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 his interests in the shares of the Company, Dato' Lim Kang Hoo is 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 2007 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 to the financial statements.

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

Directors' Report

for the year ended 31 December 2007

Issue of shares

During the financial year, the Company issued 496,000 new ordinary shares of RM1 each for cash arising from the exercise of employees' share options at the option price of RM1.25 per ordinary share.

There were no other 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.

The Company had on 2 July 2003 established and implemented the ESOS for a period of 5 years expired 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:

Number of options over ordinary shares of RM 1 each

Granted date	Expiry date	Exercise price	At 1.1.2007	Granted	Exercised	Forfeited	At 31.12.2007
2.7.2003	22.4.2008	RM1.25	2,559,000	-	496,000	257,000	1,806,000

The salient features of the ESOS 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, except for the reversal of write-down of inventories amounted to RM4,149,000 as disclosed in Note 19 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 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: 25 April 2008

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 31 to 67 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards 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 2007 and of the results of their operations and cash flows for the year ended on that date.

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

Dato' Lim Kang Hoo

Dato' Lim Kang Swee

Kuala Lumpur

Date: 25 April 2008

Statutory Declaration

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

I, Lee Mong Fang, the officer primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 67 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 25 April 2008

Lee Mong Fang

Before me:

Sanusi Bin Samid (W 337)
Commissioner for Oaths

Report of the Auditors

to the members of Knusford Berhad

We have audited the financial statements set out on pages 31 to 67. 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 Financial Reporting Standards 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 2007 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 its subsidiaries have been properly kept in accordance with the provisions of the said Act.

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: 25 April 2008

Balance Sheets

at 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Assets					
Property, plant and equipment	3	37,890	31,712	2	2
Intangible asset	4	-	-	-	-
Investment property	5	22,368	21,659	11,707	10,910
Investments in subsidiaries	6	-	-	65,892	65,892
Land held for property development	7	27,528	27,528	-	-
Receivables, deposits and prepayments	9	-	-	24,543	26,492
Total non-current assets		87,786	80,899	102,144	103,296
Receivables, deposits and prepayments	9	47,300	53,445	1,642	9
Inventories	10	5,616	22,641	-	-
Property development cost	11	16,034	18,158	-	-
Tax recoverable		1,748	1,267	16	-
Cash and cash equivalents	12	46,258	35,098	20,909	21,485
Total current assets		116,956	130,609	22,567	21,494
Total assets		204,742	211,508	124,711	124,790
Equity					
Share capital		99,645	99,149	99,645	99,149
Reserves		22,693	22,569	22,693	22,569
Retained earnings		44,515	44,201	110	329
Total equity attributable to shareholders of the Company		166,853	165,919	122,448	122,047
Minority interest		-	3	-	-
Total equity	13	166,853	165,922	122,448	122,047
Liabilities					
Borrowings	14	4,833	6,020	-	-
Deferred tax liabilities	8	3,388	2,597	-	-
Total non-current liabilities		8,221	8,617	-	-
Payables and accruals	16	26,323	33,210	2,263	2,657
Borrowings	14	3,345	3,599	-	-
Taxation		-	160	-	86
Total current liabilities		29,668	36,969	2,263	2,743
Total liabilities		37,889	45,586	2,263	2,743
Total equity and liabilities		204,742	211,508	124,711	124,790

The notes on pages 36 to 67 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Continuing operations					
Revenue	17	82,965	88,390	1,238	1,227
Cost of sales	18	(66,937)	(74,213)	(44)	(34)
Gross profit		16,028	14,177	1,194	1,193
Other income		1,341	1,685	-	-
Administrative expenses		(14,860)	(12,204)	(993)	(539)
Other expenses		-	(212)	-	-
Results from operating activities		2,509	3,446	201	654
Interest income		953	867	611	636
Interest expense		(803)	(986)	-	-
Profit before tax	19	2,659	3,327	812	1,290
Tax expense	21	(1,617)	(2,318)	(303)	(486)
Profit for the year		1,042	1,009	509	804
Attributable to:					
Shareholders of the Company		1,042	1,134	509	804
Minority interest		-	(125)	-	-
Profit for the year		1,042	1,009	509	804
Basic earnings per ordinary share (sen)	22	1.05	1.14		

The notes on pages 36 to 67 are an integral part of these financial statements.

Statements of Changes in Equity

for year ended 31 December 2007

Group	Note	◀ Attributable to shareholders of the Company ▶					Minority interest RM'000	Total equity RM'000
		Non-distributable Share capital RM'000	Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000			
At 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	
Dividend to shareholders	23	-	-	(714)	(714)	-	(714)	
At 31 December 2006/ 1 January 2007		99,149	22,569	44,201	165,919	3	165,922	
Profit for the year		-	-	1,042	1,042	-	1,042	
Dividend to shareholders	23	-	-	(728)	(728)	-	(728)	
Shares issued	13	496	124	-	620	-	620	
Disposal of a subsidiary		-	-	-	-	(3)	(3)	
At 31 December 2007		99,645	22,693	44,515	166,853	-	166,853	
<i>Company</i>								
At 1 January 2006		99,149	22,569	239	121,957			
Profit for the year		-	-	804	804			
Dividend to shareholders	23	-	-	(714)	(714)			
At 31 December 2006/ 1 January 2007		99,149	22,569	329	122,047			
Profit for the year		-	-	509	509			
Dividend to shareholders	23	-	-	(728)	(728)			
Share issued	13	496	124	-	620			
At 31 December 2007		99,645	22,693	110	122,448			

The notes on pages 36 to 67 are an integral part of these financial statements.

Cash Flow Statements

for the year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash flows from operating activities					
Profit before tax		2,659	3,327	812	1,290
Adjustments for:					
Depreciation of property, plant and equipment	3	12,929	7,219	-	-
Depreciation of investment property	4	266	166	173	72
Dividend income		-	-	(1,000)	(1,000)
Gain on disposal of a subsidiary	30	(86)	-	-	-
Gain on disposal of property, plant and equipment		(546)	(389)	-	-
Interest expense		803	986	-	-
Interest income		(953)	(867)	(611)	(636)
Impairment losses on property, plant and equipment	3	-	162	-	-
Impairment losses on goodwill	4	-	208	-	-
Unrealised foreign exchange gain		-	(20)	-	-
Operating profit/(loss) before changes in working capital		15,072	10,792	(626)	(274)
Changes in working capital:					
Properties under development		2,124	(1,603)	-	-
Inventories		411	(1,557)	-	-
Receivables, deposits and prepayments		5,436	21,089	(1,634)	74
Payables and accruals		(6,023)	2,346	56	4
Cash generated from/(used in) operations		17,020	31,067	(2,204)	(196)
Dividends received		-	-	730	720
Income taxes paid		(1,467)	(1,861)	(135)	(144)
Net cash generated from/(used in) operating activities		15,553	29,206	(1,609)	380
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(852)	(13,597)	-	-
Acquisition of investment property	5	(975)	(7,876)	(970)	(7,876)
Repayment from subsidiaries		-	-	1,500	8,168
Interest received		953	867	611	636
Deposits pledged with licensed banks		(35)	(394)	(104)	(127)
Proceeds from disposal of property, plant and equipment		737	690	-	-
Disposal of a subsidiary, net of cash disposed	30	(3)	-	-	-
Net cash (used in)/generated from investing activities		(175)	(20,310)	1,037	801
Cash flows from financing activities					
Dividends paid	23	(728)	(714)	(728)	(714)
Interest paid		(803)	(986)	-	-
Repayment of revolving credits		-	(1,200)	-	-
Repayment of finance lease liabilities		(2,673)	(2,452)	-	-
Repayment of bridging term loan		-	(507)	-	-
Proceed from issuance of shares		620	-	620	-
Net cash used in financing activities		(3,584)	(5,859)	(108)	(714)
Net increase/(decrease) in cash and cash equivalents		11,794	3,037	(680)	467
Cash and cash equivalents at 1 January		27,426	24,389	17,872	17,405
Cash and cash equivalents at 31 December	(ii)	39,220	27,426	17,192	17,872

for the year ended 31 December 2007

i) *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM2,809,000 (2006 – RM13,978,000), of which RM1,957,000 (2006 – RM381,000) 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:

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	12	13,269	5,871	17	6
Deposits with licensed banks	12	32,989	29,227	20,892	21,479
Bank overdraft repayable on demand – secured and unsecured	14	(16)	(685)	-	-
		46,242	34,413	20,909	21,485
Less: Deposits pledged		(7,022)	(6,987)	(3,717)	(3,613)
		39,220	27,426	17,192	17,872

The notes on pages 36 to 67 are an integral part of these financial statements.

Notes to the 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 addresses of the registered office and principal place of business of the Company 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 2007 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 2007 do not include other entities.

The Company is principally engaged in investment holding and investment property while the principal activities of the subsidiaries are as stated in Note 28.

The financial statements were approved by the Board of Directors on 25 April 2008.

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 Financial Reporting Standards (FRSs) 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 have not been applied in preparing these financial statements:

FRSs / Interpretations	Effective date
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
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, Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for FRS 139, Financial Instruments: Recognition and Measurement as the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

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

In this set of financial statements, the Group has adopted FRS 117, Leases and FRS 124, Related Party Disclosure which are effective for annual periods beginning on or after 1 October 2006. There is no material impact on the financial statements of the Group and the Company.

(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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amount recognised in the financial statements.

2. Significant accounting policies

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

(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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, 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).

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 statements.

(iii) *Minority interest*

Minority interests at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) 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 statements 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.

(iv) *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. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 statements.

(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 and 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. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) *Recognition and measurement* (continued)

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 property, 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements.

(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 complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statements.

(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 carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iv) *Depreciation*

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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:

	Current period	Comparative period
• buildings	5 years	5 years
• equipment, furniture and fittings	10 years	10 years
• plant and machinery	10 - 20 years	5-20 years
• motor vehicles	5 years	5 years

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

(v) *Change in estimates*

Estimates in respect of certain items of plant and equipment were revised in 2007 (see note 3).

2. Significant accounting policies (continued)

(d) Leased assets

(i) *Finance lease*

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.

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.

(ii) *Operating lease*

Other leases are operating leases and 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.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Payments made under operating leases are recognised in the income statements 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.

(e) Intangible assets

(i) *Goodwill*

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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.

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.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

(ii) *Amortisation*

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

2. Significant accounting policies (continued)

(f) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land which is classified as prepaid lease payment) 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.

Investment properties are stated at cost less any accumulated depreciation and any accumulated 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 statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the 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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate, the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

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

2. Significant accounting policies (continued)

(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 statements over billings to purchasers is shown as accrued billings under receivables, deposits and prepayments and the excess of billings to purchasers over income recognised in the income statements is shown as progress billings under payables and accruals.

(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 the estimated costs necessary to make the sale.

The fair value of inventories 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 inventories.

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) 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 statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

The carrying amounts of assets except for financial assets and inventories 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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

2. Significant accounting policies (continued)

(l) Impairment of assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. 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.

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 statements in the year in which the reversals are recognised.

(m) Loans and borrowings

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

(n) Employee benefits

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.

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 statutory pension 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.

(o) 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.

2. Significant accounting policies (continued)

(p) 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.

(q) Revenue recognition

(i) *Goods sold*

Revenue from the sale of goods is measured at the 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.

(ii) *Rental of machinery*

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

(iii) *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 statements.

(iv) *Dividend income*

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

(v) *Rental income*

Rental income from investment property is recognised in the income statements 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.

2. Significant accounting policies (continued)

(r) 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 statements, 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.

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements 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.

(t) 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 comprises share options granted to employees.

(u) 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		Buildings	Equipment, furniture and fittings	Plant and machinery	Motor vehicles	Total
Cost	Note	RM'000	RM'000	RM'000	RM'000	RM'000
At 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 / 1 January 2007		30	2,015	65,890	7,380	75,315
Additions		-	90	1,605	1,114	2,809
Transfer from inventories		-	-	16,613	-	16,613
Disposals -		-	(10)	(1,954)	(805)	(2,769)
Disposal of a subsidiary		-	(70)	-	(245)	(315)
At 31 December 2007		30	2,025	82,154	7,444	91,653
<i>Depreciation and impairment loss</i>						
At 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 2006/1 January 2007:						
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
Depreciation for the year	19	6	209	12,017	697	12,929
Disposals -		-	(6)	(1,767)	(805)	(2,578)
Disposal of a subsidiary		-	(19)	-	(172)	(191)
At 31 December 2007:						
Accumulated depreciation		24	1,391	46,271	5,844	53,530
Accumulated impairment loss		-	2	231	-	233
		24	1,393	46,502	5,844	53,763
<i>Carrying amounts</i>						
At 1 January 2006		18	847	23,298	1,911	26,074
At 31 December 2006/1 January 2007		12	806	29,638	1,256	31,712
At 31 December 2007		6	632	35,652	1,600	37,890

3. Property, plant and equipment (continued)

Company	Equipment, furniture and fittings RM'000
<i>Cost</i>	
At 1 January 2006/31 December 2006/ 1 January 2007/31 December 2007	3
<i>Accumulated depreciation</i>	
At 1 January 2006/31 December 2006/ 1 January 2007/31 December 2007	1
<i>Carrying amounts</i>	
At 1 January 2006/31 December 2006/ 1 January 2007/31 December 2007	2

3.1 Impairment loss

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

3.2 Leased plant and machinery

At 31 December 2007, the net carrying amount of leased motor vehicles and plant and machinery was RM10,749,000 (2006 - RM12,586,000).

3.3 Change in estimates

During the year ended 31 December 2007, the Group conducted a review of its plant and machinery, which resulted in changes in the expected useful lives of certain plant and machinery. Certain of these assets which used to be depreciated over 5 years are now expected to remain in use for a period of 10 years from the date of purchase. The effect of these changes on depreciation expense, recognised in cost of goods sold, in current and future periods is as follows:

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Later RM'000
(Decrease)/ Increase in depreciation expense	(2,085)	(1,866)	(1,599)	(1,118)	(198)	6,867

4. Intangible assets

Group	Note	Goodwill RM'000
Cost		
At 1 January 2006/31 December 2006		
1 January 2007/31 December 2007		346
Amortisation and impairment loss		
At 1 January 2006:		
Accumulated amortisation		138
Impairment losses for the year	19	208
At 31 December 2006/1 January 2007:		
Accumulated amortisation		138
Accumulated impairment loss		208
		346
Disposal of a subsidiary		(346)
At 31 December 2007:		
Accumulated amortisation		-
Accumulated impairment loss		-
		-
Carrying amounts		
At 1 January 2006		208
At 31 December 2006/1 January 2007		-
At 31 December 2007		-

Impairment loss

In the previous 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 wrote down the carrying amount of the goodwill in full.

5. Investment property

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2006	5,225	9,162	14,387
Additions	-	7,876	7,876
At 31 December 2006/1 January 2007	5,225	17,038	22,263
Additions	-	975	975
At 31 December 2007	5,225	18,013	23,238
<i>Accumulated depreciation</i>			
At 1 January 2006	-	438	438
Charge for the year	-	166	166
At 31 December 2006/1 January 2007	-	604	604
Charge for the year	-	266	266
At 31 December 2007	-	870	870

5. Investment property (continued)

	Freehold land RM'000	Buildings RM'000	Total RM'000
<i>Carrying amounts</i>			
At 1 January 2006	5,225	8,724	13,949
At 31 December 2006/1 January 2007	5,225	16,434	21,659
At 31 December 2007	5,225	17,143	22,368
<i>Fair value</i>			
At 1 January 2006	5,520	8,932	14,452
At 31 December 2006/1 January 2007	5,520	16,823	22,343
At 31 December 2007	5,520	21,665	27,185
Company			
<i>Cost</i>			Buildings RM'000
At 1 January 2006			3,183
Additions			7,876
At 31 December 2006/1 January 2007			11,059
Additions			970
At 31 December 2007			12,029
<i>Accumulated depreciation</i>			
At 1 January 2006			77
Charge for the year			72
At 31 December 2006/1 January 2007			149
Charge for the year			173
At 31 December 2007			322
<i>Carrying amounts</i>			
At 1 January 2006			3,106
At 31 December 2006/1 January 2007			10,910
At 31 December 2007			11,707
<i>Fair value</i>			
At 1 January 2006			3,124
At 31 December 2006/1 January 2007			10,992
At 31 December 2007			13,293

Certain buildings of the Group and the Company with an aggregate net book value of RM13,837,000 (2006 - RM13,992,000) and RM10,422,000 (2006 - RM10,538,000) respectively are in the process of being registered under the name of the Company and its subsidiaries.

5. Investment property (continued)

The following are recognised in the income statements in respect of investment properties:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i>Cost</i>				
Rental income	839	693	238	227
Direct operating expenses:				
- income generating investment properties	96	107	44	34
- non-income generating investment properties	131	33	100	-

Security

Certain freehold land and buildings of the subsidiaries with an aggregate net book value of RM4,825,000 (2006 - RM4,853,000) are charged to secure banking facilities of the subsidiaries (Note 14).

6. Investments in subsidiaries

	Company	
	2007 RM'000	2006 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	
	2007 RM'000	2006 RM'000
<i>Cost</i>		
At 1 January/31 December	27,528	27,528

Security

At 31 December 2007, land with a carrying amount of RM6,117,000 (2006 - RM6,117,000) is charged to a licensed bank to secure banking facilities of a subsidiary.

8. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Group	Assets		Liabilities		Net	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment	-	-	2,458	1,848	2,458	1,848
Land held for development	-	-	1,683	1,803	1,683	1,803
Unabsorbed capital allowances	(223)	(503)	-	-	(223)	(503)
Provisions	(530)	(551)	-	-	(530)	(551)
Tax (assets)/liabilities Set off	(753) 753	(1,054) 1,054	4,141 (753)	3,651 (1,054)	3,388 -	2,597 -
Net tax (assets)/liabilities	-	-	3,388	2,597	3,388	2,597

Unrecognised deferred tax assets

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

	Group	
	2007 RM'000	2006 RM'000
Deductible temporary differences	(1,431)	(8,556)
Unabsorbed capital allowances	(15,627)	(6,659)
Unutilised tax losses	(2,192)	(2,144)
	(19,250)	(17,359)
Unrecognised deferred tax assets @ 26% (2006 - 27%)	(5,005)	(4,687)

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.

9. Receivables, deposits and prepayments

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	9.1	-	-	24,543	26,492
Current					
Trade					
Trade receivables		41,558	53,193	-	-
Less: Allowance for doubtful debts		(5,365)	(4,820)	-	-
	9.2	36,193	48,373	-	-
Accrued billings		-	1,409	-	-
		36,193	49,782	-	-

9. Receivables, deposits and prepayments (continued)

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-trade Other receivables, deposits and prepayments	9.3	11,107	3,663	1,642	9
		11,107	3,663	1,642	9
		47,300	53,445	1,642	9

9.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and is not expected to be repayable within the next twelve months.

9.2 Trade receivables

Included in trade receivables of the Group are amounts due from companies deemed related to Directors as defined in Note 29 amounting to RM8,235,000 (2006 – RM4,926,000).

9.3 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group is a deposit of RM9,552,000 (2006 – Nil) paid for the acquisition of a helicopter, a freehold land and building, and plant and equipment. Subsequent to year end, deposit for the acquisition of the helicopter of RM8,052,000 has been refunded in full due to the termination of the sales and purchase agreement.

Included in other receivables, deposits and prepayments of the Company is a deposit of RM1,500,000 paid for the acquisition of a freehold land and building, and plant and equipment.

10. Inventories

	Group	
	2007 RM'000	2006 RM'000
Trading inventories	5,283	22,308
Developed properties held for sale	333	333
	5,616	22,641

During the year, certain inventories which were written down in prior years were restated to the lower of costs and net realisable value and then transferred to property, plant and equipment. This resulted in a reversal of RM4,149,000. The write down of inventories to net realisable value amounted to RM1,212,000 in the previous year. The write-down and reversal are included in cost of sales.

11. Property development costs

	Group	
	2007 RM'000	2006 RM'000
At 1 January		
Land	13,058	13,058
Development costs	50,449	46,081
Accumulated costs charged to income statements	(45,349)	(42,584)
	<hr/>	<hr/>
	18,158	16,555
Development costs incurred during the year	1,239	4,368
Costs charged to income statements	(3,363)	(2,765)
	<hr/>	<hr/>
	16,034	18,158
	<hr/>	<hr/>
At 31 December		
Land	13,058	13,058
Development costs	51,688	50,449
Accumulated costs charged to income statements	(48,712)	(45,349)
	<hr/>	<hr/>
	16,034	18,158
	<hr/>	<hr/>

Additions to development costs during the year include rental of equipment of RM71,000 (2006 – RM63,000).

12. Cash and cash equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits are placed with licensed banks	32,989	29,227	20,892	21,479
Cash and bank balances	13,269	5,871	17	6
	<hr/>	<hr/>	<hr/>	<hr/>
	46,258	35,098	20,909	21,485
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the cash and bank balances of the Group is an amount of RM3,532,106 (2006 – RM409,000), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 2002.

Deposits placed with licensed banks pledged for bank facilities

Deposits with licensed banks amounting to RM7,022,000 (2006 – RM6,987,000) and RM3,717,000 (2006 – RM3,613,000) of the Group and of the Company respectively are pledged to banks to secure bank borrowings and facilities granted to subsidiaries (Note 14).

13. Share Capital and reserves

13.1 Share capital

	Group and Company			
	2007 RM'000	Number of Shares 2007 '000	2006 RM'000	Number of Shares 2006 '000
Authorised:				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
Ordinary shares of RM1 each	99,149	99,149	99,149	99,149
Issued for cash pursuant to Employees' Share Option Scheme	496	496	-	-
At 31 December	99,645	99,645	99,149	99,149

13.2 Share premium

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

13.3 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 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

14. Borrowings

	Group	
	2007 RM'000	2006 RM'000
Non-current		
Finance lease liabilities	4,833	6,020
Current		
Bank overdraft – secured	-	502
Bank overdraft – unsecured	16	183
Revolving credits – unsecured	650	650
Finance lease liabilities	2,679	2,264
	3,345	3,599

14.1 Security and terms

Bank overdrafts are subject to interest at 8.25% (2006 - 8.25%) per annum and are secured by way of corporate guarantees, fixed deposits (Note 12) and a fixed charge over certain subsidiaries freehold land and buildings (Note 5).

Revolving credits of the subsidiaries are subject to interest at 0.5% (2006 - 0.5%) per annum above the Kuala Lumpur Interbank Offer Rates and at 1.5% (2006 - 1.5%) above the Islamic cost of funds. Revolving credits are secured by corporate guarantee by the Company.

Finance lease liabilities are subject to fixed interest rates ranging from 2.50% - 8.97% (2006 - 2.50% to 8.97%) per annum.

14. Borrowings (continued)

14.2 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
2007					
Bank overdraft					
- unsecured	2008	16	16	-	-
Revolving credits					
- unsecured	2008	650	650	-	-
Finance lease liabilities					
- secured	2008 - 2012	7,512	2,679	2,682	2,151
		<u>8,178</u>	<u>3,345</u>	<u>2,682</u>	<u>2,151</u>
2006					
Bank overdrafts					
- secured	2007	502	502	-	-
- unsecured	2007	183	183	-	-
Revolving credits					
- unsecured	2007	650	650	-	-
Finance lease liabilities					
- secured	2007 - 2011	8,284	2,264	2,069	3,951
		<u>9,619</u>	<u>3,599</u>	<u>2,069</u>	<u>3,951</u>

14.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000	Minimum lease payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000
Less than one year	3,207	528	2,679	2,926	662	2,264
Between one and five years	5,292	459	4,833	6,852	832	6,020
	<u>8,499</u>	<u>987</u>	<u>7,512</u>	<u>9,778</u>	<u>1,494</u>	<u>8,284</u>

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 2007	Number of options ('000) 2007	Average exercise price 2006	Number of options ('000) 2006
Outstanding at 1 January	1.25	2,559	1.25	4,050
Forfeited during the year	1.25	(257)	1.25	(1,491)
Exercised during the year	1.25	(496)	-	-
Outstanding at 31 December	1.25	1,806	1.25	2,559
Exercisable at 31 December	1.25	1,806	1.25	2,559

The options outstanding at 31 December 2007 have an exercise price of RM1.25 and a contractual life of 5 years.

During the year, 496,000 share options were exercised (2006 - Nil). The weighted average share price for the year was RM1.66 (2006 - RM1.10).

16. Payables and accruals

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade					
Trade payables	16.1	20,284	28,282	-	-
Non-trade					
Amount due to subsidiaries	16.2	-	-	2,033	2,483
Other payables and accrued expenses					
Amount due to Directors	16.3	5,967	4,856	230	105
		72	72	-	69
		6,039	4,928	2,263	2,657
		26,323	33,210	2,263	2,657

16. Payables and accruals (continued)

16.1 Trade payables

Included in trade payables of the Group is an amount due to companies deemed related to Directors amounting to RM2,403,000 (2006 – RM5,014,000).

Significant payables that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	Group	
		2007 RM'000	2006 RM'000
RM	USD	-	250
RM	Yen	737	3,993
RM	Euro	194	347

16.2 Amount due to subsidiaries

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

16.3 Amount due to Directors

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

17. Revenue

Continuing operations

	2007 RM'000	2006 RM'000
<i>Group</i>		
Sales of goods	46,507	53,846
Rental of machinery	31,770	31,113
Property development revenue	3,849	2,739
Rental income from investment property	839	692
	<u>82,965</u>	<u>88,390</u>

Company

Dividend income from unquoted subsidiaries	1,000	1,000
Rental income from investment property	238	227
	<u>1,238</u>	<u>1,227</u>

18. Cost of sales

	2007 RM'000	2006 RM'000
<i>Group</i>		
Cost of goods sold	45,120	52,438
Direct operating expenses	18,454	19,010
Property development expenses	3,363	2,765
	<u>66,937</u>	<u>74,213</u>
<i>Company</i>		
Direct operating expenses	44	34

19. Profit before tax

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before tax is arrived at after charging:					
Allowance for doubtful debts		545	-	-	-
Auditors' remuneration:					
- Statutory audit					
- KPMG		104	82	25	15
- Other auditors		2	2	-	-
- Other services					
- KPMG		5	-	-	-
Depreciation of property, plant and equipment	3	12,929	7,219	-	-
Depreciation of investment property	5	266	166	173	72
Impairment losses on property, plant and equipment	3	-	162	-	-
Impairment losses on goodwill	4	-	208	-	-
Personnel expenses (including key management personnel)					
- Contribution to Employees Provident Fund		875	668	29	29
- Wages, salaries and others		7,807	7,353	260	260
Rental of motor vehicles		170	-	-	-
Rental of premises		1,498	1,502	-	-
Rental of equipment and machineries		1,403	1,681	-	-
Write down of inventories		-	1,212	-	-
Realised loss on foreign exchange		172	-	-	-
and after crediting:					
Dividend income from subsidiaries (unquoted)		-	-	1,000	1,000
Gain on disposal of a subsidiary	30	86	-	-	-
Gain on disposal of property, plant and equipment		546	389	-	-
Rental of motor vehicle		71	-	-	-
Rental income from investment property		839	692	238	227
Reversal of allowance for doubtful debts		-	195	-	-
Unrealised gain on foreign exchange		-	20	-	-
Reversal of write down of inventories		4,149	-	-	-

20. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors				
- Fees	20	20	20	20
- Remuneration	1,044	1,183	240	269
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	65	55	-	8
Total short-term employee benefits	1,129	1,258	260	297

21. Tax expense

Recognised in the income statement

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax expense	1,617	2,318	303	486
Major components of tax expense include:				
Current tax expense				
Malaysian - current year	753	1,152	375	488
- prior year	73	130	(72)	(2)
Total current tax	826	1,282	303	486
Deferred tax expense				
Origination of temporary differences	778	1,025	-	-
Underprovision in prior years	13	11	-	-
Total deferred tax	791	1,036	-	-
Total tax expense	1,617	2,318	303	486

Reconciliation of effective tax expense

Profit for the year	1,042	1,009	509	804
Total tax expense	1,617	2,318	303	486
Profit excluding tax	2,659	3,327	812	1,290
Tax at Malaysian tax rate of 27% (2006 - 28%)	718	932	219	361
Effect of lower tax rate for certain subsidiaries*	(73)	(87)	-	-
Effect of change in tax rate**	(192)	(172)	-	-
Non-deductible expenses	509	535	156	127
Deferred tax assets not recognised	318	969	-	-
Other items	251	-	-	-
Under/(Over) provided in prior years	86	141	(72)	(2)
	1,617	2,318	303	486

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

** The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

22. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2007 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

Continuing operations

Group	2007 RM'000	2006 RM'000
Profit attributable to ordinary shareholders	1,042	1,134
Weighted average number of ordinary shares		
	2007 RM'000	2006 RM'000
Issued ordinary shares at 1 January	99,149	99,149
Effect of ordinary shares issued on 13 February 2007	24	-
Effect of ordinary shares issued on 2 February 2007	104	-
Effect of ordinary shares issued on 27 February 2007	11	-
Effect of ordinary shares issued on 28 February 2007	4	-
Effect of ordinary shares issued on 7 March 2007	4	-
Effect of ordinary shares issued on 5 April 2007	7	-
Effect of ordinary shares issued on 10 April 2007	221	-
Effect of ordinary shares issued on 18 July 2007	4	-
Weighted average number of ordinary shares at 31 December	99,528	99,149

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2007 and 31 December 2006 are not presented as they are anti-dilutive.

23. Dividend

Dividend recognised in the current year by the Company is:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2007			
Final 2006 ordinary	0.73	728	18 September 2007
2006			
Final 2005 ordinary	0.72	714	20 September 2006

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	0.74	737

24 Segmental 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 and borrowings and related expenses, corporate assets (primarily the Company's headquarter) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and investment properties.

Inter-segment pricing is determined on negotiated terms.

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.
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		Property development		Investment property		Eliminations		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Business segments										
Total external revenue	78,277	84,959	3,849	2,739	839	692	-	-	82,965	88,390
Inter-segment revenue	2,620	9,122	-	-	-	-	(2,620)	(9,122)	-	-
Total segment revenue	80,897	94,081	3,849	2,739	839	692	(2,620)	(9,122)	82,965	88,390
Segment result	3,268	3,769	(51)	80	612	429	(427)	(615)	3,402	3,663
Unallocated expenses									(893)	(217)
Results from operating activities									2,509	3,446
Interest expense									(803)	(986)
Interest income									953	867
Profit before taxation									2,659	3,327
Tax expense									(1,617)	(2,318)
Profit for the year									1,042	1,009
Segment assets	156,323	150,493	34,236	35,685	22,368	21,659	(30,754)	(17,825)	182,173	190,012
Unallocated assets									22,569	21,496
Total assets									204,742	211,508
Segment liabilities	(66,696)	(61,547)	(25,811)	(28,032)	-	-	54,848	44,253	(37,659)	(45,326)
Unallocated liabilities									(230)	(260)
Total liabilities									(37,889)	(45,586)
Capital expenditure	2,805	13,978	4	-	975	7,876	-	-	3,784	21,854
Depreciation	(12,912)	(7,202)	(17)	(17)	(266)	(166)	-	-	(13,195)	(7,385)
Impairment losses on property, plant and equipment	-	(162)	-	-	-	-	-	-	-	(162)
Impairment losses on goodwill	-	-	-	-	-	-	-	-	-	(208)
Non-cash expenses other than depreciation and amortisation	(545)	(1,212)	-	-	-	-	-	-	(545)	(1,212)

25. Financial instruments

Exposure to credit, interest rate, currency and liquidity risks arise 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 Company has an amount owing from subsidiaries of RM24,543,000 (2006: RM26,492,000). 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 revolving credits and bank overdrafts. The Group's finance lease liabilities are subject to interest at fixed rates. The deposits placed with licensed banks are subject to interest at variable rate. 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.

2007		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
Group	Note							
Fixed rate instruments								
Deposit with licensed banks	12	2.40-3.30	32,989	32,989	-	-	-	-
Finance lease liabilities	14	2.50-8.97	(7,512)	(2,679)	(2,682)	(2,090)	(31)	(30)
Floating rate instruments								
Bank overdraft - secured	14	8.25	(16)	(16)	-	-	-	-
Revolving credits - unsecured	14	4.87	(650)	(650)	-	-	-	-
			(666)	(666)	-	-	-	-
Company								
Fixed rate instruments								
Deposits with licensed banks	12	2.40-3.10	20,892	20,892	-	-	-	-
2006								
Group								
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)
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	-	-	-	-

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 not 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:

	Note	2007		2006	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group					
Finance lease liabilities	14	7,512	7,933	8,284	8,796

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:

	2007	2006
Leases	2.50% - 8.97%	2.50% - 8.97%

26. Capital commitments

	Group	
	2007 RM'000	2006 RM'000
Property, plant and equipment Authorised but not contracted for	-	17,300
Contracted but not provided for	23,398	-

Included in capital commitments is an amount of approximately RM13,500,000 (2006 - RM17,300,000) 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	
	2007 RM'000	2006 RM'000
Guarantees and contingencies relating to borrowings of subsidiaries (unsecured)	666	551

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	
		2007	2006
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.	Ceased operations	100%	100%
D-Hill Sdn. Bhd.	Property development	100%	100%
<i>Subsidiaries of Wengcon Holdings Sdn. Bhd.</i>			
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%
Ikhlal Kekal Sdn Bhd*	Rebuilding and refurbishing of heavy machinery	-	51%
<i>Subsidiaries of Wengcon Equipment Sdn. Bhd.</i>			
Radiant Seas Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	70%	70%

* Not audited by KPMG

29. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company 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 or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

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 and 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) 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

The significant related party transactions of the Group and Company, other than key management personnel compensation, are as follows:

Type of transactions	Related party	2007 RM'000	2006 RM'000
Group			
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	6,481	7,083
	Danga Bay Sdn. Bhd.	4,179	2,601
	Ekovest Berhad	157	208
	Ekovest Construction Sdn. Bhd.	4,381	5,305
	Rampai Fokus Sdn Bhd	175	-
Purchase and rental of machinery and equipment and purchase of building materials	Aramijaya Sdn. Bhd.	88	39
	Binawani Sdn. Bhd.	29	-
	Danga Bay Sdn. Bhd.	10	15
	Ekovest Construction Sdn. Bhd.	-	14
	Rampai Fokus Sdn. Bhd.	169	9
	Ekovest Berhad	1,371	-
Rental of premises paid	Binawani Sdn. Bhd.	(3)	5
	Ekovest Berhad	108	114
	Pestarena Industri Sdn. Bhd.	1,110	1,110
Rental of premises received	Danga Bay Sdn. Bhd.	387	149
	Ekovest Construction Sdn Bhd	282	282
Company			
Rental of premises received	Danga Bay Sdn. Bhd.	-	107

Balance with related parties are disclosed in Note 9 and Note 16. These transactions have been entered into in the normal course of business and have been established under negotiated terms.

30. Disposal of a subsidiary

During the year, the Group disposed off a subsidiary, Ikhlas Kekal Sdn. Bhd. for a consideration of RM1. Ikhlas Kekal Sdn. Bhd. contributed a loss of RM91,000 (2006 – RM254,000) to the consolidated net profit for the year.

Effect of disposal	2007 RM'000
Property, plant and equipment	124
Receivables, deposits and prepayments	712
Cash and cash equivalents	3
Payables and accruals	(869)
Borrowings	(56)
	<hr/>
Net identifiable assets and liabilities	(86)
Gain on disposal	86
	<hr/>
Consideration received, satisfied in cash	_*
Cash disposed of	(3)
	<hr/>
Net cash outflow	(3)
	<hr/>

*Denotes RM1

Material Litigation and Other Information of

Knusford Berhad and Its Subsidiaries

For The Year Ended 31 December 2007

- 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 any 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 2007.

- 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 INVOLVING DIRECTORS' INTEREST

Save as disclosed below, neither the Company nor any of its subsidiary companies have entered into any material contracts involving directors' interests which are or may be material, not being contracts entered into in the ordinary course of business.

Since the end of the previous financial year, Knusford Berhad had on 20 June 2007 entered into the Sale & Purchase Agreement with Pestarena Industri Sdn Bhd (PISB) for the acquisition of one piece of freehold land held under HSD 51799, PT 43447, Mukim and District of Klang, Selangor Darul Ehsan together with a one and a half storey detached factory, three storey office building, a single storey guard house and a bin centre elected thereon from PISB for a total cash consideration of RM15 million. The Directors and major shareholders of PISB are Dato' Lim Kang Swee and Dato' Lim Kang Hoo.

- 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

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 20 June 2008.

Analysis of Shareholdings

Date of Annual Report : 29 May 2008
Statement Date : 30 April 2008

1. 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		

2. 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

3. CLASS OF EQUITY SECURITY

Authorised Share Capital : RM200,000,000.00
Issued and Fully Paid-Up : RM 99,645,002.00
Class of Shares : Ordinary shares of RM1.00 each

There is only one class of equity security in the Issued and Paid-up share capital of the Company. There were 716 shareholders holding 99,645,002 ordinary shares of RM1.00 each as at 30 April 2008. Each share entitles the holder to 1 vote.

4. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	Shareholdings	%
Less than 100 shares	4	0.56	24	0.00
100 - 1,000 shares	221	30.87	213,154	0.21
1,001 - 10,000 shares	347	48.46	1,522,074	1.53
10,001 - 100,000 shares	84	11.73	2,775,502	2.79
100,001 to less than 5% of issued shares	56	7.82	50,956,126	51.14
5% and above of issued shares	4	0.56	44,178,122	44.34
TOTAL	716	100	99,645,002	100

Analysis of Shareholdings

THIRTY (30) LARGEST SHAREHOLDERS

Name	Shareholdings	%
1. Kinston Park Sdn Bhd	23,910,000	24.00
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 Eam Lee	3,577,000	3.59
6. Kinston Park Sdn Bhd	3,500,000	3.51
7. OSK Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ngai Sok Fong	3,483,300	3.50
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 - Pledged Securities Account for Suhaizi Bin Hamid	2,937,800	2.95
11. Wong Siew Chin	2,837,000	2.85
12. Soh Hui Fung	2,163,000	2.17
13. OSK Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gary Lee Seaton	2,109,500	2.12
14. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Pang Piu Fong	1,726,599	1.73
15. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Meow Yen	1,571,600	1.58
16. Lim Sew Hua	1,553,000	1.56
17. Lim Keng Cheng	1,533,000	1.54
18. ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kok Woon	1,254,700	1.26
19. ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Foo Suet Kum	1,149,800	1.15
20. Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Goh Eng Keong	1,087,600	1.09
21. Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Leak Goh	1,076,000	1.08
22. Dato' Lim Kang Swee	1,000,000	1.00
23. Wong Oi Lee	1,000,000	1.00
24. ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lye Sau Chee	795,600	0.80
25. A. A. Anthony Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Wen Shiow	786,500	0.79
26. A. A. Anthony Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Kim Leng	672,300	0.67
27. Lee Teck Ten	619,600	0.62
28. Dato' Lim Kang Hoo	615,749	0.62
29. Lee Pei Sze	483,400	0.49
30. Icon Sejati Sdn Bhd	464,000	0.47

Particulars of Properties

as at 31 December 2007

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	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,176*	543	21 Aug 2001
Lot C-11-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,176*	543	21 Aug 2001
Lot C-12-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	4,050*	1,059	21 Aug 2001
Lot D-09-05 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,173*	539	01 Oct 2005
Lot C-09-05 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,173*	546	21 Dec 2006
Lot C-09-06 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,173*	556	21 Dec 2006
Lot C-10-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,176*	559	21 Dec 2006
Lot C-10-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,176*	559	21 Dec 2006
Lot C-12-03 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	4,050*	1,095	21 Dec 2006

Particulars of Properties (continued)

as at 31 December 2007

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	3	Leasehold	Apartment 99 years expiring on 26 Dec 2095	2,176*	559	21 Dec 2006
Lot D-11-3A Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold	Apartment 99 years expiring on 26 Dec 2095	2,176*	562	21 Dec 2006
Lot D-12-03 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold	Apartment 99 years expiring on 26 Dec 2095	4,050*	1,095	21 Dec 2006
Lot B-12-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold	Apartment 99 years expiring on 26 Dec 2095	4,050*	1,095	21 Dec 2006
Lot B-09-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold	Apartment 99 years expiring on 26 Dec 2095	2,173*	556	21 Dec 2006
Lot C-09-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold	Apartment 99 years expiring on 26 Dec 2095	2,173*	556	21 Dec 2006
Wengcon Holdings Sdn Bhd						
Lot 3658 Jalan Genting Klang Mukim of Setapak District of Kuala Lumpur	25	Freehold	Eight (8) units of two (2) storey workshops	0.304#	2,305	9 May 1996
Diamond Square Lot 335,317 and 318 Jalan Gombak Mukim of Setapak District of Kuala Lumpur	11	Freehold	Seven (7) storey commercial buildings comprising of one (1) retail & twelve (12) shop office	20,945 *	4,593	8 June 1996
Lot 51261 Mukim of Senai-Kulai Daerah of Johor Bahru Johor Darul Takzim	10	Freehold	Double (2) storey terrace house	295 ^	232	9 April 2004

Particulars of Properties (continued)

as at 31 December 2007

Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area # (Hectares) / Built-up Area (sq. ft.)/(sq.m)^	NBV (RM'000)	Date of Acquisition
Wengcon Equipment Sdn Bhd						
Lot B-09-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,173*	539	01 Oct 2005
Lot C-09-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	2,173*	539	01 Oct 2005
Lot C-12-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	4,050*	1,080	01 Oct 2005
Lot A-12-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	4,050*	1,080	01 Oct 2005
Lot 2259 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	-	Freehold	Development Land	28.1419#	16,110	1 Nov 2001
D-Hill Sdn Bhd						
Lot C-04-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	3	Leasehold 99 years expiring on 26 Dec 2095	Apartment	1,038*	178	22 Dec 2000
Lot 1600 to 1603 and 1916 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	-	Freehold	Development Land	22.77#	10,690	28 April 2003

Note: The Group has not revalued any of its properties

Status of Utilisation of Proceeds from Rights Issue and Public Issue

as at 31 December 2007

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 2007 RM'000	Balance yet to be Utilised RM'000
Repayment of term loan and overdraft	3,189	3,189	-
Repayment of revolving credit facility	500	500	-
Repayment of hire purchase facilities	936	936	-
Purchase of freehold land and building	15,000	1,500	13,500
Purchase of plant and equipment to facilitate the reconditioning business	-	-	-
Listing expenses	2,000	2,000	-
Working capital	10,630	8,330	2,300
TOTAL	32,255	16,455	15,800

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 Twelfth Annual General Meeting of the Company to be held at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Friday, 20 June 2008 at 11.00 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".

1.	Adoption of Audited Financial Statements	(Resolution 1)		
2.	Re-election of Director Dato' Lim Kang Swee	(Resolution 2)		
3.	Re-election of Directors:- i) En. Aznam Bin Mansor ii) Dr. Wong Kai Fatt	(Resolution 3) (Resolution 4)		
4.	Approval of Directors' Fees	(Resolution 5)		
5.	Declaration of First and Final Dividend	(Resolution 6)		
6.	Re-appointment of Auditors	(Resolution 7)		
7.	I. Authorisation pursuant to Section 132D II. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature III. Proposed Amendments to the Articles of Association of the Company	(Resolution 8) (Resolution 9) (Special Resolution)		

Dated this _____ day of _____ 2008.

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.

Fold here

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
