



KNUSFORD BERHAD
(380100-D)

(Incorporated in Malaysia)

Annual Report **2008**



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 Hoo

Khoo Nang Seng @ Khoo Nam Seng

Dato' Lim Kang Swee

Aznam Bin Mansor

Lim Ts-Fei

Dr. Wong Kai Fatt

Kang Hui Ling

- Executive Director

- Executive Director

- Executive Director

- Non-Executive Director

- Independent & Non-Executive Director

- Independent & Non-Executive Director

- Independent & Non-Executive Director

CHIEF EXECUTIVE OFFICER

Lim Keng Cheng

COMPANY SECRETARY

Lim Thiam Wah, ACIS

REGISTERED OFFICE

33-35, Ground Floor, Wisma Ekovest

Jalan Desa Gombak 6

Taman Sri Setapak

Off Jalan Gombak

53000 Kuala Lumpur

Tel: 03-40232525

Fax: 03-40214027

PRINCIPAL PLACE OF BUSINESS

Lot 8, Jalan Kecapi 33/2

Section 33, Elite Industrial Estate

40350 Shah Alam

Selangor Darul Ehsan

Tel: 03-51222525

Fax: 03-51225252

STOCK EXCHANGE LISTING

Bursa Malaysia Main Board

REGISTRAR

Insurban Corporate Services Sdn Bhd

149, Jalan Aminuddin Baki

Taman Tun Dr. Ismail

60000 Kuala Lumpur

Tel: 03-77275573

Fax: 03-77285948

AUDITORS

KPMG

Chartered Accountants

Level 10, KPMG Tower

8, First Avenue

Bandar Utama

47800 Petaling Jaya, Selangor

Tel: 03-77213388

Fax: 03-77213399

PRINCIPAL BANKERS

Malayan Banking Berhad

Hong Leong Bank Berhad

RHB Bank Berhad

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at GRAND SEASONS HOTEL, 72 JALAN PAHANG, 53000 KUALA LUMPUR on Friday, 19 June 2009 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 2008 together with the Reports of the Directors and the Auditors thereon.

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

i) Dato' Lim Kang Hoo

(Ordinary Resolution 2)

ii) Mr. Khoo Nang Seng @ Khoo Nam Seng

(Ordinary Resolution 3)

3. To approve the payment of Directors' Fees for the financial year ended 31 DECEMBER 2008.

4. To re-appoint Messrs. KPMG as Auditors and to authorise the Directors to fix their remuneration.

5. 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 6)

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

"THAT authority be and is hereby given pursuant to paragraph 10.09 of the Listing Requirements of 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 paragraph 3.4 of the Circular to Shareholders dated 28 May 2009 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;

Notice of 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".
6. 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.

By Order of the Board

Lim Thiam Wah, ACIS
Company Secretary

Kuala Lumpur

28 May 2009

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 6, 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 7, if passed, will authorise the Group to enter into recurrent related party transactions as specified in the Circular to shareholders dated 28 May 2009, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business made on at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

Particulars of Directors who are standing for re-election at the Thirteenth Annual General Meeting as at 11 May 2009.

Details	Dato' Lim Kang Hoo	Mr. Khoo Nang Seng @ Khoo Nam Seng
Directorships	Executive Director	Executive Director
Age	54	69
Nationality & Race	Malaysian Chinese	Malaysian Chinese
Qualification	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
Other directorships of public listed companies	Ekovest Bhd Pembinaan Limbongan Setia Bhd	Ekovest Bhd
Attendance at board meetings	Details as contained on page no.14	Details as contained on page no.14
Securities holdings in the Company - Direct - Indirect	615,749 ordinary shares 32,410,000 ordinary shares	8,124,122 ordinary shares NIL
the Subsidiaries	NIL	NIL
Family relationship with any any director and / or major shareholders of the Company	Details as contained on page no.9	NIL
Conflict of interest	Details as contained on page no.9	Details as contained on page no.9
Convictions of Offences	NIL	NIL

Statement Accompanying Notice of Annual General Meeting

General Meeting held during the financial year ended 31 December 2008:-

Type of Meeting	Date	Hour	Place
Twelfth Annual General Meeting	20 June 2008	11.00 a.m.	Grand Seasons Hotel 72 Jalan Pahang 53000 Kuala Lumpur

Profile of Directors and Chief Executive Officer

DIRECTORS

DATO' LIM KANG HOO, aged 54, 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 69, 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.

DATO' LIM KANG SWEE, aged 50, Malaysian, was appointed as the Managing Director of Knusford Berhad on 7 December 2000 and re-designated as Executive Director on 30 December 2008. Dato' Lim has more than fifteen years of experience in the rental and reconditioning business. After completing his secondary education he started his sole-proprietorship under the name of Wincon Trading & Co. which deals in rental, reconditioning of machinery and sale in spare parts and building materials. He travels extensively overseas to Japan, United Kingdom and Australia to meet with manufacturers, principals and dealers of spare parts, new and used machinery and equipment in order to source for quality supplies. Further, he has built a good understanding and reputation with suppliers during his fifteen years in the business. Hence, his vast experience and knowledge will contribute positively to the Knusford Berhad Group. In 1994, he discontinued his sole-proprietorship business, after which he teamed up with Mr. Khoo Nang Seng @ Khoo Nam Seng and his brother, Dato' Lim Kang Hoo to manage and expand the business of Wengcon Holdings Sdn Bhd. At present, he is also a director of several other private limited companies.

EN. AZNAM BIN MANSOR, aged 51, 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 46, 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 62, 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 37, 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.

CHIEF EXECUTIVE OFFICER

MR. LIM KENG CHENG, aged 47, Malaysian, was appointed as Chief Executive Officer of Knusford Berhad on 28 November 2008. Mr. Lim started his career immediately after his secondary education. He has more than 28 years of working experience in the construction, machinery trading and property development industries. Currently he holds the position as a Director of Pembinaan Sahabatjaya Sdn Bhd, a medium size construction company and also a Director of several other private limited companies. Mr Lim has a direct interest of 1,691,500 (1.70%) ordinary shares and an indirect interest of 2,487,000 (2.49%) ordinary shares in Knusford Berhad. He is not a director in any other public companies.

Conflict of interest

There is no conflict of interest between the Directors, Chief Executive Officer and the Group except for the recurrent related party transactions where the Directors and Chief Executive Officer have interest, as disclosed in the Note 28 of the Audited Financial Statements.

Conviction for offences

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

Family Relationship

No Director has family relationship with other Directors or major shareholders except for Dato' Lim Kang Hoo and Dato' Lim Kang Swee, who are brothers. Mr. Lim Keng Cheng, who is the Chief Executive Officer of the Company is the nephew of Dato' Lim Kang Hoo and Dato' Lim Kang Swee .

Executive 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 2008.

Overview and results

For the financial year ended 31 December 2008, the Group recorded a loss before taxation of RM1.002 million and a loss after taxation of RM1.810 million from a turnover of RM112.540 million as compared to RM2.659 million profit before taxation and RM1.042 million profit after taxation generated from a turnover of RM82.965 million achieved in the previous financial year. The overall financial performance of the Group is not as satisfactory as we have expected mainly due to losses suffered by certain of its subsidiaries.

Despite an increase of some RM29.58 million in turnover, the Group suffered a loss for the first time as the challenging business environment continued to affect the property development and construction industry, wherein the Group depended on for its business.

During the financial year ended 31 December 2008, the trading and services division recorded a profit of RM0.93 million from a turnover of RM120.31 million as compared to a profit of RM3.27 million from a turnover of RM80.90 million for the last financial year. The lower margin is mainly due to the competitiveness in the business environment and the provision for doubtful debts of RM1.33 million and write-down of inventories of RM0.79 million during the financial year.

The downturn in the economy has also affected the demand for the housing and property market and this has caused the property development division to report a turnover of RM1.38 million as compared to RM3.85 million for the last financial year. The lower turnover together with a provision for foreseeable loss of RM0.73 million resulted in the division reporting a loss of RM1.52 million for the period.

However, we are pleased to acknowledge that our long term business partners who have been successful in securing construction contracts under the 9MP have continued to support us and the Board is optimistic that the Group's book orders will improve in the forthcoming financial year.

Dividend

In view of the dissatisfactory results, the Board of Directors has decided not to recommend any dividend payment in respect of the financial year ended 31 December 2008.

Corporate Development

The Board has deferred plans for corporate development in the year ended 31 December 2008 as it continues to concentrate on enhancing its relationship with current existing customers and business activities.

Industry Overview and Prospect

According to Bank Negara Report 2008, the direct impact of the global financial crisis on the Malaysian financial conditions in early 2008 was relatively modest as domestic financial institutions and markets had negligible exposures to structured credit products. In addition, domestic financial institutions had strengthened and built significant buffers during the decade after the Asian financial crisis. Nevertheless, capital flows driven by the de-leveraging by international financial institutions created increased volatility in the domestic financial markets.

Having said the above, Malaysia's economic growth continues to depend greatly on global demand and remains supportive of exports. The government has taken various steps to ensure that the economic growth remains resilient. We are pleased that our effort in establishing ourselves in the Iskandar Development has finally bear fruits and it is expected that more and more businesses will be secured from this development in the south when more infra-structure works are being carried out in this region.

From the results, the Board is pleased that our strategy of concentrating our business efforts with existing business partners is effective. The Board will hence continue with this strategy while continue to explore other business opportunities.

The Board will also continue with its commitment to ethics and responsibilities of a good corporate citizen to enhance shareholders value.

Acknowledgment

On behalf of the Board of Directors, I would like to thank our valued shareholders, customers, business partners and bankers for their support and confidence in the Group. I also extend my appreciation to all our management and staff for their dedication, hard work and contribution to the Group. I would also like to take this opportunity to welcome Mr. Lim Keng Cheng who has been appointed as the Chief Executive Officer of Knusford Berhad on 28 November 2008.

DATO' LIM KANG SWEE
Executive Director



Kapar Power Plant



Offshore Project



Telco Project - Sandakan



F1 - Sepang

Lumut Shipyard



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") to enhance shareholders' value and to improve its financial performance. The Board is therefore pleased to report to the shareholders the manner in which the Group has applied the principles and best practices of the Malaysian Code on Corporate Governance ("the Code") and the best practices of the Code that were not adopted for 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. This arrangement is acceptable to the Board members as a member of the Board is elected to chair each Board meeting. The Chief Executive Officer is responsible for the implementation of the policies and strategies adopted by the Board and overseeing the Group's operations and developing the Group's business strategies.

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.

(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 2008, 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	Executive Director	4/5
Dato' Lim Kang Hoo	Executive Director	5/5
Khoo Nang Seng @ Khoo Nam Seng	Executive Director	5/5
Aznam Bin Mansor	Non-Executive Director	3/5
Lim Ts-Fei	Independent Non-Executive Director	4/5
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 "Intellectual Property - The Key to Malaysian Industries' Competitive Advantage" 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 consider 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 assists the Board of Directors in reviewing and assessing the remuneration packages of the executive directors. The members of the Remuneration Committee are:

- a) Chairman
Lim Ts-Fei – Independent Non-Executive Director
- b) 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 Report as laid out on pages 21 to 23 of this Annual Report.

Corporate Governance Statement

DIRECTORS' REMUNERATION

The details of the remuneration of each Director during the financial year ended 31 December 2008 are as follows:

(a) Total Remuneration

	Executive Directors RM '000	Non-Executive Directors RM '000	Total RM '000
Salary and Other Emoluments	1,041	-	1,041
Fees	-	20	20
Benefits-In-Kind	60	8	68
Total	1,101	28	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 2008 is as follows:

Directors' Remuneration	Executive Directors	Non-Executive Directors	Total
Up to RM50,000	-	4	4
RM150,001 to RM200,000	1	-	1
RM200,001 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 this 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 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 Malaysia's 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 the 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 key elements of the Group's internal control system are described below:

- There is a formal organisational structure with clear lines of responsibilities and levels of authority and accountability to facilitate internal checks and balances.
- 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.

RISK MANAGEMENT PROCESS

Risk management is seen as an integral part of the Group's business operations by the Board. The Heads of Department are responsible for managing the risks of their respective departments. The key risks relating to the Group's operations are addressed at the Board meetings.

The abovementioned serves as the on-going process used to identify, evaluate and manage significant risks.

Statement on Internal Control

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional service provider. 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 to the Audit Committee at their scheduled meetings. Management action plans that address control weaknesses are also followed up by the internal auditors to ensure that these action plans have been timely and satisfactorily implemented. Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

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 2008 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.

To fulfill its corporate social responsibility, the Group has supported various charitable causes during the financial year 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 2008.

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 2008 are as follows:

	Attendance of meetings
Chairman: Lim Ts-Fei (Independent Non-Executive Director)	4/5
Members: Dr Wong Kai Fatt (Independent Non-Executive Director)	4/5
Kang Hui Ling (Independent Non-Executive Director)	5/5

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 must be non-executive directors, with a majority of them being 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.

Audit Committee's Report

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 2008:-

- (a) Reviewed the unaudited quarterly report on the consolidated results of the Group for the quarters ended 31 December 2007, 31 March 2008, 30 June 2008 and 30 September 2008.
- (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 2009;
- (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 2008

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

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 27 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
(Loss)/Profit attributable to equity holders of the Company	<u>(1,810)</u>	<u>658</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 26% totalling RM737,373 (0.74 sen net per ordinary share) in respect of the year ended 31 December 2007 on 18 September 2008.

The Directors do not recommend any dividend to be paid for the year under review.

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 2008

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 1.1.2008	Bought	Sold	At 31.12.2008
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	8,124,122	-	-	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
Deemed interests in subsidiary company				
i) Yasmin Marine Technology Sdn. Bhd.				
Dato' Lim Kang Hoo	80	-	-	80

Company	Number of options over ordinary shares of RM1.00 each			
	At 1.1.2008	Granted	Expired	At 31.12.2008
Dato' Lim Kang Swee	150,000	-	(150,000)	-
Dato' Lim Kang Hoo	150,000	-	(150,000)	-

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 2008 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 28 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 2008

Issue of shares

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

Options granted over unissued shares

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

The Company had on 2 July 2003 established and implemented the ESOS for a period of 5 years which expired on 22 April 2008. The ESOS was governed by the ESOS By-law which was 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 1.1.2008	Expired	At 31.12.2008
2.7.2003	22.4.2008	RM1.25	1,806,000	(1,806,000)	-

The salient features of the ESOS were as follows:

- i) The total number of new shares which may be made available under the ESOS shall not exceed ten per centum (10%) of the issued share capital of the Company.
- ii) Eligible employees are those who are employed full time by and on the payroll of a company within the Group as at the date of offer.
- iii) The option is personal to the grantee and is non-assignable.
- iv) The options granted may be exercised at any time within a period of five (5) years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

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

Other statutory information

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 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: 27 April 2009

Balance Sheets

at 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets					
Property, plant and equipment	3	49,306	37,890	2	2
Investment property	4	22,223	22,368	27,105	11,707
Investments in subsidiaries	5	-	-	65,892	65,892
Land held for property development	6	27,528	27,528	-	-
Deferred tax asset	7	142	33	-	-
Receivables, deposits and prepayments	8	-	-	24,172	24,543
Total non-current assets		99,199	87,819	117,171	102,144
Receivables, deposits and prepayments	8	49,768	47,300	354	1,642
Inventories	9	2,655	5,616	-	-
Property development cost	10	16,504	16,034	-	-
Tax recoverable		1,706	1,748	7	16
Cash and cash equivalents	11	29,097	46,258	5,122	20,909
Total current assets		99,730	116,956	5,483	22,567
Total assets		198,929	204,775	122,654	124,711
Equity					
Share capital		99,645	99,645	99,645	99,645
Share premium		22,693	22,693	22,693	22,693
Retained earnings		41,968	44,515	31	110
Total equity attributable to equity holders of the Company	12	164,306	166,853	122,369	122,448
Liabilities					
Borrowings	13	2,221	4,833	-	-
Deferred tax liabilities	7	3,204	3,421	-	-
Total non-current liabilities		5,425	8,254	-	-
Payables and accruals	15	26,047	26,323	285	2,263
Borrowings	13	3,151	3,345	-	-
Taxation		-	-	-	-
Total current liabilities		29,198	29,668	285	2,263
Total liabilities		34,623	37,922	285	2,263
Total equity and liabilities		198,929	204,775	122,654	124,711

The notes on pages 33 to 62 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing operations					
Revenue	16	112,540	82,965	1,659	1,238
Cost of sales	17	(102,419)	(66,937)	(537)	(44)
<hr/>					
Gross profit		10,121	16,028	1,122	1,194
Other income		2,014	1,341	-	-
Administrative expenses		(12,994)	(14,860)	(355)	(993)
Other expenses		(214)	-	-	-
<hr/>					
Results from operating activities		(1,073)	2,509	767	201
Interest income		702	953	290	611
Interest expense		(631)	(803)	-	-
<hr/>					
(Loss)/Profit before tax	18	(1,002)	2,659	1,057	812
Tax expense	20	(808)	(1,617)	(399)	(303)
<hr/>					
(Loss)/Profit attributable to equity holders of the company		(1,810)	1,042	658	509
<hr/>					
Basic earnings per ordinary share (sen)	21	(1.82)	1.05		

The notes on pages 33 to 62 are an integral part of these financial statements.

Statements of Changes in Equity

for year ended 31 December 2008

Group	Note	◀ Attributable to equity holders 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 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	22	-	-	(728)	(728)	-	(728)
Shares issued	12	496	124	-	620	-	620
Disposal of a subsidiary		-	-	-	-	(3)	(3)
At 31 December 2007/ 1 January 2008		99,645	22,693	44,515	166,853	-	166,853
Loss for the year		-	-	(1,810)	(1,810)	-	(1,810)
Dividend to shareholders	22	-	-	(737)	(737)	-	(737)
At 31 December 2008		99,645	22,693	41,968	164,306	-	164,306
<i>Company</i>							
At 1 January 2007		99,149	22,569	329	122,047		
Profit for the year		-	-	509	509		
Dividend to shareholders	22	-	-	(728)	(728)		
Share issued	12	496	124	-	620		
At 31 December 2007/ 1 January 2008		99,645	22,693	110	122,448		
Profit for the year		-	-	658	658		
Dividend to shareholders	22	-	-	(737)	(737)		
At 31 December 2008		99,645	22,693	31	122,369		

Cash Flow Statements

for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(1,002)	2,659	1,057	812
Adjustments for:					
Depreciation of property, plant and equipment	3	8,435	12,929	-	-
Depreciation of investment property	4	378	266	324	173
Dividend income		-	-	(1,000)	(1,000)
Gain on disposal of a subsidiary	29	-	(86)	-	-
Gain on disposal of property, plant and equipment		(1,466)	(546)	-	-
Interest expense		631	803	-	-
Interest income		(702)	(953)	(290)	(611)
Property, plant and equipment written-off		250	-	-	-
Unrealised loss on foreign exchange		214	-	-	-
Operating profit/(loss) before changes in working capital		6,738	15,072	91	(626)
Changes in working capital:					
Properties under development		(1,825)	2,124	-	-
Inventories		2,616	411	-	-
Receivables, deposits and prepayments		(2,468)	5,436	1,659	(1,634)
Payables and accruals		(490)	(6,023)	(1,978)	56
Cash generated from/(used in) operations		4,571	17,020	(228)	(2,204)
Dividends received		-	-	740	730
Income taxes paid		(1,092)	(1,467)	(130)	(135)
Net cash generated from/(used in) operating activities		3,479	15,553	382	(1,609)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(19,156)	(852)	-	-
Acquisition of investment property	4	(233)	(975)	(15,722)	(970)
Repayment from subsidiaries		-	-	-	1,500
Interest received		702	953	290	611
Deposits pledged with licensed banks		(204)	(35)	(102)	(104)
Proceeds from disposal of property, plant and equipment		2,318	737	-	-
Disposal of a subsidiary, net of cash disposed	29	-	(3)	-	-
Net cash (used in)/generated from investing activities		(16,573)	(175)	(15,534)	1,037
Cash flows from financing activities					
Dividends paid	22	(737)	(728)	(737)	(728)
Interest paid		(631)	(803)	-	-
Repayment of revolving credits		(200)	-	-	-
Repayment of finance lease liabilities		(2,687)	(2,673)	-	-
Proceeds from issuance of shares		-	620	-	620
Net cash used in financing activities		(4,255)	(3,584)	(737)	(108)
Net (decrease)/increase in cash and cash equivalents		(17,349)	11,794	(15,889)	(680)
Cash and cash equivalents at 1 January	(ii)	39,220	27,426	17,192	17,872
Cash and cash equivalents at 31 December	(ii)	21,871	39,220	1,303	17,192

for the year ended 31 December 2008

i) *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM19,253,000 (2007 - RM2,809,000), of which RM97,000 (2007 - RM1,957,000) 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	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances	11	9,250	13,269	36	17
Deposits with licensed banks	11	19,847	32,989	5,086	20,892
Bank overdraft repayable on demand - secured and unsecured	13	-	(16)	-	-
		29,097	46,242	5,122	20,909
Less: Deposits pledged	11	(7,226)	(7,022)	(3,819)	(3,717)
		21,871	39,220	1,303	17,192

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, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur.	Lot 8, Jalan Kecapi 33/2 Section 33, Elite Industrial Estate 40350 Shah Alam Selangor Darul Ehsan.

The consolidated financial statements as at and for the year ended 31 December 2008 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 2008 do not include other entities.

The Company is principally engaged in investment holding and property investment while the principal activities of the subsidiaries are as stated in Note 27.

The financial statements were approved by the Board of Directors on 23 April 2009.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) 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 Group and the Company have not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010 except for FRS 4 which is not applicable to the Group and the Company.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the above standards (and their consequential amendments) and interpretations is not expected to have any 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.

(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 a significant effect on the amounts 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).

(ii) 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 statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) *Minority interest* (continued)

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.

(iii) *Transactions eliminated on consolidation*

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date.

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.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• Buildings	5 - 50 years
• Equipment, furniture and fittings	10 years
• Plant and machinery	10 - 20 years
• Motor vehicles	5 years

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

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group and the Company assume 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.

2. Significant accounting policies (continued)

(d) Leased assets (continued)

(ii) *Operating lease*

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, 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) 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 payments) 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.

2. Significant accounting policies (continued)

(f) Land held for property development

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

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

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

(g) 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 while the excess of billings to purchasers over income recognised in the income statements is shown as progress billings under payables and accruals.

(h) 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.

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

(i) 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.

2. Significant accounting policies (continued)

(j) 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.

(k) Impairment of assets

The carrying amounts of assets except for financial assets, other than subsidiaries, 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.

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.

(l) 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.

(m) 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.

2. Significant accounting policies (continued)

(n) 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.

(o) 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.

(p) 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.

2. Significant accounting policies (continued)

(p) Revenue recognition (continued)

(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.

(q) 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.

(r) 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.

2. Significant accounting policies (continued)

(s) 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.

(t) 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.

Notes to the Financial Statements

3. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
<i>Cost</i>						
At 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 / 1 January 2008	-	30	2,025	82,154	7,444	91,653
Additions	12,794	2,695	38	3,573	153	19,253
Transfer from inventories	-	-	-	1,700	-	1,700
Disposals	-	-	-	(2,178)	(1,168)	(3,346)
Written-off	-	-	-	(1,312)	-	(1,312)
At 31 December 2008	12,794	2,725	2,063	83,937	6,429	107,948
<i>Depreciation and impairment loss</i>						
At 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 (Note 18)	-	6	209	12,017	697	12,929
Disposals	-	-	(6)	(1,767)	(805)	(2,578)
Disposal of a subsidiary	-	-	(19)	-	(172)	(191)
At 31 December 2007/1 January 2008:						
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
Depreciation for the year (Note 18)	-	51	151	7,648	585	8,435
Disposals	-	-	-	(1,326)	(1,168)	(2,494)
Written-off	-	-	-	(1,062)	-	(1,062)
At 31 December 2008:						
Accumulated depreciation	-	75	1,542	51,531	5,261	58,409
Accumulated impairment loss	-	-	2	231	-	233
	-	75	1,544	51,762	5,261	58,642
<i>Carrying amounts</i>						
At 1 January 2007	-	12	806	29,638	1,256	31,712
At 31 December 2007/1 January 2008	-	6	632	35,652	1,600	37,890
At 31 December 2008	12,794	2,650	519	32,175	1,168	49,306

3. Property, plant and equipment (continued)

Company	Equipment, furniture and fittings RM'000
<i>Cost</i>	
At 1 January 2007/31 December 2007/ 1 January 2008/31 December 2008	3
<i>Accumulated depreciation</i>	
At 1 January 2007/31 December 2007/ 1 January 2008/31 December 2008	1
<i>Carrying amounts</i>	
At 1 January 2007/31 December 2007/ 1 January 2008/31 December 2008	2

3.1 Leased property, plant and equipment

At 31 December 2008, the net carrying amount of leased motor vehicles and plant and machinery of the Group was RM10,540,000 (2007 - RM10,749,000).

3.2 Change in estimates

In the previous year, 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 the future periods is as follows:

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

4. Investment property

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
<i>Cost</i>			
At 1 January 2007	5,225	17,038	22,263
Additions	-	975	975
At 31 December 2007/1 January 2008	5,225	18,013	23,238
Additions	-	233	233
At 31 December 2008	5,225	18,246	23,471
<i>Depreciation</i>			
At 1 January 2007	-	604	604
Charge for the year	-	266	266
At 31 December 2007/1 January 2008	-	870	870
Charge for the year	-	378	378
At 31 December 2008	-	1,248	1,248
<i>Carrying amounts</i>			
At 1 January 2007	5,225	16,434	21,659
At 31 December 2007/1 January 2008	5,225	17,143	22,368
At 31 December 2008	5,225	16,998	22,223
<i>Fair value</i>			
At 1 January 2007	5,520	16,823	22,343
At 31 December 2007/1 January 2008	5,520	21,665	27,185
At 31 December 2008	6,992	20,340	27,332
<i>Company</i>			
<i>Cost</i>			
At 1 January 2007	-	11,059	11,059
Additions	-	970	970
At 31 December 2007/1 January 2008	-	12,029	12,029
Additions	12,794	2,928	15,722
At 31 December 2008	12,794	14,957	27,751
<i>Depreciation</i>			
At 1 January 2007	-	149	149
Charge for the year	-	173	173
At 31 December 2007/1 January 2008	-	322	322
Charge for the year	-	324	324
At 31 December 2008	-	646	646

4. Investment property (continued)

	Freehold land RM'000	Buildings RM'000	Total RM'000
<i>Carrying amounts</i>			
At 1 January 2007	-	10,910	10,910
At 31 December 2007/1 January 2008	-	11,707	11,707
At 31 December 2008	12,794	14,311	27,105
<i>Fair value</i>			
At 1 January 2007	-	10,992	10,992
At 31 December 2007/1 January 2008	-	13,293	13,293
At 31 December 2008	12,794	15,587	28,381

Certain apartments of the Group and the Company with an aggregate net book value of RM13,681,000 (2007 - RM13,837,000) and RM10,305,000 (2007 - RM10,422,000) respectively are in the process of being registered under the name of the Company and its subsidiaries.

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Rental income from external parties	966	839	360	238
Rental income from subsidiaries	-	-	299	-
Direct operating expenses:				
- income generating investment properties	216	96	129	44
- non-income generating investment properties	100	131	84	100

Security

Certain freehold land and buildings of a subsidiary with an aggregate net book value of RM4,568,000 (2007 - RM4,825,000) are charged to secure banking facilities of a subsidiary (Note 13).

5. Investments in subsidiaries

	Company	
	2008 RM'000	2007 RM'000
At cost:		
Unquoted shares	65,892	65,892

Details of the subsidiaries are as stated in Note 27.

Notes to the Financial Statements

6. Land held for property development

	Group	
	2008 RM'000	2007 RM'000
<i>Cost</i>		
At 1 January/31 December	27,528	27,528

Security

In the previous year, land with a carrying amount of RM11,418,000 was charged to a licensed bank to secure banking facilities of a subsidiary. This was subsequently discharged during the year upon settlement of the facilities.

Freehold land with a carrying value of RM16,110,000 is pending sub-division and has yet to be registered in the name of a subsidiary (2007 - RM16,110,000)

7. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Property, plant and equipment	-	-	2,412	2,458	2,412	2,458
Land held for development	-	-	1,575	1,683	1,575	1,683
Unabsorbed capital allowances	-	(223)	-	-	-	(223)
Provisions	(925)	(530)	-	-	(925)	(530)
Tax (assets)/liabilities	(925)	(753)	3,987	4,141	3,062	3,388
Set off	783	720	(783)	(720)	-	-
Net tax (assets)/ liabilities	(142)	(33)	3,204	3,421	3,062	3,388

Unrecognised deferred tax assets

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

	Group	
	2008 RM'000	2007 RM'000
Deductible temporary differences	(5,425)	(1,431)
Unabsorbed capital allowances	(11,712)	(14,008)
Unutilised tax losses	(3,038)	(2,192)
	(20,175)	(17,631)
Unrecognised deferred tax assets @ 25% (2007 - 26%)	(5,044)	(4,584)

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 thereon.

8. Receivables, deposits and prepayments

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current Non-trade Amount due from subsidiaries	8.1	-	-	24,172	24,543
Current Trade Trade receivables Less: Allowance for doubtful debts		53,609 (6,331)	41,558 (5,003)	-	-
	8.2	47,278 725	36,555 -	-	-
Accrued billings		48,003	36,555	-	-
Non-trade Other receivables, deposits and prepayments Less: Allowance for doubtful debts	8.3	2,127 (362)	11,107 (362)	354 -	1,642 -
		1,765	10,745	354	1,642
		49,768	47,300	354	1,642

8.1 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.

8.2 Trade receivables

Included in trade receivables of the Group are amounts due from companies deemed related to certain Directors and a key management personnel as defined in Note 28 amounting to RM36,014,000 (2007 - RM8,235,000).

8.3 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group in the previous year was a deposit of RM9,552,000 paid for the acquisition of plant and machinery, a freehold land and building. Deposit for the acquisition of the plant and machinery of RM8,052,000 was refunded in the year under review due to the termination of the sales and purchase agreement.

9. Inventories

	Group	
	2008 RM'000	2007 RM'000
Trading inventories	967	5,283
Developed properties held for sale	1,688	333
	2,655	5,616

During the year under review, trading inventories amounting to RM787,732 (2007: RM1,212,000) were written down to net realisable value. The write down was charged to the administrative expenses in the income statement.

Notes to the Financial Statements

10. Property development costs

	Group	
	2008 RM'000	2007 RM'000
At 1 January		
Land	13,885	13,885
Development costs	50,862	49,622
Accumulated costs charged to income statements	(47,358)	(45,349)
	17,389	18,158
Development costs incurred during the year	4,006	1,239
Costs charged to income statements	(3,536)	(3,363)
Transfer to inventories	(1,355)	-
	16,504	16,034
At 31 December		
Land	13,885	13,885
Development costs	54,868	50,861
Accumulated costs charged to income statements	(50,894)	(48,712)
Accumulated costs transferred to inventories	(1,355)	-
	16,504	16,034

Additions to development costs during the year include rental of equipment of Nil (2007 - RM71,000).

11. Cash and cash equivalents

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with licensed banks	19,847	32,989	5,086	20,892
Cash and bank balances	9,250	13,269	36	17
	29,097	46,258	5,122	20,909

Included in the cash and bank balances of the Group is an amount of RM1,321,396 (2007 - RM3,532,106), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulations 2002.

Deposits with licensed banks pledged for bank facilities

Deposits with licensed banks amounting to RM7,226,000 (2007 - RM7,022,000) and RM3,819,000 (2007 - RM3,717,000) of the Group and of the Company respectively are pledged to banks to secure bank borrowings and facilities granted to the Company and certain subsidiaries (Note 13).

12. Share capital and reserves

12.1 Share capital

	Group and Company			
	Amount 2008 RM'000	Number of shares 2008 '000	Amount 2007 RM'000	Number of shares 2007 '000
Authorised:				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
Ordinary shares of RM1 each	99,645	99,645	99,149	99,149
Issued for cash pursuant to Employees' Share Option Scheme	-	-	496	496
At 31 December	99,645	99,645	99,645	99,645

12. Share capital and reserves (continued)

12.2 Share premium

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

12.3 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 2008 if paid out as dividends.

The Finance Act 2007 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 2008 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.

13. Borrowings

	Group	
	2008 RM'000	2007 RM'000
Non-current		
Finance lease liabilities	2,221	4,833
Current		
Bank overdraft - unsecured	-	16
Revolving credits - unsecured	450	650
Finance lease liabilities	2,701	2,679
	<u>3,151</u>	<u>3,345</u>

13.1 Security and terms

Bank overdraft was subject to interest at 8.25% (2007 - 8.25%) per annum and is secured by way of corporate guarantees, fixed deposits (Note 11) and a fixed charge over a subsidiary freehold land and buildings (Note 4).

Revolving credit of a subsidiary is subject to interest at 0.5% (2007 - 0.5%) per annum above the cost of funds. Revolving credit is secured by a corporate guarantee by the Company.

Finance lease liabilities are subject to fixed interest rates ranging from 2.30% - 8.97% (2007 - 2.50% to 8.97%) per annum.

13.2 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
2008					
Revolving credits					
- unsecured	2009	450	450	-	-
Finance lease liabilities					
- secured	2009 2013	4,922	2,701	2,108	113
		<u>5,372</u>	<u>3,151</u>	<u>2,108</u>	<u>113</u>
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>

Notes to the Financial Statements

13. Borrowings (continued)

13.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2008	2008	2008	2007	2007	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than one year	3,054	353	2,701	3,207	528	2,679
Between one and five years	2,342	121	2,221	5,292	459	4,833
	5,396	474	4,922	8,499	987	7,512

14. Employee benefits

Share-based payments

On 2 July 2003, the Group established and implemented the Employee Share Option Scheme ("ESOS"), a share option programme that entitles employees (including Executive Directors) to purchase shares in the Company. The ESOS expired on 22 April 2008.

The terms and conditions of the grants were as follows; all options were 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 were as follows:

	Average exercise price 2008	Number of options ('000) 2008	Average exercise price 2007	Number of options ('000) 2007
Outstanding at 1 January	1.25	1,806	1.25	2,559
Expired during the year	1.25	(1,806)	1.25	(257)
Exercised during the year	1.25	-	1.25	(496)
Outstanding at 31 December	-	-	1.25	1,806
Exercisable at 31 December	-	-	1.25	1,806

In 2007, 496,000 share options were exercised. The weighted average share price for the year was RM1.66.

15. Payables and accruals

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade					
Trade payables	15.1	22,975	20,284	-	-
Non-trade					
Amount due to subsidiaries	15.2	-	-	-	2,033
Other payables and accrued expenses		3,072	6,039	285	230
		3,072	6,039	285	2,263
		26,047	26,323	285	2,263

15.1 Trade payables

Included in trade payables of the Group are amounts due to companies deemed related to certain Directors and a key management personnel as defined in Note 28 amounting to RM1,487,000 (2007 - RM2,403,000).

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

Functional currency	Foreign currency	Group	
		2008 RM'000	2007 RM'000
RM	Yen	952	737
RM	Euro	137	194

15.2 Amount due to subsidiaries

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

16. Revenue

	2008		2007	
	RM'000		RM'000	
Continuing operations				
Group				
Sales of goods		89,820		46,507
Rental of machinery		20,375		31,770
Property development revenue		1,379		3,849
Rental income from investment property		966		839
		112,540		82,965
Company				
Dividend income from unquoted subsidiaries		1,000		1,000
Rental income from investment property		659		238
		1,659		1,238

Notes to the Financial Statements

17. Cost of sales

	2008 RM'000	2007 RM'000
Group		
Cost of goods sold	75,690	45,120
Direct operating expenses	24,933	18,454
Property development expenses	1,796	3,363
	<u>102,419</u>	<u>66,937</u>
Company		
Direct operating expenses	<u>537</u>	<u>44</u>

18. (Loss)/Profit before tax

		Group		Company	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(Loss)/Profit before tax is arrived at after charging:					
Allowance for doubtful debts		1,328	545	-	-
Auditors' remuneration:					
- Statutory audit					
- KPMG		104	104	25	25
- Other auditors		-	2	-	-
- Other services					
- KPMG		35	5	-	-
Depreciation of property, plant and equipment	3	8,435	12,929	-	-
Depreciation of investment property	4	378	266	324	173
Property, plant and equipment written-off	3	250	-	-	-
Personnel expenses (including key management personnel)					
- Wages, salaries and others		7,956	7,807	58	260
- Contributions to Employees Provident Fund		683	875	4	29
Rental of motor vehicles		117	170	-	-
Rental of premises		1,385	1,498	-	-
Rental of equipment and machineries		218	1,403	-	-
Write down of inventories		788	1,212	-	-
Realised loss on foreign exchange		-	172	-	-
Unrealised loss on foreign exchange		214	-	-	-
and after crediting:					
Dividend income from subsidiaries (unquoted)		-	-	1,000	1,000
Gain on disposal of a subsidiary	29	-	86	-	-
Gain on disposal of property, plant and equipment		1,466	546	-	-
Rental of motor vehicle		-	71	-	-
Rental income from investment property		966	839	659	238
Reversal of write down of inventories		-	4,149	-	-

19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors				
- Fees	20	20	20	20
- Remuneration	1,041	1,044	-	240
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	68	65	-	-
Total short-term employee benefits	1,129	1,129	20	260

20. Tax expense

Recognised in the income statement

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax expense	808	1,617	399	303
Major components of tax expense include:				
Current tax expense				
Malaysian - current year	917	753	413	375
- prior year	217	73	(14)	(72)
Total current tax	1,134	826	399	303
Deferred tax expense				
Reversal and origination of temporary differences	(78)	778	-	-
(Over)/Underprovision in prior years	(248)	13	-	-
Total deferred tax	(326)	791	-	-
Total tax expense	808	1,617	399	303

Reconciliation of tax expense

(Loss)/Profit for the year	(1,810)	1,042	658	509
Total tax expense	808	1,617	399	303
(Loss)/Profit excluding tax	(1,002)	2,659	1,057	812
Tax at Malaysian tax rate of 26% (2007 - 27%)	(260)	718	275	219
Effect of lower tax rate for certain subsidiaries*	(49)	(73)	-	-
Effect of change in tax rate**	148	(192)	-	-
Non-deductible expenses	540	509	128	156
Deferred tax assets not recognised	460	318	10	-
Other items	-	251	-	-
	839	1,531	413	375
(Over)/Under provided in prior years	(31)	86	(14)	(72)
	808	1,617	399	303

* 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 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.

Notes to the Financial Statements

21. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2008 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

Continuing operations

Group	2008 RM'000	2007 RM'000
(Loss)/Profit attributable to ordinary shareholders	(1,810)	1,042
Weighted average number of ordinary shares		
	2008 '000	2007 '000
Issued ordinary shares at 1 January	99,645	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	99,645	99,528

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2007 was not presented as it was anti-dilutive.

22. Dividend

Dividend recognised by the Company is:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2008			
Final 2007 ordinary	0.74	737	18 September 2008
2007			
Final 2006 ordinary	0.73	728	18 September 2007

The Directors do not recommend any dividend to be paid for the year under review.

23. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, 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.

23. Segmental reporting (continued)

	Trading and services		Property development		Investment property		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Business segments										
Total external revenue	120,310	80,897	1,379	3,849	966	839	(10,115)	(2,620)	112,540	82,965
Inter-segment revenue	-	-	-	-	490	-	(490)	-	-	-
Total segment revenue	120,310	80,897	1,379	3,849	1,456	839	(10,605)	-	112,540	82,965
Segment result	932	3,268	(1,524)	(51)	706	612	(833)	(427)	(719)	3,402
Unallocated expenses									(354)	(893)
Results from operating activities									(1,073)	2,509
Interest income									702	953
Interest expense									(631)	(803)
(Loss)/Profit before taxation									(1,002)	2,659
Tax expense									(808)	(1,617)
(Loss)/Profit for the year									(1,810)	1,042
Segment assets	140,285	154,591	27,144	34,236	127,733	22,368	(103,557)	(30,754)	191,605	180,441
Unallocated assets									7,324	24,334
Total assets									198,929	204,775
Segment liabilities	(45,396)	(55,130)	(24,256)	(25,811)	-	-	43,890	54,848	(25,762)	(26,093)
Unallocated liabilities									(8,861)	(11,829)
Total liabilities									(34,623)	(37,922)
Capital expenditure	3,727	2,805	37	4	15,722	975	-	-	19,486	3,784
Depreciation	(8,413)	(12,912)	(22)	(17)	(378)	(266)	-	-	(8,813)	(13,195)
Non-cash expenses other than depreciation	(2,583)	(1,929)	-	-	-	-	-	-	(2,583)	(1,929)

24. 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 had no significant concentrations of credit risk other than customers deemed related to Directors which represents 67% of the total trade receivables. The Company has an amount owing from subsidiaries of RM24,172,000 (2007: RM24,543,000). 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 to 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.

2008		Average effective interest rate	Total	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
Group	Note	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments								
Deposit with licensed banks	11	2.40 - 3.20	19,847	19,847	-	-	-	-
Finance lease liabilities	13	2.30 - 8.97	(4,922)	(2,701)	(2,108)	(69)	(39)	(5)
Floating rate instruments								
Revolving credits - unsecured	13	4.87	(450)	(450)	-	-	-	-
Company								
Fixed rate instruments								
Deposits with licensed banks	11	2.90 - 3.10	5,086	5,086	-	-	-	-
2007								
Group								
Fixed rate instruments								
Deposit with licensed banks	11	2.40 - 3.30	32,989	32,989	-	-	-	-
Finance lease liabilities	13	2.50 - 8.97	(7,512)	(2,679)	(2,682)	(2,090)	(31)	(30)
Floating rate instruments								
Bank overdraft - secured	13	8.25	(16)	(16)	-	-	-	-
Revolving credits - unsecured	13	4.87	(650)	(650)	-	-	-	-
			(666)	(666)	-	-	-	-
Company								
Fixed rate instruments								
Deposits with licensed banks	11	2.40 - 3.10	20,892	20,892	-	-	-	-

24. 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, other payables 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	2008		2007	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group					
Finance lease liabilities	13	4,922	4,449	7,512	7,933

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 flow is as follows:

	2008	2007
Finance leases liabilities	2.30% - 8.97%	2.50% - 8.97%

25. Capital commitments

	Group	
	2008 RM'000	2007 RM'000
Property, plant and equipment Contracted but not provided for	-	23,398

Included in capital commitments in the previous year was an amount of approximately RM13,500,000 allocated for the purchase of freehold land and building, plant and equipment from the Right Issue and Public Issue exercise in 2001.

26. 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	
	2008 RM'000	2007 RM'000
Guarantees and contingencies relating to borrowing of a subsidiary (unsecured)	450	666

27. 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	
		2008	2007
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%
Subsidiaries of Wengcon Holdings Sdn. Bhd.			
Wengcon Machinery Sdn. Bhd.	Reconditioning, sales and rental of light and medium machinery	100%	100%
Wengcon Marketing Sdn. Bhd.	Trading in building materials	100%	100%
Hi-Plus Development Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Endau Prima Sdn. Bhd.	Ceased operations	100%	100%
Segi Gemilang Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Subsidiaries of Wengcon Equipment Sdn. Bhd.			
Radiant Seas Sdn. Bhd.	Rental of machinery and equipment	100%	100%
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	80%	80%

28. 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;

Notes to the Financial Statements

28. Related parties (continued)

Identity of related parties (continued)

- ii) Aramijaya Sdn. Bhd. and Pestarena Industri Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo and Dato' Lim Kang Swee;
- iii) Danga Bay Sdn. Bhd., Danga Bay Management Sdn. Bhd. and Rampai Fokus Sdn. Bhd. are deemed related to Dato' Lim Kang Hoo; and
- iv) Pembinaan Sahabatjaya Sdn. Bhd. is deemed related to Lim Keng Cheng through his appointment as Chief Executive Officer of Knusford Bhd.

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

Other related parties

Type of transactions	Related party	2008 RM'000	2007 RM'000
Group			
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	10,302	6,481
	Danga Bay Sdn. Bhd.	7,311	4,179
	Ekovest Berhad	187	157
	Ekovest Construction Sdn. Bhd.	13,538	4,381
	Rampai Fokus Sdn. Bhd.	961	175
	Pembinaan Sahabatjaya Sdn. Bhd.	600	-
Purchase and rental of machinery and equipment and purchase of building materials	Aramijaya Sdn. Bhd.	73	88
	Binawani Sdn. Bhd.	-	29
	Rampai Fokus Sdn. Bhd.	314	169
	Ekovest Berhad	1,600	1,371
Pembinaan Sahabatjaya Sdn. Bhd.	96	-	
Purchase of freehold land and building	Pestarena Industri Sdn. Bhd.	15,489	-
Rental of premises paid	Ekovest Berhad	60	108
Rental of premises received	Danga Bay Sdn. Bhd.	436	387
	Ekovest Construction Sdn. Bhd.	300	282
Company			
Rental of premises received	Danga Bay Sdn. Bhd.	360	-
Type of transactions	Subsidiary company		
Rental of premises received	Wengcon Machinery Sdn. Bhd.	299	-

Balances with related parties are disclosed in Note 8 and Note 15. These transactions have been entered into in the normal course of business and have been established under negotiated terms.

29. Disposal of a subsidiary

In the previous 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 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)
Net identifiable assets and liabilities	(86)
Gain on disposal	86
Consideration received, satisfied in cash	*
Cash disposed of	(3)
Net cash outflow	(3)

*Denotes RM1

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 28 to 62 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their performance 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: 27 April 2009

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 28 to 62 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 27 April 2009.

Lee Mong Fang

Before me:

Adnan Isa (B285)
Commissioner for Oaths

Independent Auditors' Report

to the members of Knusford Berhad

Report on the Financial Statements

We have audited the financial statements of Knusford Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 62.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Chong Dee Shiang
Approval Number: 2782/09/10(J)
Chartered Accountant

Petaling Jaya

Date: 27 April 2009

Material Litigation and Other Information of

Knusford Berhad and Its Subsidiaries

For The Year Ended 31 December 2008

- 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 2008.

- 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

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

- OPTIONS, WARRANT OR CONVERTIBLE SECURITIES

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

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

Pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company will be seeking shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature, at the forthcoming Annual General Meeting of Knusford Berhad scheduled to be held on 19 June 2009.

Analysis of Shareholdings

Date of Annual Report : 28 May 2009
Statement Date : 11 May 2009

1. SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholdings	%	Indirect Shareholdings*	%
1. Kinston Park Sdn Bhd	32,410,000	32.53	-	-
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 1,057 shareholders holding 99,645,002 ordinary shares of RM1.00 each as at 11 May 2009. Each share entitles the holder to 1 vote.

4. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	Shareholdings	%
Less than 100 shares	8	0.75	128	0.00
100 - 1,000 shares	594	56.20	248,052	0.25
1,001 - 10,000 shares	318	30.09	1,378,774	1.38
10,001 - 100,000 shares	76	7.19	2,433,850	2.44
100,001 to less than 5% of issued shares	57	5.39	51,406,076	51.59
5% and above of issued shares	4	0.38	44,178,122	44.34
TOTAL	1,057	100	99,645,002	100

Analysis of Shareholdings

5. 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 Earn 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. Wong Khai Shiuan	3,149,000	3.16
9. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Suhaizi Bin Hamid	2,937,800	2.95
10. Wong Siew Chin	2,837,000	2.85
11. Wong Oi Choo	2,372,000	2.38
12. Soh Hui Fung	2,166,500	2.17
13. OSK Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gary Lee Seaton	2,130,500	2.14
14. Lim Seong Hai Holdings Sdn Bhd	1,735,500	1.74
15. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Pang Piu Fong	1,726,599	1.73
16. Tan Lai Leng	1,618,500	1.62
17. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Meow Yen	1,571,600	1.58
18. Lim Sew Hua	1,553,000	1.56
19. Lim Keng Cheng	1,533,000	1.54
20. ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kok Woon	1,254,200	1.26
21. ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Foo Suet Kum	1,158,800	1.16
22. Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Leak Goh	1,076,000	1.08
23. Dato' Lim Kang Swee	1,000,000	1.00
24. A. A. Anthony Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Wen Shiow	841,800	0.84
25. ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lye Sau Chee	801,600	0.80
26. Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Goh Eng Keong	717,800	0.72
27. A. A. Anthony Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Kim Leng	696,400	0.70
28. Dato' Lim Kang Hoo	615,749	0.62
29. Icon Sejati Sdn Bhd	464,000	0.47
30. Bidarcita Sdn Bhd	439,000	0.44

Particulars of Properties

as at 31 December 2008

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	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,176*	537	21-Aug-01
Lot C-11-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,176*	537	21-Aug-01
Lot C-12-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	4,050*	1,047	21-Aug-01
Lot D-09-05 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,173*	532	1-Oct-05
Lot C-09-05 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,173*	540	21-Dec-06
Lot C-09-06 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,173*	550	21-Dec-06
Lot C-10-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,176*	553	21-Dec-06
Lot C-10-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,176*	553	21-Dec-06
Lot C-12-03 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	4,050*	1,083	21-Dec-06

Particulars of Properties (continued)

as at 31 December 2008

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	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,176*	553	21-Dec-06
Lot D-11-3A Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,176*	555	21-Dec-06
Lot D-12-03 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	4,050*	1,083	21-Dec-06
Lot B-12-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	4,050*	1,083	21-Dec-06
Lot B-09-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,173*	550	21-Dec-06
Lot C-09-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,173*	550	21-Dec-06
Lot 8, Jalan Kecapi 33/2, Section 33 Elite Industrial Estate, Shah Alam (with a 1 1/2 storey detached factory with an Annexed 3 Storey Office Building)	3	Freehold	Industrial Land and Premises	275,833*	15,444	20-Jun-07
Wengcon Holdings Sdn Bhd						
Lot 3658 Jalan Genting Klang Mukim of Setapak District of Kuala Lumpur	26	Freehold	Eight (8) two (2) storey workshop	0.304#	2,286	9-May-96
Diamond Square Lot 335,317 and 318 Jalan Gombak Mukim of Setapak District of Kuala Lumpur	12	Freehold	Seven (7) storey commercial buildings comprising of one (1) retail & twelve (12) shop office	20,945 *	4,569	8-Jun-96

Particulars of Properties (continued)

as at 31 December 2008

Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area (Hectares)# / Built-up Area (sq. ft.)/(sq.m)^	NBV (RM'000)	Date of Acquisition
PTD 51261 H.S (D) 339081 Mukim of Senai-Kulai Daerah of Johor Bahru Johor Darul Takzim	11	Freehold	Double (2) storey terrace house	295 ^	229	9-Apr-04
Wengcon Equipment Sdn Bhd						
Lot B-09-02 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,173*	532	1-Oct-05
Lot C-09-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	2,173*	532	1-Oct-05
Lot C-12-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	4,050*	1,068	1-Oct-05
Lot A-12-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	4,050*	1,068	1-Oct-05
Lot 2259 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	-	Freehold	Development Land	28.1419#	16,110	1-Nov-01
D-Hill Sdn Bhd						
Lot C-04-01 Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	4	Leasehold 99 years expiring on 26-Dec-95	Apartment	1,038*	176	22-Dec-00
Lot 1600 to 1603 and 1916 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	-	Freehold	Development Land	13.66 #	7,221	28-Apr-03

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 2008

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 restructuring exercise:-

	Approved Utilisation by SC RM'000	Utilised as at 31 Dec 2008 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	15,000	-
Listing expenses	2,000	2,000	-
Working capital	10,630	10,630	-
TOTAL	32,255	32,255	-

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 Thirteenth Annual General Meeting of the Company to be held at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Friday, 19 June 2009 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".

NO.	RESOLUTIONS	FOR	AGAINST
1.	Adoption of Audited Financial Statements (Resolution 1)		
2.	Re-election of Directors:- i) Dato' Lim Kang Hoo (Resolution 2) ii) Mr. Khoo Nang Seng @ Khoo Nam Seng (Resolution 3)		
3.	Approval of Directors' Fees (Resolution 4)		
4.	Re-appointment of Auditors (Resolution 5)		
5.	I. Authorisation pursuant to Section 132D (Resolution 6) II. Proposed Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Resolution 7)		

Dated this _____ day of _____ 2009.

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