

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The approval of the Securities Commission ("SC") for the Proposed Acquisition (as defined herein) shall not be taken to indicate that the SC recommends the said Proposed Acquisition. Shareholders should rely on their own evaluation to assess the merits and risks of the Proposed Acquisition.

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KNUSFORD BERHAD

(Company No. 380100-D)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

THE PROPOSED ACQUISITION BY KNUSFORD BERHAD ("KB") OF ONE (1) PIECE OF FREEHOLD LAND HELD UNDER HSD 51799, PT 43447, MUKIM AND DISTRICT OF KLANG, SELANGOR DARUL EHSAN TOGETHER WITH A ONE AND A HALF STOREY DETACHED FACTORY, THREE STOREY OFFICE BUILDING, A SINGLE STOREY GUARD HOUSE AND A BIN CENTRE ERECTED THEREON, FROM PESTARENA INDUSTRI SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM15 MILLION ("PROPOSED ACQUISITION")

PART B

THE INDEPENDENT ADVICE LETTER TO THE MINORITY SHAREHOLDERS OF KB IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

OSK

OSK Investment Bank Berhad (14152-V)
(Formerly known as OSK Securities Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

MIMB
INVESTMENT BANK
A MEMBER OF EDN BANK GROUP

MIMB INVESTMENT BANK BERHAD (10209-W)
(formerly known as Malaysian International Merchant Bankers Berhad)
A Participating Organisation of Bursa Malaysia Securities Berhad

The Notice of the Extraordinary General Meeting ("EGM") to be held at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Friday, 16 November 2007 at 10.00 a.m. together with the Form of Proxy are set out in this Circular. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and to vote on his/her behalf. Shareholders are advised to refer to the Notice of the EGM and the Form of Proxy that are enclosed.

The Form of Proxy should be lodged at the Registered Office of the Company at 33-35, Ground Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur not later than 48 hours before the time stipulated for holding the EGM. The lodging of the Form of Proxy does not preclude a member from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 1 November 2007

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	: The Companies Act, 1965 as amended from time to time and any re-enactment thereof
"Balance Sum"	: RM13,500,000 less the Redemption Sum owing to the Chargee, being the balance purchase price
"Board"	: The Board of Directors of KB
"BSB"	: Bidarcita Sdn Bhd
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"Charge"	: Charge created on the Property in favour of the Chargee as security for overdraft and term loan facilities amounting to RM6.7 million obtained by PISB
"Chargee"	: Hong Leong Bank Berhad
"Circular"	: This circular to the shareholders of KB dated 1 November 2007
"Completion Date"	: Day of actual payment to the Company's solicitors of the remainder of the Balance Sum (after redemption of the Property in accordance with certain clauses in the SPA) which shall be within the Completion Period or the Extended Completion Period, as the case may be
"Completion Period"	: A day falling on or before the expiry of three (3) months from the date of receipt by the Company's solicitors of a copy each of all Approvals (as set out in Section 2.8 (i) of Part A of this Circular) or written confirmation of the Company's solicitors that all the said Approvals are obtained or waived by mutual written consent of the parties to the SPA
"EGM"	: Extraordinary General Meeting
"EPS"	: Earnings per share
"Extended Completion Period"	: In the event that the Company should fail to pay the Balance Sum or any part thereof by the Completion Period, the Vendor shall grant to the Company an extension of a further one (1) month, or such further period as the parties may mutually agree upon in writing
"FIC"	: Foreign Investment Committee
"FPE"	: Financial period ended/ending, as the case may be
"FYE"	: Financial year ended/ending, as the case may be
"IPO"	: Initial Public Offering
"KB" or the "Company"	: Knusford Berhad

DEFINITIONS (CONT'D)

"KB Group" or the "Group"	: KB and its subsidiaries
"KB Share(s)" or the "Share(s)"	: Ordinary share(s) of RM1.00 each in KB
"KPSB"	: Kinston Park Sdn Bhd
"Listing Requirements"	: The Listing Requirements of Bursa Securities, and all amendments thereto
"MIMB" or the "IA"	: MIMB Investment Bank Berhad (<i>formerly known as Malaysian International Merchant Bankers Berhad</i>)
"OSK"	: OSK Investment Bank Berhad (<i>formerly known as OSK Securities Berhad</i>)
"PISB" or the "Vendor"	: Pestarena Industri Sdn Bhd
"Property"	: One (1) piece of freehold land held under HSD 51799, PT 43447, Mukim and District of Klang, Selangor Darul Ehsan bearing postal address No. 8, Jalan Kecapi 33/2, Elite Industrial Park, 40350 Shah Alam, Selangor Darul Ehsan together with a one and a half storey detached factory, three storey office building, a single storey guard house and a bin centre erected thereon
"Proposals"	: The Proposed Acquisition and Proposed Variation, collectively
"Proposed Acquisition"	: Proposed acquisition by KB of the Property from PISB for a total cash consideration of RM15 million
"Proposed Variation"	: Proposed variation to the utilisation of RM2.7 million of the proceeds raised from the Company's IPO and Rights Issue which has been earmarked for the purchase of plant and equipment, for the Proposed Acquisition and the remaining RM2.3 million for working capital
"Purchase Consideration"	: Cash consideration of RM15 million for the acquisition of the Property
"Redemption Sum"	: The redemption sum relates to the amount owing to the Chargee for the discharge of the Charge, the actual amount of which can only be ascertained upon receipt of the redemption statement cum undertaking from the Chargee
"Rights Issue"	: Rights Issue of 12,591,799 new KB Shares issued in conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of KB on the Main Board of Bursa Securities
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"SC"	: Securities Commission
"SC Guidelines"	: Policies and Guidelines on Issue/Offer of Securities issued by the SC, as amended from time to time
"SPA"	: The conditional sale and purchase agreement dated 20 June 2007 entered into between PISB and KB in relation to the Proposed Acquisition

DEFINITIONS (CONT'D)

"sq. ft."	:	Square feet
"sq. mt."	:	Square meters
"Unconditional Date"	:	The date of receipt by KB's solicitors of a copy of all Approvals or written confirmation of KB's solicitors that all the Approvals are obtained or waived by mutual written consent of the parties to the SPA
"Valuation Report"	:	The valuation report dated 14 February 2007 prepared by the Valuer to assess the market value of the Property
"Valuer"	:	Messrs. Raine & Horne International Zaki and Partners Sdn Bhd, a firm of professional independent registered valuers
"WHSB"	:	Wengcon Holdings Sdn Bhd
"WMSB"	:	Wengcon Machinery Sdn Bhd

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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PART A

LETTER TO THE SHAREHOLDERS OF KB



KNUSFORD BERHAD

(Company No. 380100-D)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

33-35, Ground Floor
Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur

1 November 2007

Board of Directors

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

To: The Shareholders of Knusford Berhad

Dear Sir/Madam,

PROPOSED ACQUISITION BY KB OF ONE (1) PIECE OF FREEHOLD LAND HELD UNDER HSD 51799, PT 43447, MUKIM AND DISTRICT OF KLANG, SELANGOR DARUL EHSAN TOGETHER WITH A ONE AND A HALF STOREY DETACHED FACTORY, THREE STOREY OFFICE BUILDING, A SINGLE STOREY GUARD HOUSE AND A BIN CENTRE ERECTED THEREON, FROM PESTARENA INDUSTRI SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM15 MILLION

1. INTRODUCTION

On 20 June 2007, OSK, on behalf of the Board, announced that the Company had on even date entered into the SPA with PISB for the proposed acquisition of one (1) piece of freehold land held under HSD 51799, PT 43447, Mukim and District of Klang, Selangor Darul Ehsan together with a one and a half storey detached factory, three storey office building, a single storey guard house and a bin centre erected thereon for a total cash consideration of RM15 million.

On 2 August 2007, OSK had on behalf of KB written to the SC to seek their approval for the Proposals. Subsequently, on 4 September 2007, OSK had, on behalf of the Board, announced that the SC had, vide its letter dated 30 August 2007 approved the Proposals subject to certain conditions as set out in Section 8 of this Circular.

In view of the interests of certain Directors and/or major shareholders of KB and/or persons connected to them as set out in Section 9 of Part A of this Circular, the Proposed Acquisition is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. In this respect, MIMB has been appointed to act as the IA to provide the minority shareholders with an independent evaluation of the Proposed Acquisition. MIMB had, on 2 July 2007 confirmed to Bursa Securities on its eligibility to act as the IA for the Proposed Acquisition. The independent advice letter from MIMB in relation to the Proposed Acquisition is set out in Part B of this Circular.

The purpose of this Circular is to provide the shareholders of KB with the relevant information on the Proposed Acquisition as well as to seek the approval from the shareholders of KB for the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company. The notice of the forthcoming EGM and the form of Proxy are enclosed together with this Circular.

SHAREHOLDERS OF KB ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN AND THE INDEPENDENT ADVICE LETTER FROM MIMB AS SET OUT IN PART B OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

KB had, on 20 June 2007 entered into the SPA with PISB for the acquisition of the Property for a total purchase consideration of RM15 million.

The Property will be acquired free from all claims, charges, liens, encumbrances and equities whatsoever and with vacant possession and subject to all conditions and restrictions, expressed or implied, in the issue of title to the Property and upon the terms and subject to the conditions contained in the SPA.

Accordingly, KB had appointed Messrs. Raine & Horne International Zaki and Partners Sdn. Bhd., a firm of professional independent registered valuer to carry out a valuation on the Property. Based on the Valuation Report dated 14th February 2007, the Valuer has valued the Property at RM15.23 million based on the comparative method and the cost method of valuation.

2.1 Details of the Property

The Property comprises of a piece of freehold land measuring approximately 25,625.48 sq. mt. together with a one and half storey detached factory, three storey office building, single storey guard house and a bin centre erected thereon.

The Property is located along Jalan Kecapi 33/2 within an industrial scheme known as Elite Industrial Park, Section 33, Shah Alam and is approximately 7 kilometres south of Shah Alam City Centre, 15 kilometres south of Klang town centre, 20 kilometres south west of Petaling Jaya City Centre, approximately 25 kilometres south west of Kuala Lumpur City Centre and approximately 20 kilometres east of Port Klang.

The Property is currently being occupied by WMSB and WHSB, both wholly-owned subsidiaries of KB. The Property is also charged to the Chargee for overdraft and term loan facilities amounting to RM6.7 million obtained by PISB. Under the terms of the SPA, part of the Purchase Consideration would be utilised to repay the said loan facilities and discharge the Property.

Further details of the Property are set out below:-

Lot number : PT 43447

Title number : HSD 51799

Postal address : No. 8 Jalan Kecapi 33/2
Elite Industrial Park
40350 Shah Alam
Selangor Darul Ehsan

Tenure : Freehold

Title land area : 25,625.48 sq. mt.

Description of the Property : The Property comprises of a piece of freehold land measuring approximately 25,625.48 sq. mt. held under HSD 51799, PT 43447, Mukim and District of Klang, Selangor Darul Ehsan bearing postal address No. 8, Jalan Kecapi 33/2, Elite Industrial Park, 40350 Shah Alam, Selangor Darul Ehsan as well as a one and half storey detached factory, three storey office building, single storey guard house and a bin centre erected thereon

General Description of the Buildings : (i) **A one and a half storey detached factory**

The building is basically constructed of steel portal framework, plastered brickwalls surmounted with metal cladding walls and covered with corrugated metal roofing sheets on steel trusses and flooring are of reinforced concrete laid over hardcore. The build-up and net usable area of this factory building is as follows:-

Level	Main Floor Area (sq. ft./ sq. mt.)	Ancillary Floor Area (sq. ft./ sq. mt.)
Ground floor	16,637/ 1,545.58	3,798/ 352.83
Mezzanine floor	1,545/ 143.53	707/ 65.68

(ii) **Three storey office building**

The building is basically constructed of reinforced concrete framework. Plastered brickwalls and covered with reinforced concrete roof top and flooring is of reinforced concrete laid over hardcore finished with quality ceramics tiles, carpet and cement render. The built-up and net usable area of this office building is as follows:-

	sq. ft.	sq. mt.
Main floor area	14,358	1,545.58
Ancillary floor area	1,365	126.81

(iii) A single storey guard house

The building is basically constructed of reinforced concrete framework, plastered brickwalls and covered with metal cladding on steel trusses and flooring is of reinforced concrete finished with homogenous tiles. The build-up and net usable area of this building is as follows:-

	sq. ft.	sq. mt.
Main Floor Area (approximately)	132	12.25

(iv) Bin centre

The building is basically constructed of reinforced concrete framework, plastered brickwalls and covered with concrete flat roof and flooring is of reinforced concrete finished with cement render the built-up area and net usable area of this building is approximately 116 sq. ft. (10.8 sq. mt.)

Age of buildings	:	Approximately five (5) years
Estimated gross floor area	:	38,658 sq. ft.
Existing and proposed used	:	Industrial
Annual rental	:	Approximately RM1.11 million per annum
Net book value*¹	:	RM11,562,090
Market value*²	:	RM15.23 million
Encumbrances	:	Charged to the Chargee vide Presentation No. 10472/1998 Jilid 19 Folio 158 dated 19 March 1998

However, the Property will be acquired free from all claims, charges, liens, encumbrances and equities whatsoever and with vacant possession and subject to all conditions and restrictions, expressed or implied, in the issue of title to the Property and upon the terms and subject to the conditions contained in the SPA

Notes:-

*¹ Based on the management accounts of PISB for the FYE 31 March 2007.

*² Market value as appraised by the Valuer based on their valuation report dated 14 February 2007.

2.2 Basis of arriving at the Purchase Consideration

The Purchase Consideration was arrived at based on a willing-buyer willing-seller basis after taking into consideration, amongst others the valuation of the Property carried out by the Valuer of RM15.23 million.

The Purchase Consideration represents a discount of approximately 1.5% to the above said market value of RM15.23 million, as assessed by the Valuer.

2.3 Mode of settlement

The Purchase Consideration shall be paid in accordance to the following:-

Payment Tranches	Amount Payable/Paid RM
<u>Tranche 1</u>	
Upon execution of the SPA, ten percent (10%) of the Purchase Consideration, which was paid on 20 June 2007* ¹	1,500,000
<u>Tranche 2</u>	
On a day falling on or before the expiry of three (3) months from the Unconditional Date, the Balance Sum	13,500,000
Total	<u>15,000,000</u>

Note:-

*¹ This amount paid is refundable to KB in the event the SPA is terminated, unless the termination is caused by an event of default by KB pursuant to the SPA.

2.4 Sources of Funds

The Company intends to fund the entire Purchase Consideration using the gross proceeds raised from its IPO and Rights Issue of RM17,774,400 and RM14,480,569 respectively.

The Company had, in its application to the SC for its proposed listing on the Main Board of Bursa Securities, stated that the Group intends to acquire the Property, using RM12.3 million from the proceeds to be raised from its IPO and Rights Issue.

The Company had, on 30 August 2007 obtained the approval of the SC to utilise RM2.7 million of the proceeds raised from its IPO and Rights Issue, which has been earmarked for the purchase of plant and equipment, for the Proposed Acquisition.

2.5 Original Cost of Investment

The Property was acquired by the Vendor on 2 January 1997 for a total purchase consideration of RM7.445 million. The Vendor had subsequently up to 31 December 2001 incurred additional building costs (other improvements, incidental costs and building costs) amounting to RM4.117 million on the Property.

2.6 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees to be assumed by the Company arising from the Proposed Acquisition.

2.7 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by KB to put the Property on-stream.

2.8 Salient terms and Conditions of the SPA

2.8.1 Conditions Precedent

Within one (1) month from the date of the SPA the parties shall (provided that they are in receipt of all relevant documents from the other party) make the relevant applications to obtain the Approvals hereunder.

The completion of the SPA shall be conditional upon the fulfilment of the following conditions on or before the expiry of a period of six (6) months from the date of the SPA with an automatic extension of another period of three (3) months or such other extended period as may be mutually agreed upon by the Company and the Vendor in writing:-

- (i) the approval of the SC for the Proposed Acquisition to be obtained by the Company;
- (ii) the approval of the FIC, to be obtained by the Company*¹;
- (iii) the approval of the Board for the Proposed Acquisition;
- (iv) the approval of the shareholders of the Company at an EGM;
- (v) the approval of the Vendor's board of Directors;
- (vi) the shareholders' of the Vendor; and
- (vii) any other relevant authorities (if required)

(hereinafter collectively referred to as the "Approvals")

Note:-

^{*1} Pursuant to the FIC's Guidelines on the Acquisition of Properties by Local and Foreign Interests ("FIC Guidelines"), OSK had, on behalf of KB, notified the FIC of the Proposed Acquisition, vide its letters dated 3 August 2007 and 7 August 2007.

2.8.2 Extension of Completion Period

In the event the Company should fail to pay the Balance Sum or any part by the Completion Period, the Vendor shall grant the Company an extension of a further one (1) month, or such further periods as the parties may mutually agree upon in writing provided that the Company shall pay to the Vendor interest on the unpaid amount at the rate of eight per centum (8%) per annum calculated on a daily rest basis commencing from the day immediately after the expiry of the Completion Period up to the date of actual payment.

2.8.3 Redemption

The Vendor shall within 14 days from the date of receipt of the Company's solicitor request, obtain and forward, or caused to be forwarded to the Company's solicitor a redemption statement cum undertaking from the Chargee undertaking to forward the original issue document of title and other relevant documents of the Property upon receipt of the redemption amount and to refund the redemption amount within 14 days in the event the redemption and discharge of the Property of the Company or the Company financier in accordance with the SPA is not registered for any reason whatsoever.

2.8.4 Delivery of vacant possession

The Vendor shall deliver vacant possession (including all keys, accesses, building plans, approvals, building drawings in relation to the factory inclusive of approvals of the factory) of the Property to the Company on the Completion Date or such other date as the parties may mutually agree upon in writing.

2.8.5 Governing laws

The SPA shall be governed by the laws of Malaysia and its validity, construction and performance shall be interpreted in accordance with Malaysian law. The parties agree to be subject to the non-exclusive jurisdiction of the Malaysian courts and for the determination of all actions and proceedings arising out of the SPA.

3. INFORMATION ON THE VENDOR

PISB was incorporated on 25 April 1996 in Malaysia under the Act as a private limited company. Its present authorised share capital of PISB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which RM500,000 comprising 500,000 ordinary shares of RM1.00 each have been issued and are fully paid-up as at 16 October 2007.

The principal activity of PISB is that of property investment. The Directors and major shareholders of PISB are Dato' Lim Kang Swee and Dato' Lim Kang Hoo. Further details on their shareholdings in PISB are as follows:-

Directors/Major Shareholders	<-----Direct----->	
	No. of PISB shares held	%
Dato' Lim Kang Swee	250,000	50.00
Dato' Lim Kang Hoo	250,000	50.00
Total	500,000	100.00

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the expansion plans of the Company as set out in its prospectus dated 28 March 2001 in conjunction with its initial listing on the Main Board of Bursa Securities. Currently, the Property is being occupied by WMSB and WHSB for its two (2) main workshops and storage facilities for its rental fleet of new and reconditioned machinery and equipment. The Proposed Acquisition will enable the Group to own a fully integrated reconditioning factory in Shah Alam, which is expected to enable the Group to achieve cost-effectiveness. The Proposed Acquisition is expected to result in a gross rental savings of approximately RM0.65 million per annum (after deducting the interest earned by the Group on the RM15 million which is currently being placed in fixed deposits at a rate of three per centum (3%) per annum).

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and Prospect of the Global Economy

The global economic environment was favourable in 2006, sustaining its fourth consecutive year of expansion above 4%. While there was some moderation in the economic environment of the United States ("US"), especially towards the latter part of the year, global growth momentum remained firm. This resilience was attributed to several factors. First, the moderation of growth in the US economy was largely centered on the weak housing and automobile-related sectors. Second, although the contribution of the US economy to world growth was still significant, there was a broadening of growth across the major economic regions, specifically with growing economic impetus in the European region ("Euro"), continued recovery in Japan, and stronger expansion in the East Asian region i.e the People's Republic of China ("PRC"), Taiwan, Hong Kong, Indonesia, South Korea, Malaysia, the Philippines, Singapore and Thailand as well as other developing economies. Third, the strength of commodity markets throughout most of the year favoured resource based producers, thus benefiting a large number of emerging economies through improved terms of trade and foreign exchange earnings.

The outlook for global performance remains fairly optimistic. Global growth in 2007 is forecast to be sustained at above 4% for the fifth consecutive year. A growth of 4.5% is anticipated in 2007, with further easing of inflationary pressures and with some moderation in growth of world trade. Recovery in Japan is expected to continue, albeit at a more measured pace, while prospects for the Euro look brighter following signs of a broad-based recovery in the major member countries. Notwithstanding the more moderate pace of expansion in external demand, growth in the Asian region is expected to remain encouraging, supported increasingly by domestic demand, particularly in the PRC and India.

(Source: Bank Negara Malaysia's Annual Report 2006)

5.2 Overview and Prospect of the Malaysian economy

The Malaysian economy continued to be on a steady growth path, with real gross domestic product expanding by 5.7% in the second quarter of 2007. Private sector activity remained resilient in the second quarter. The increased public sector spending provided added support to the growth. Sustained strong performance in the services sector and higher activities in the mining and construction sectors supported the growth in the second quarter.

Domestic demand expanded strongly in the second quarter (10.8%; 1Q:8.7%), supported by private sector activity and continued increase in public investment spending. Private consumption expenditure was stronger, (13.1%; 1Q: 8.6%), supported by the steady increase in disposable income and stable employment market conditions as well as stronger commodity prices. In addition, the favourable performance of the stock market reinforced consumer sentiments during the quarter. Meanwhile, gross fixed capital formation expanded by 6.6% in the second quarter (1Q: 9.9%), on continued capital spending activities by both the private and public sectors. The government development spending initiatives during the quarter were focused on high-multiplier impact projects, mainly for agriculture and rural development, upgrading and construction of transportation related infrastructure and public utilities. Private sector's capital spending activities expanded steadily, particularly in the manufacturing, construction and upstream oil and gas sectors, supported by improved business conditions.

Going forward, the global economic expansion is expected to be sustained at above 4% in 2007. Despite the moderation in the US economy and ongoing uncertainties such as high oil prices and unstable conditions in the financial markets, favourable growth momentum in the Euro and Asian regions would sustain global growth over the near term. The recent turmoil in the US subprime mortgage and credit markets have so far been confined to the financial markets. While the financial markets can be expected to experience continued volatility, the strong fundamentals prevailing in Malaysia would continue to support the steady growth momentum of the Malaysian economy.

(Source: Bank Negara Malaysia's Second Quarterly Bulletin 2007)

5.3 Prospect of the Property

The industrial sector in Klang Valley is limited to specific areas. Industrial properties in Shah Alam, Klang, Subang Jaya, Glenmarie and Puchong localities are expected to remain popular with local and foreign investors due to good infrastructure network systems, established industrial areas and a wide range of supportive industries.

The subject property is located in an established and prime industrial areas which has excellent accessibility due to its close proximity to the KESAS, the Damansara Puchong Expressway and the North South Highway which are keys to this industrial area.

The limited number of units of detached factories in this scheme is also a contributing factor to this low vacancy factors and thus enhancing the value of the subject property. In general, market prices for vacant industrial land in Klang Valley remained stable except for popular areas. Market prices in the Petaling Jaya area now range from RM85 to RM120 per sq. ft, Subang, Bukit Raja and Shah Alam and selected areas in Puchong is at between RM30 to RM120 per sq. ft. Whilst in Sungai Buloh, market prices ranged between RM20 to RM40 per sq. ft. Within the subject property areas and surrounding, the market prices for industrial land range from RM30 to RM60 per sq. ft.

Rental rates and market prices for secondary industrial developments are generally expected to remain at prevailing levels in light of the high vacancy rates of industrial premises in secondary locations. Industrial properties in prime locations are expected to experience marginal increase in market prices and rental due to the improved take-up. In EIP, Shah Alam the market rentals generally range between RM0.90 to RM1.20 per sq. foot per month.

(Source: Valuation Report)

6. RISK FACTORS

The risk factors associated with the Proposed Acquisition are as follows:-

6.1 Political, Economic and Regulatory Consideration Risks

The financial and business prospects of the Group and the industry in which it operates depend to some degree on the developments in the political and regulatory factors in Malaysia. Amongst the political, economic and regulatory factors are changes in inflation rates, interest rates, war, terrorism activities, riots, changes in political leadership and unfavourable changes in the Government's policies such as taxation and licensing policies. Whilst the Group will continue to adopt effective measures such as prudent management and efficient operating procedures to mitigate these factors, there can be no assurance that adverse economic, political and regulatory factors will not materially affect the Group.

6.2 Acquisition Risks

There can be no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that the Company will be able to generate sufficient future revenue stream from the Proposed Acquisition to offset the associated acquisition costs. The Company will, however seek to mitigate such risks by conducting periodic feasibility assessments on the Property as well as continuously monitoring the Group's investment strategies.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1. Issued and Paid-up Share Capital and Substantial Shareholders' Shareholding

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholding of the Group as the Purchase Consideration will be satisfied entirely by cash.

7.2 Earnings and Earnings per share

The Proposed Acquisition is not expected to have any material effect on the earnings and earnings per share of the Group for the FYE 31 December 2007.

7.3 Net Assets and Gearing

Based on the audited balance sheet of the Group as at 31 December 2006, the proforma effects of the Proposed Acquisition on the net assets per share and gearing of the Group are set out below:-

	Audited as at 31 December 2006 RM'000	After the completion of the Proposed Acquisition RM'000
Share Capital	99,149	99,149
Reserves	22,569	22,219* ¹
Retained Earnings	44,201	44,201
Shareholders' equity	165,919	165,569
Add : Minority interest	3	3
Net Assets	165,922	165,572
No. of ordinary shares in issue ('000)	99,149	99,149
Net assets per ordinary share (RM)	1.67	1.67
Borrowings (RM)	9,619	9,619
Gearing (times)	0.06	0.06

Note:-

*¹ After netting off estimated expenses of approximately RM350,000 in relation to the Proposed Acquisition.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to the approvals being obtained from the following:-

- (a) the SC, which was obtained vide their approval letter dated 30 August 2007 subject to the following conditions:-
 - (i) KB to rectify the unapproved structures in respect of the Property within one (1) year from date of the SC's approval letter;
 - (ii) KB to make quarterly announcements on the status of compliance with item (i) above to Bursa Securities; and
 - (iii) KB to update the SC on the status of the compliance when such announcements are made to Bursa securities.
- (b) the shareholders of KB for the Proposed Acquisition at an EGM to be convened; and
- (c) any other relevant authority, if required.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save as disclosed below, none of the directors and/or major shareholders and/or persons connected to the directors and/or major shareholders have any interest, whether directly or indirectly, in the Proposed Acquisition:-

9.1 Interested Directors

Dato' Lim Kang Swee is the Managing Director and a major shareholder of the Company as well as a Director and a major shareholder of PISB.

Dato' Lim Kang Hoo is a Director and a major shareholder of the Company as well as a Director and a major shareholder of PISB. Dato' Lim Kang Swee and Dato' Lim Kang Hoo (collectively referred to as the "Interested Directors") are brothers.

The direct and indirect interest of the Interested Directors in KB as at 16 October 2007 are as follows:-

	Shareholdings			
	Direct		Indirect	
	No. of KB Shares held	%	No. of KB Shares held	%
Dato' Lim Kang Swee	8,154,000	8.18	439,000	0.44 ^{*1}
Dato' Lim Kang Hoo	615,749	0.62	32,410,000	32.53 ^{*2}

Notes:-

^{*1} Deemed interested by virtue of his shareholdings in BSB under Section 6A of the Act.

^{*2} Deemed interested by virtue of his shareholdings in KPSB under Section 6A of the Act.

9.2 Interested Major Shareholder

KPSB ("Interested Major Shareholder"), a major shareholder of KB holding approximately 32.53% of the equity interest therein, is deemed interested in the Proposed Acquisition by virtue of Dato' Lim Kang Hoo, an Interested Director being a Director and major shareholder of KPSB.

The direct and indirect interest of KPSB in the Company as at 16 October 2007 are as follows:-

	<-----Shareholdings----->			
	<-----Direct----->		<-----Indirect----->	
	No. of KB Shares held	%	No. of KB Shares held	%
KPSB	32,410,000	32.53	-	-

9.3 Persons connected to the Interested Directors and Interested Major Shareholders

BSB, a shareholder of KB holding approximately 0.44% of the equity interest therein, is deemed interested in the Proposed Acquisition by virtue of Dato' Lim Kang Swee, an Interested Director being a Director and major shareholder of BSB.

The direct and indirect interest of BSB in the Company as at 16 October 2007 are as follows:-

	<-----Shareholdings----->			
	<-----Direct----->		<-----Indirect----->	
	No. of KB Shares held	%	No. of KB Shares held	%
BSB	439,000	0.44	-	-

Accordingly, the Interested Directors have abstained and will continue to abstain from all board deliberations and voting on the resolution pertaining to the Proposed Acquisition. The Interested Directors will abstain from voting in respect of his direct and indirect interests in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM. The said Interested Directors have undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and indirect interests in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

BSB and KPSB, being parties interested in the Proposed Acquisition, will abstain from voting on the relevant resolution in respect of the Proposed Acquisition at the Company's forthcoming EGM in respect of its shareholdings in the Company. BSB and KPSB have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and indirect interests in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

10. OTHER PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

The Board is not aware of any corporate exercises which have been announced but not yet completed as at the date of this Circular.

The Proposed Acquisition is conditional upon the Proposed Variation, which was approved by the SC vide its dated 30 August 2007 subject to certain conditions as detailed in Section 8 of this Circular.

11. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors as set out in Section 9 above who have abstained from giving both opinion and recommendation in respect of the Proposed Acquisition), having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of KB and the terms and conditions are fair and reasonable to the shareholders.

Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

12. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSED ACQUISITION

Barring unforeseen circumstances, the Proposed Acquisition is expected to be completed by fourth quarter of 2007.

13. INDEPENDENT ADVICE

The Proposed Acquisition is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors, major shareholders and persons connected to them as set out in Section 9 above. In this respect, MIMB has been appointed to act as the IA to advise the minority shareholders of KB on the Proposed Acquisition.

The independent advice letter containing KB's evaluation and recommendation on the Proposed Acquisition is enclosed in Part B of this Circular.

14. EGM

The EGM, the notice of which is set out in this Circular, will be held at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Friday, 16 November 2007 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution to give effect to the Proposed Acquisition.

A Form of Proxy for the forthcoming EGM is enclosed in this Circular. If you are unable to attend and vote in person at the EGM, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's registered office at 33-35, Ground Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur not later than 48 hours before the time fixed for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

15. FURTHER INFORMATION

Shareholders are advised to refer to the Appendices for further information.

Yours faithfully
For and on behalf of the Board of
Knusford Berhad

KANG HUI LING
Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER TO THE MINORITY SHAREHOLDERS OF KB IN
RELATION TO THE PROPOSED ACQUISITION**

MIMB INVESTMENT BANK BERHAD (10209-W)
(Formerly known as Malaysian International Merchant Bankers Berhad)
A Participating Organisation of Bursa Malaysia Securities Berhad
12th Floor, Menara EON Bank,
288, Jalan Raja Laut,
50350 Kuala Lumpur,
P.O. Box 12250,
50772 Kuala Lumpur,
Malaysia.

1 November 2007

To : The Minority Shareholders of Knusford Berhad

Dear Sir/Madam,

KNUSFORD BERHAD (“KB” OR THE “COMPANY”)

INDEPENDENT ADVICE LETTER TO THE MINORITY SHAREHOLDERS OF KB IN RELATION TO THE PROPOSED ACQUISITION BY KB OF ONE (1) PIECE OF FREEHOLD LAND HELD UNDER HSD 51799, PT 43447, MUKIM AND DISTRICT OF KLANG, SELANGOR DARUL EHSAN TOGETHER WITH A ONE AND A HALF STOREY DETACHED FACTORY, THREE STOREY OFFICE BUILDING, A SINGLE STOREY GUARD HOUSE AND A BIN CENTRE ERECTED THEREON, FROM PESTARENA INDUSTRI SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM15 MILLION

1. INTRODUCTION

This independent advice letter (“IAL”) is prepared for inclusion in the circular to the shareholders of KB dated 1 November 2007 relating to the Proposed Acquisition. Definitions or defined terms used in this IAL shall have the same meanings as used in Part A of the Circular, except where the context otherwise requires or defined herein.

On 20 June 2007, KB announced that it had on even date entered into a conditional sale and purchase agreement with PISB for the Proposed Acquisition. The SC had vide its letter dated 30 August 2007 approved amongst others, the Proposed Acquisition subject to the following conditions:-

- (i) KB is required to rectify the unapproved structures in respect of the Property within one (1) year from the date of the SC’s approval letter (i.e. by 29 August 2008);
- (ii) KB is required to make quarterly announcements on the status of the above compliance to Bursa Securities; and
- (iii) KB is required to update the SC on the status of compliance when such announcements are made to Bursa Securities.

In view of the interest of certain directors and major shareholders of KB as well as persons connected to them set out in Section 9 of Part A of the Circular, the Proposed Acquisition is deemed a related party transaction. Accordingly, pursuant to the requirements of Paragraph 10.08(2) of the Listing Requirements, the Board has appointed MIMB as the independent adviser on 15 June 2007 to advise the minority shareholders of KB in respect of the Proposed Acquisition.

Head Office: 21st Floor, Menara EON Bank, 288, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia. P.O. Box 12250, 50772 Kuala Lumpur, Malaysia.
Tel: +603 - 2691 0200 (Investment Banking) + 603 - 2692 8899 (Securities Operations) Fax: +603 - 2694 8388/ 2692 7488
(Investment Banking) +603 - 2694 9088 (Securities Operations)

Penang Branch: 9th Floor, Wing B, Northam Tower, No. 57, Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia. P.O. Box 789, 10800 Penang, Malaysia.
Tel: +604-228 3021 Fax: +604-228 8192/227 2580

MIMB had on 2 July 2007 confirmed to Bursa Securities on its eligibility to act as the independent adviser to the minority shareholders of KB for the Proposed Acquisition. Bursa Securities has cleared the contents of this IAL vide its letter dated 25 October 2007.

The purpose of this IAL is to provide the minority shareholders of KB with an independent opinion as to whether the terms of the Proposed Acquisition are fair and reasonable insofar as the shareholders are concerned and whether the Proposed Acquisition is detrimental to the minority shareholders of KB. This IAL is prepared solely for the use of the shareholders of KB for the purpose of voting for or against the Proposed Acquisition and should not be used or relied upon by any other party for any other purposes whatsoever.

MINORITY SHAREHOLDERS OF KB ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Details of the Property

The Property comprises a piece of freehold land measuring approximately 25,625.48 sq. mt. together with a one and half storey detached factory, three storey office building, a single storey guard house and a bin centre erected thereon.

The Property is located along Jalan Kecapi 33/2 within an industrial scheme known as Elite Industrial Park, Section 33, Shah Alam which is approximately 7 kilometres south of Shah Alam City Centre, 15 kilometres south of Klang town centre, 20 kilometres south west of Petaling Jaya City Centre, approximately 25 kilometres south west of Kuala Lumpur City Centre and approximately 20 kilometres east of Port Klang.

The Property is currently being utilised by the Group as one of its main operational and storage facilities. The Property has been leased to the Group under an agreement dated 1 December 1999 which is subject to yearly renewal with a lease payment of RM1.11 million per annum. The Property is charged to the Chargee for overdraft and term loan facilities amounting to RM6.7 million obtained by PISB. Under the terms of the SPA, part of the Purchase Consideration would be utilised to repay the said loan facilities and discharge the Property.

Further details of the Property are set out in Section 2.1 of Part A of the Circular.

2.2 Basis of arriving at the Purchase Consideration

The Purchase Consideration was arrived at based on a willing-buyer willing-seller basis after taking into consideration, amongst others the valuation of the Property carried out by the Valuer of RM15.23 million.

The Purchase Consideration represents a discount of approximately 1.5% to the above said market value of RM15.23 million, as assessed by the Valuer.

2.3 Mode of settlement

The Purchase Consideration shall be paid in accordance to the following:-

Payment Tranches	Amount Payable/Paid RM
<u>Tranche 1</u>	
Upon execution of the SPA, ten percent (10%) of the Purchase Consideration, which was paid on 20 June 2007 ^{*1}	1,500,000
<u>Tranche 2</u>	
On a day falling on or before the expiry of three (3) months from the Unconditional Date, the Balance Sum	13,500,000
Total	15,000,000

Note:-

^{*1} This amount paid is refundable to KB in the event the SPA is terminated, unless the termination is caused by an event of default by KB pursuant to the SPA.

2.4 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees to be assumed by the Group arising from the Proposed Acquisition.

2.5 Information on the vendor

PISB was incorporated on 25 April 1996 in Malaysia under the Act as a private limited company. Its authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, all of which have been issued and are fully paid-up as at 16 October 2007.

The principal activity of PISB is that of property investment. The directors and major shareholders of PISB are Dato' Lim Kang Swee and Dato' Lim Kang Hoo and their shareholdings details are as follows:-

Directors/Major Shareholders	<-----Direct----->	
	No. of PISB shares held	%
Dato' Lim Kang Swee	250,000	50.00
Dato' Lim Kang Hoo	250,000	50.00
Total	500,000	100.00

2.6 Original cost of investment

The Property was acquired by PISB on 2 January 1997 for a total purchase consideration of RM7.445 million. PISB had subsequently up to 31 December 2001 incurred additional building costs comprising other improvements, incidental costs and building costs amounting to RM4.117 million on the Property.

2.7 Additional financial commitment required

Save for the Purchase Consideration, there is no additional financial commitment required by KB to put the Property on-stream.

2.8 Salient terms of the SPA

(i) Subject of Acquisition

KB shall acquire the Property free from all claims, charges, liens, encumbrances and equities whatsoever and with vacant possession and subject to all conditions and restrictions, expressed or implied, in the issue of title to the Property and upon the terms and subject to the conditions contained in the SPA.

(ii) Conditions Precedent

The completion of the SPA shall be conditional upon the fulfilment of the following conditions on or before the expiry of a period of six (6) months from the date of the SPA with an automatic extension of another period of three (3) months or such other extended period as may be mutually agreed upon by the Company and the Vendor in writing:-

- (i) the approval of the SC for the Proposed Acquisition to be obtained by the Company;
- (ii) the approval of the FIC, to be obtained by the Company*;
- (iii) the approval of the Board for the Proposed Acquisition;
- (iv) the approval of the shareholders of the Company at an EGM;
- (v) the approval of the Vendor's board of directors;
- (vi) the approval of the shareholders' of the Vendor; and
- (vii) any other relevant authorities (if required)

(hereinafter collectively referred to as the "Approvals")

Note:-

* *The SC had vide its letter dated 16 August 2007 informed that it has noted the Proposed Acquisition. Pursuant to the FIC's Guidelines on the Acquisition of Properties by Local and Foreign Interests ("FIC Guidelines"), KB is only required to notify the SC on behalf of the FIC on the Proposed Acquisition.*

(iii) **Extension of Completion Period**

In the event the Company should fail to pay the Balance Sum or any part by the Completion Period, the Vendor shall grant the Company an extension of a further one (1) month, or such further periods as the parties may mutually agree upon in writing provided that the Company shall pay to the Vendor interest on the unpaid amount at the rate of eight per centum (8%) per annum calculated on a daily rest basis commencing from the day immediately after the expiry of the Completion Period up to the date of actual payment.

(iv) **Redemption**

The Vendor shall within 14 days from the date of receipt of the Company's solicitor request, obtain and forward, or caused to be forwarded to the Company's solicitor a redemption statement cum undertaking from the Chargee undertaking to forward the original issue document of title and other relevant documents of the Property upon receipt of the redemption amount and to refund the redemption amount within 14 days in the event the redemption and discharge of the Property to the Company or the Company's financier in accordance with the SPA is not registered for any reason whatsoever.

(v) **Delivery of vacant possession**

The Vendor shall deliver vacant possession (including all keys, accesses, building plans, approvals, building drawings in relation to the factory inclusive of approvals of the factory) of the Property to the Company on the Completion Date or such other date as the parties may mutually agree upon in writing.

(vi) **Governing laws**

The SPA shall be governed by the laws of Malaysia and its validity, construction and performance shall be interpreted in accordance with the Malaysian law. The parties agree to be subject to the non-exclusive jurisdiction of the Malaysian courts and for the determination of all actions and proceedings arising out of the SPA.

3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

As set out in Section 9 of Part A of the Circular, details of the interested directors, major shareholders and/or persons connected to such directors and major shareholders are as follows:-

"Save as disclosed below, none of the directors and/or major shareholders and/or persons connected to the directors and/or major shareholders have any interest, whether directly or indirectly, in the Proposed Acquisition:-

3.1 Interested Directors

Dato' Lim Kang Swee is the Managing Director and a major shareholder of the Company as well as a Director and a major shareholder of PISB.

Dato' Lim Kang Hoo is a Director and a major shareholder of the Company as well as a Director and a major shareholder of PISB. Dato' Lim Kang Swee and Dato' Lim Kang Hoo (collectively referred to as the "Interested Directors") are brothers.

The direct and indirect interest of the Interested Directors in KB as at 16 October 2007 are as follows:-

	-----Shareholdings-----			
	-----Direct-----		-----Indirect-----	
	No. of KB Shares held	%	No. of KB Shares held	%
Dato' Lim Kang Swee	8,154,000	8.18	439,000	0.44 ^{*1}
Dato' Lim Kang Hoo	615,749	0.62	32,410,000	32.53 ^{*2}

Notes:-

^{*1} Deemed interested by virtue of his shareholdings in BSB under the Section 6A of the Act.

^{*2} Deemed interested by virtue of his shareholdings in KPSB under the Section 6A of the Act.

3.2 Interested Major Shareholder

KPSB ("Interested Major Shareholder"), a major shareholder of KB holding approximately 32.53% of the equity interest therein, is deemed interested in the Proposed Acquisition by virtue of Dato' Lim Kang Hoo, an Interested Director being a Director and major shareholder of KPSB.

The direct and indirect interests of KPSB in the Company as at 16 October 2007 are as follows:-

	-----Shareholdings-----			
	-----Direct-----		-----Indirect-----	
	No. of KB Shares held	%	No. of KB Shares held	%
KPSB	32,410,000	32.53	-	-

3.3 Persons connected to the Interested Directors and Interested Major Shareholders

BSB, a shareholder of KB holding approximately 0.44% of the equity interest therein, is deemed interested in the Proposed Acquisition by virtue of Dato' Lim Kang Swee, an Interested Director being a Director and major shareholder of BSB.

The direct and indirect interest of BSB in the Company as at 16 October 2007 are as follows:-

	-----Shareholdings-----			
	-----Direct-----		-----Indirect-----	
	No. of KB Shares held	%	No. of KB Shares held	%
BSB	439,000	0.44	-	-

Accordingly, the Interested Directors have abstained and will continue to abstain from all board deliberations and voting on the resolution pertaining to the Proposed Acquisition. The Interested Directors will abstain from voting in respect of his direct and indirect interests in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM. The said Interested Directors have undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and indirect interests in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

BSB and KPSB, being parties interested in the Proposed Acquisition, will abstain from voting on the relevant resolution in respect of the Proposed Acquisition at the Company's forthcoming EGM in respect of its shareholdings in the Company. BSB and KPSB have also undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and indirect interests in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM."

4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

MIMB was not involved in any deliberations and negotiations on the terms and conditions of the Proposed Acquisition. MIMB's scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the terms of the Proposed Acquisition based on information and documents made available to us, including but not limited to the following:-

- SPA;
- Valuation Report;
- Information contained in Part A and appendices of the Circular and the Company's announcements to Bursa Securities relating to the Proposed Acquisition;
- Information, documents, confirmations and representations provided by KB and its management personnel, or obtained or derived from discussions with the management personnel of the Company; and
- Other publicly available information.

In line with our role and scope of work, MIMB is not responsible to independently verify the accuracy, validity or completeness of any of the above-mentioned information or documents used, referred to and/or relied upon by MIMB for the purpose of this IAL. MIMB is not responsible in any manner for the accuracy, validity or completeness of any such information and documents, representation or warranty, expressed or implied. MIMB shall not be under any responsibility or liability for any misstatement of fact or from any omissions therein.

We have also obtained written confirmation from the Board that it has perused and verified the information/documents given to MIMB and that such information/documents required for MIMB's evaluation and preparation of this IAL have been duly disclosed and are true, complete and accurate in all respect after making due and careful enquiries and that it is not aware of any fact or matter not disclosed which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL.

In addition, the Board has also confirmed that it has read and understood this IAL and collectively and individually accepts full responsibility for the accuracy of the information given and contained herein and confirms that there are no false or misleading statements or other facts the omission of which would make any statement in relation thereto false or misleading.

MIMB as the Independent Adviser has evaluated the Proposed Acquisition and in arriving at our advice, we have taken into consideration pertinent matters which we believe are of general importance to an assessment of the financial implications of the Proposed Acquisition and would be of significant relevance and general concern to the shareholders of KB.

We have not taken into account the commercial risks or commercial merits of the Proposed Acquisition and where comments or points of consideration are included on certain pertinent matters which may be commercially oriented, they are incidental to our overall financial evaluation and concerns matter which we may deem material for disclosure and which may have possible implications on the financial prospects of KB.

MIMB's views contained in this IAL are to the minority shareholders of KB at large and not to any shareholder individually. Hence, we have not given regard to the specific investment objectives, financial situation and particular needs of any individual shareholder or specific group of shareholders. We recommend that any individual shareholder or specific group of shareholders who require specific advice within the context of their individual objectives, financial situation and particular needs should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

5. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have considered the following factors:-

- (a) Rationale for the Proposed Acquisition;
- (b) Basis of arriving at the Purchase Consideration;
- (c) Financial effects of the Proposed Acquisition; and
- (d) Risk factors associated with the Proposed Acquisition.

5.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition as extracted from Section 4 of Part A of the Circular is as follows:-

The Proposed Acquisition is in line with the expansion plans of the Company as set out in its prospectus dated 28 March 2001 in conjunction with its initial listing on the Main Board of Bursa Securities. Currently, the Property is being occupied by WMSB and WHSB for its two (2) main workshops and storage facilities for its rental fleet of new and reconditioned machinery and equipment. The Proposed Acquisition will enable the Group to own a fully integrated reconditioning factory in Shah Alam, which is expected to enable the Group to achieve cost-effectiveness. The Proposed Acquisition is expected to result in a gross rental savings of approximately RM0.65 million per annum (after deducting the interest earned by the Group on the RM15 million which is currently being placed in fixed deposits at a rate of three per centum (3%) per annum).

Our Commentary

The Property is currently being utilised by the Group as one of its main operational and storage facility. The Property is being leased to the Group under a lease agreement dated 1 December 1999 which is subject to yearly renewal with a lease payment of RM1.11 million per annum. As such, based on the Purchase Consideration and the existing rental rate, the imputed yield on the Property amounts to 7.4% per annum.

The Proposed Acquisition provides the Group with the opportunity to own the Property where its main critical business operations are conducted as well as to mitigate the potential risk of disruption to operation through non-renewal of the lease of the Property to the Group and relocation of operations. In view of the nature of the Group's operations, any major relocation exercise may have material adverse financial impact to the Group.

The Proposed Acquisition would also allow the Group more flexibility in utilising the Property to achieve operational improvements and cost efficiencies.

Further, the Proposed Acquisition is expected to result in a more efficient usage of financial resources as the rental savings resulting from the Proposed Acquisition of RM1.11 million per annum is higher than the interest earned on the IPO or Rights Issue proceeds placed in fixed deposit of RM0.45 million per annum (based on a principal amount of RM15 million which is equivalent to the Purchase Consideration).

Lastly, the Proposed Acquisition is expected to eliminate any future potential conflict of interest with certain directors and major shareholders of KB as they will no longer have any interest in the Property (other than via KB).

Premised on the above, the rationale for the Proposed Acquisition appears to be fair and reasonable.

5.2 Basis of Arriving at the Purchase Consideration

The Purchase Consideration was arrived at based on a willing-buyer willing-seller basis after taking into consideration, amongst others the valuation of the Property carried out by the Valuer of RM15.23 million.

The Purchase Consideration represents a discount of approximately 1.5% to the above said market value of RM15.23 million, as assessed by the Valuer.

Our Commentary

In arriving at the market value of the Property, the main approach of the valuation is the comparison method.

This method of valuation seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent sale evidences involving other similar properties in the vicinity.

Adjustments are being made to differences in location, size and shapes, accessibility, infrastructure available, improvements made on the site and other value considerations.

In addition to the foregoing approach, the cost approach was also adopted in the valuation exercise. This approach seeks to ascertain the value of the Property through the summation of the value components of the land and cost of building. In determining the value of the land, the analysed apportionment value attributable to the land is adopted as described in the foregoing approach, whilst making due allowances to factors of location, plot, size accessibility and other relevant factors.

In determining the cost of building, current estimates on constructional costs to erect equivalent building are adopted, taking into consideration of similar accommodation in terms of size, construction, finishes, contractors' overheads, fees and profits. Subsequently, appropriate adjustments are then made for factors of obsolescence and existing physical condition of the building.

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The market value of the Property as appraised by Valuer, vide the Valuation Report is as follows:-

Particulars	Size (sq. ft.)	Rate (RM/sq. ft.)	Market Value (RM)
Land (including site improvements)	275,833	42.00	11,584,986
Identified buildings comprising:-			
- Buildings			
(i) 3 Storey Office Building			
(a) Main Floor Area	14,358	85.00	1,220,430
(b) Ancillary Floor Area	1,365	45.00	61,425
(ii) 1 ½ Storey Detached Factory			
Ground Floor			
(a) Main Floor Area	16,637	45.00	748,665
(b) Ancillary Floor Area	3,798	25.00	94,950
Mezzanine Floor			
(a) Main Floor Area	1,545	50.00	77,250
(b) Ancillary Floor Area	707	25.00	17,675
(iii) Bin Centre	116	60.00	6,960
(iv) Guard House	132	60.00	7,920
- Circulation Area	249,585	2.50	623,963
- Piling Works	130,612	6.00	783,672
Market Value			15,227,896
		(rounded up)	15,230,000

The market value of the identified buildings were estimated by the Valuer based on the cost approach.

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The Valuer has appraised the market value of the land (excluding the identified buildings) to be approximately RM11.58 million or RM42.00 per sq. ft. In arriving at the value of the land, the Valuer has taken into account the following sale transactions:-

Property / Location	Tenure	Date of the transaction	Plot size (sq. ft.)	Consideration (RM)	Assessed value attributed to Land (RM per sq. ft.)
No. 13 (PT 56301), Jalan Anggerik Mokara 31/47, Kota Kemuning, Selangor Darul Ehsan	Freehold	3 April 2006	46,059	2,026,596	44.00
PT 56202, Jalan Anggerik Mokara 31/46, Kota Kemuning, Selangor Darul Ehsan	Freehold	2 March 2006	85,488	3,761,428	44.00
No. 16, Jalan Api-api 26/1, Seksyen 26, Shah Alam, Selangor Darul Ehsan	Freehold	16 November 2005	130,677	6,679,893	51.12
Lot 5010, Jalan Pendarmar 27/90, Seksyen 27, Shah Alam, Selangor Darul Ehsan	Freehold	26 October 2005	42,879	1,830,060	42.68
Lot 34, Jalan Persiaran Sabak Bernam, Seksyen 26, Shah Alam, Selangor Darul Ehsan	Freehold	30 December 2004	140,599	5,328,000	37.90
Lot 35, Jalan Persiaran Sabak Bernam, Seksyen 26, Shah Alam, Selangor Darul Ehsan	Freehold	30 December 2004	174,043	8,734,000	50.18
Lot PT 55, 64 & 65, Jalan Hulu Tinggi 26/6, Seksyen 26, Shah Alam, Selangor Darul Ehsan	Freehold	16 December 2004	182,613	7,230,000	39.59
Plot 8, Jalan 25/123, Axis Premier Industrial Park, Shah Alam, Selangor Darul Ehsan	Freehold	12 September 2003	297,086	13,968,708	47.02

Based on the above tabulation, the assessed market value of the land (which forms the largest component of the Property in value) of RM42.00 per sq. ft. is within the comparable land valuation of RM37.90 per sq. ft. and RM51.12 per sq. ft.

We also take note of the following:-

- (i) the Property is located in an established and prime industrial area that has excellent accessibility with close proximity to the Shah Alam – Kuala Lumpur Expressway, the Damansara Puchong Expressway and the North South Highway which are critical to an industrial area;
- (ii) the Property is being utilised by the Group as one of its main operational and storage facilities;
- (iii) the Proposed Acquisition would also allow the Group more flexibility in utilising the Property to achieve operational improvements and cost efficiencies; and
- (iv) the Proposed Acquisition is expected to result in more efficient usage of financial resources as the rental savings resulting from the Proposed Acquisition of RM1.11 million per annum is higher than the interest earned on the IPO or Rights Issue proceeds placed in fixed deposit accounts of RM0.45 million per annum (based on a principal amount of RM15 million which is equivalent to the Purchase Consideration).

Based on the above, we are of the view that the basis of arriving at the purchase consideration of RM15 million for the Proposed Acquisition is fair and reasonable.

5.3 Financial Effects of the Proposed Acquisition

In our evaluation, we have also considered the financial effects arising from the Proposed Acquisition as follows:-

(a) Share Capital and Substantial Shareholders' Shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Group as the Purchase Consideration will be satisfied entirely by cash.

(b) Earnings

The Proposed Acquisition is not expected to have any material effect on the earnings and earnings per share of the Group for the FYE 31 December 2007. However, as explained in the above paragraphs, the flexibility derived from the ownership of the Property is expected to facilitate the Group in achieving operational improvements and cost efficiencies and consequently improve earnings.

(c) Net Assets and Gearing

Based on the audited balance sheet of the Group as at 31 December 2006, the proforma effects of the Proposed Acquisition on the net assets per share and gearing of the Group are set out below:-

	Audited as at 31 December 2006 RM'000	After the completion of the Proposed Acquisition RM'000
Share Capital	99,149	99,149
Reserves	22,569	22,219 ^{*1}
Retained Earnings	44,201	44,201
Shareholders' equity	165,919	165,569
Add : Minority interest	3	3
Net Assets	165,922	165,572

	Audited as at 31 December 2006 RM'000	After the completion of the Proposed Acquisition RM'000
No. of ordinary shares in issue ('000)	99,149	99,149
Net assets per ordinary share (RM)	1.67	1.67
Borrowings (RM)	9,619	9,619
Gearing (times)	0.06	0.06

Note:-

*¹ *After netting off estimated expenses of approximately RM350,000 in relation to the Proposed Acquisition.*

Our Commentary

Based on the above, we are of the view that the financial effects of the Proposed Acquisition, as a whole, are not detrimental to the minority shareholders of KB.

5.4 RISK FACTORS

In considering the Proposed Acquisition, the minority shareholders of KB are advised to give due and careful regard to the various risk factors as highlighted by the Board in Section 6 of Part A of the Circular (which are not meant to be exhaustive). We note that although measures may be taken by the Board to attempt to limit such risk, no assurance can be given that one or a combination of these risk factors will not crystallise and give rise to material and adverse impact on the business of the Group, its competitiveness, business, financial performance/position or prospects thereon.

In addition to the risk factors disclosed in Section 6 of Part A of the Circular, the shareholders of KB should also consider the following:-

(a) Property investment risk

After the Proposed Acquisition, KB will be involved in the ownership and management of the Property. Therefore, KB may be exposed to certain risks inherent in property investment such as loss of attractiveness of the Property, competition from other new and upgraded properties, increasing maintenance costs as well as undertaking renovations that necessitate capital outlay as the Property gets older. However, these risks are mitigated as KB intends to utilise the Property as its main operational facility in the long run.

(b) Unapproved Structures

As disclosed in the Valuation Report, the rear portion of the factory building which forms part of the Property has been extended to include new factory area measuring approximately 1,400 sq. ft. (130.06 sq. mt.). However, all necessary regulatory approvals have not been obtained for these structures ("Unapproved Structures"). The Unapproved Structures are temporary structures where cleaning works are conducted. The SC had vide its approval letter dated 30 August 2007, imposed a condition to require KB to rectify the Unapproved Structures in respect of the Property within one (1) year from the date of the SC's approval letter. In the event, KB is not able to obtain the necessary approvals for the Unapproved Structures, KB intends to dismantle the Unapproved Structures within the stipulated deadline imposed by the SC. The dismantling of the Unapproved Structures are not expected to have any significant impact on the Group's operations as cleaning works can be conducted in other locations of the Property. Further, KB estimates that the cost to dismantle the Unapproved Structures will not be material. Notwithstanding the aforesaid, there can be no assurance that the dismantling of the Unapproved Structures will not have any adverse impact on the Group's operations.

6. FURTHER INFORMATION

Minority shareholders of KB are advised to refer to Part A of the Circular and the appendices for further information.

7. MIMB'S OPINION

Before arriving at the decision to vote on the relevant resolution pertaining to the Proposed Acquisition, it is imperative that the minority shareholders of KB consider all relevant issues and implications raised in this IAL carefully, as well as those highlighted by the Board in its letter to the shareholders of KB, as set out in Part A of the Circular.

In our evaluation of the Proposed Acquisition and in arriving at our opinion and recommendation, we have taken into consideration the various factors as highlighted in the preceding sections as summarised below:-

- (a) the rationale of the Proposed Acquisition is fair and reasonable;
- (b) the basis of arriving at the Purchase Consideration is fair and reasonable;
- (c) the Proposed Acquisition is not expected to result in any dilution to the existing shareholders of KB as the Purchase Consideration will be satisfied by cash;
- (d) the financial effects of the Proposed Acquisition as a whole are not detrimental to the minority shareholders of KB; and
- (e) the risk factors associated with the Proposed Acquisition have been carefully considered and addressed by the Board.

Based on the above, we are of the opinion that, taken as a whole, the terms of the Proposed Acquisition are fair and reasonable, and that they are not detrimental to the minority shareholders of KB.


ACCORDINGLY, WE RECOMMEND THAT THE MINORITY SHAREHOLDERS OF KB VOTE IN FAVOUR OF THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

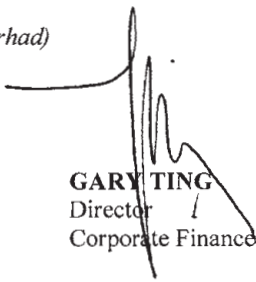
Yours faithfully,

For and on behalf of

MIMB INVESTMENT BANK BERHAD

(formerly known as Malaysian International Merchant Bankers Berhad)


KARL FREDERICKS
Director & Head
Corporate Finance


GARY TING
Director
Corporate Finance

VALUATION CERTIFICATE

Raine & Horne®

VALUER'S LETTER ON THE PROPERTIES

(Prepared for the inclusion in this Circular)

Your Ref. :
Our Ref. : VPJ 07.123.SC
Date : 25th October 2007

The Board of Directors,
KNUSFORD BERHAD,
No. 8, Jalan Kecapi 33/2,
Elite Industrial Park,
40350 Shah Alam,
Selangor Darul Ehsan.

Raine, Horne International
Zaki + Partners Sdn. Bhd.

(Company No. 99440-T)
124B, 2nd Floor, Jalan SS 24/2,
Taman Megah, 47301 Petaling Jaya,
Selangor Darul Ehsan.
Telephone : 03-7880 6542
Fax : 03-7880 6544
Email : rhizppj@streamyx.com

Tel: 03-5122 2525
Fax: 03-5122 3339

Dear Sirs,

**RE: VALUATION OF HSD 51799, PT 43447, MUKIM AND DISTRICT OF KLANG,
STATE OF SELANGOR DARUL EHSAN BEARING POSTAL ADDRESS NO.
8, JALAN KECAPI 33/2, ELITE INDUSTRIAL PARK, 40350 SHAH ALAM,
SELANGOR DARUL EHSAN ("Property")
TYPE: A ONE AND HALF STOREY DETACHED FACTORY WITH AN
ANNEXED THREE STOREY OFFICE BUILDING**

This Valuation Certificate has been prepared for inclusion in the Circular to Shareholders of Knusford Berhad in connection with the proposed acquisition of one (1) piece of freehold land located within Elite Industrial Park, Selangor Darul Ehsan together with a one and a half storey detached factory, three storey office building, a single storey guard house and a bin centre erected thereon.

In accordance with your instructions, we have assessed the Market Value of the Subject Property as set out in the Schedule 'A' below. Details of the valuation are set out in our Valuation Report bearing Reference No. VPJ 07.123.SC dated 14th February 2007.

The valuation has been carried out in accordance with the Guidelines on Asset Valuation issued by the Securities Commission for submission to the Securities Commission and the Malaysia Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia, and with the necessary professional responsibility and due diligence.

The basis of valuation is the Market Value of the Property as at 14th February 2007. The Comparison Method and Cost Method of Valuation were adopted in arriving at the Market Value.

Market Value, as defined under the Malaysia Valuation Standards, is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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INTERNATIONAL
ZAKI+PARTNERS

Perunding Harta Tanah Antarabangsa • International Property Consultants

Dato Sr Zaki Hj Said DPTJ, JP, BSc (London), FISM, Sr Wong Yin Fook BSc (London), MISM, MRICS, Sr Chou Yee Seng BSc (Spore), MISM, Sr Bock Chek Hai FISM, FRICS, IRRV, Sr Tajul Ariffin Mohd Idris MBS (Dublin), Adv. Dip. Est. Mgt (UITM), MISM, MRICS, Sr Jacob Lim Hoong Teong MBA (UK), MISM, MRICS, Sr Ganesh Chinnappan B.Surv. (Hons) Prop. Mgt. MSc. Real Estate (Reading) MISM, Sr Lim Lian Hong B Land Econ. (UK), FISM, MRICS, Sr Ho Sek Chuen Assoc. Dip. Valuation (Aust.), FISM, Sr Michael Geh Thuan Peng B.Bs (Valuation & Land Econ.), FISM, MRICS, Sr Azmi Omar BSc (Hons) Land Mgt. (Reading), MISM, MRICS, Sr Ramli Osman ADK, MBA (Edith Cowan), BSc (Hons) Land Mgt (Reading), FISM, MRICS, Sr Stephen Ng Kho Vui MISM.

KUALA LUMPUR	PULAU PINANG	BUTTERWORTH	IPOH	KLANG	PETALING JAYA	SUBANG JAYA
SEREMBAN	MELAKA	KUANTAN	JOHOR BAHRU	KUCHING	K. KINABALU	



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Subject to the foregoing, we are of the opinion the Market Value of the Property on the basis of a separate unencumbered valid individual title document with freehold interest, together with the building erected thereon, with vacant possession and free from all encumbrances as at 14th February 2007 is **RM15,230,000.00 (Ringgit Malaysia: Fifteen Million, Two Hundred and Thirty Thousand Only).**

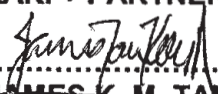
A summary of the valuation is as follows:

Property Identification														
Title Details	HSD 51799, PT 43447, Mukim and District of Klang, State of Selangor Darul Ehsan													
Property Address	No. 8, Jalan Kecapi 33/2, Elite Industrial Park, 40350 Shah Alam, Selangor Darul Ehsan													
Location	Located along Jalan Kecapi 33/2, within an industrial scheme known as Elite Industrial Park, Seksyen 33, Shah Alam. It is located approximately 7 kilometres south of Shah Alam City Centre, 15 kilometres south west of Klang Town Centre, 20 kilometres south west of Petaling Jaya City Centre, approximately 25 kilometres south west of the Kuala Lumpur City Centre and approximately 20 kilometres east of Port Klang. Elite Industrial Park is situated on the left hand of the Kuala Lumpur – Shah Alam Expressway (KESAS) travelling from Kuala Lumpur towards Klang.													
Tenure	Freehold													
Category of Land Use	Industry													
Registered Owner	Pestarena Industri Sdn Bhd													
Express Condition	Perusahaan													
Restriction In-Interest	Not stated.													
Encumbrances	Charged to Hong Leong Bank Berhad vide a Presentation No. 10472/1998 Jilid 19 Folio 158 dated 19 th March 1998.													
General Description of Property														
Title Land Area	25,625.48 sq. metres													
Type of Property	A One and A Half Storey Detached Factory with an Annexed Three Storey Office Building													
General Description of Buildings	<p>1) A One and a Half Storey Detached Factory</p> <p>The building is basically constructed of steel portal framework, plastered brickwalls surmounted with metal cladding walls and covered with corrugated metal roofing sheets on steel trusses and flooring are of reinforced concrete laid over hardcore. The built up area of this building is as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Level</th> <th>Main Floor Area</th> <th>Ancillary Floor Area</th> </tr> </thead> <tbody> <tr> <td>Ground Floor</td> <td>16,637 sq. ft./1,545.58 sq. m.</td> <td>3,798 sq. ft./352.83 sq. m.</td> </tr> <tr> <td>Mezz. Floor</td> <td>1,545 sq. ft./143.53 sq. m.</td> <td>707 sq. ft./65.68 sq. m.</td> </tr> </tbody> </table> <p>ii) Three Storey Office Building</p> <p>The building is basically constructed of reinforced concrete framework. Plastered brickwalls and covered with reinforced concrete roof top and flooring is of reinforced concrete laid over hardcore finished with quality ceramic tiles, carpet and cement render. The built up area of this building is as follows:</p> <table border="1" style="margin-left: 40px;"> <tbody> <tr> <td>Main Floor Area</td> <td>14,358 sq. ft. / 1,333.85 sq. m.</td> </tr> <tr> <td>Ancillary Floor Area</td> <td>1,365 sq. ft. / 126.81 sq. m.</td> </tr> </tbody> </table>	Level	Main Floor Area	Ancillary Floor Area	Ground Floor	16,637 sq. ft./1,545.58 sq. m.	3,798 sq. ft./352.83 sq. m.	Mezz. Floor	1,545 sq. ft./143.53 sq. m.	707 sq. ft./65.68 sq. m.	Main Floor Area	14,358 sq. ft. / 1,333.85 sq. m.	Ancillary Floor Area	1,365 sq. ft. / 126.81 sq. m.
Level	Main Floor Area	Ancillary Floor Area												
Ground Floor	16,637 sq. ft./1,545.58 sq. m.	3,798 sq. ft./352.83 sq. m.												
Mezz. Floor	1,545 sq. ft./143.53 sq. m.	707 sq. ft./65.68 sq. m.												
Main Floor Area	14,358 sq. ft. / 1,333.85 sq. m.													
Ancillary Floor Area	1,365 sq. ft. / 126.81 sq. m.													

General Description of Buildings (Cont'd)	<p>iii) A Single Storey Guard House</p> <p>The building is basically constructed of reinforced concrete framework, plastered brickwalls and covered with metal cladding on steel trusses and flooring is of reinforced concrete finished with homogenous tiles. The built up area of this building is approximately 132 sq. feet / 12.25 sq. metres).</p> <p>iv) Bin Centre</p> <p>The building is basically constructed of reinforced concrete framework, plastered brickwalls and covered with concrete flat roof and flooring is of reinforced concrete finished with cement render. The built up area of this building is approximately 116 sq. feet (10.8 sq. metres).</p>
Existing Use	Industry
Planning Details	The subject Property is designated for industrial use.
Market Value	RM15,230,000.00 (Ringgit Malaysia: Fifteen Million, Two Hundred and Thirty Thousand Only).
Date of Inspection	14 th February 2007
Date of Valuation	14 th February 2007
Method of Valuation	Comparison Method and Cost Method of Valuation

This Valuation Certificate should be read in conjunction with our full Valuation Report bearing Reference No. VPJ 07.123.SC dated 14th February 2007.

Yours faithfully,
For & on behalf of
RAINE & HORNE INTERNATIONAL
ZAKI + PARTNERS SDN BHD


.....
JAMES K. M. TAN MRICS
Registered Valuer
Reg. No. V-423
B. AppSc PRM CDipAF

FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. CONSENTS

The written consents of OSK, MIMB and Messrs. Raine & Horne International Zaki and Partners Sdn Bhd for the inclusion in this Circular of their names, letters, reports and references in the form and context in which they appear in this Circular, have been given and have not subsequently been withdrawn prior to the issuance of this Circular.

3. CONFLICT OF INTEREST**3.1 Adviser**

OSK confirms that as at the date of this Circular, there are no equity and/or financial relationship with the Company that may result in a situation of conflict of interest in their role as adviser to the Company for the Proposed Acquisition.

3.2 Independent Adviser

MIMB confirms that as at the date of this Circular, there are no equity and/or financial relationship with the Company that may result in a situation of conflict of interest in their role as independent adviser to the Company for the Proposed Acquisition.

3.3 Independent Valuer

Messrs. Raine & Horne International Zaki and Partners Sdn Bhd confirms that as at the date of this Circular, they have no equity and/or financial relationship with the Company that may result in a situation of conflict of interest in their role as independent valuer to the Company on the Proposed Acquisition.

4. MATERIAL CONTRACTS

Save for the SPA, neither the Company nor any of its subsidiary companies have entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Circular.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, neither KB nor any of its subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board is not aware of any proceedings pending or threatened against the Company and/or its subsidiary companies or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position or business of KB and/or its subsidiary companies:-

- (i) WMSB had, on 7 March 2002 served summons via Kuala Lumpur sessions Courts summons no. 1-52-2899-02 against Shencourt Sdn Bhd for the recovery of RM114,115.37 being outstanding hire-purchase charges. WMSB's application for summary judgement has been fixed for hearing on 12 December 2007.
- (ii) WHSB had, on 13 September 2007 served the Writ of Summons via Kuala Lumpur High Court Civil No. D3-27-13-2007 against Malaysian Assurance Alliance Berhad ("Defendant") for the sum of RM432,671.96 being the insurance policy claim for a sunken vessel. The Defendant had filed a statement of defence on 9 October 2007. The matter is pending the filing of statement of reply by WHSB.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at 33-35, Ground Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur during normal business hours (except public holidays) for a period from the date of this Circular up to and including the date of EGM:-

- (i) Memorandum and Articles of Association of KB;
- (ii) Audited consolidated financial statements of KB for the past two (2) FYE 31 December 2005 and 31 December 2006 and the latest unaudited consolidated financial results for the FPE 30 June 2007;
- (iii) Sale and Purchase Agreement dated 20 June 2007;
- (iv) The valuation report and the valuation certificate (as referred to in Appendix I of this Circular) on the Property prepared by the Valuers pursuant to the Proposed Acquisition;
- (v) Letters of consent referred to in Section 2 of this Appendix; and
- (vi) The relevant cause papers in respect of material litigation, claims or arbitration referred to in Section 5 of this Appendix.



KNUSFORD BERHAD

(Company No. 380100-D)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Knusford Berhad ("KB" or the "Company") will be held at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Friday, 16 November 2007 at 10.00 a.m. for the purpose of considering and if thought fit, passing the following resolution, with or without modifications:-

ORDINARY RESOLUTION

THAT approval be and is hereby given for the Company to acquire one (1) piece of freehold land held under HSD 51799, PT 43447, Mukim and District of Klang, Selangor Darul Ehsan together with a one and a half storey detached factory, a three storey office building, a single storey guard house and a bin centre erected thereon, for a total cash consideration of RM15 million in accordance with the terms and conditions of the conditional Sale and Purchase Agreement dated 20 June 2007 entered into between the Company and Pestarena Industri Sdn Bhd.

AND THAT the Directors be and are hereby authorised with full power to make any modifications, variations and/or amendments in any manner as may be required by the relevant authority/authorities and to execute all necessary documents, implement, finalised and to give effect to the Proposed Acquisition, and to take all such steps as they may deem necessary or expedient in the best interests of the Company.

BY ORDER OF THE BOARD

LIM THIAM WAH

Company Secretary

Kuala Lumpur

1 November 2007

Notes:-

- 1 *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
- 2 *A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- 3 *If the appointor is a corporation, 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.*



KNUSFORD BERHAD
(Company No. 380100-D)
(Incorporated in Malaysia under the Companies Act, 1965)

Form of Proxy

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 Extraordinary
General Meeting of the Company to be held at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala
Lumpur on Friday, 16 November 2007 at 10.00 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	ORDINARY RESOLUTION	FOR	AGAINST
1.	Proposed Acquisition		

Dated this _____ day of _____ 2007

Number of shares held

Signature (s) of Shareholder (s)

Notes:-

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



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
KNUSFORD BERHAD
33-35, Ground Floor, Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur

1st fold here
