

This Prospectus has been seen and approved by the Directors and promoters of Knusford Berhad and they collectively and individually accept full responsibility for the accuracy of all information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

Alliance Merchant Bank Berhad (*formerly known as Amanah Merchant Bank Berhad*), being the Adviser and Managing Underwriter acknowledge that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Public Issue and are satisfied that any profit and/or cashflow estimate/forecast and/or projections (for which the Directors of Knusford Berhad are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

The Securities Commission has approved the Public Issue and the approval shall not be taken to indicate that the Securities Commission recommends the Public Issue. The Securities Commission shall not be liable for any non-disclosure on the part of Knusford Berhad and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

The valuation approved or accepted by the Securities Commission shall only be utilised for the purpose of the Restructuring and Listing Exercise submitted to and approved by the Securities Commission, and shall not be construed as an endorsement by the Securities Commission on the value of the subject assets for any other purposes.

The Kuala Lumpur Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Admission to the Official List of the Main Board of the Kuala Lumpur Stock Exchange is not to be taken as an indication of the merits of Knusford Berhad or of its ordinary shares.

A copy of this Prospectus has been registered with the Securities Commission and lodged with the Registrar of Companies, Malaysia who takes no responsibility for its contents.

INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for KB's entire enlarged issued and paid-up share capital on the Main Board of the KLSE is set out below:

Event	Date
Opening Date of the Public Issue	28 March 2001
Closing Date of the Public Issue	12 April 2001
Tentative Balloting Date	17 April 2001
Tentative Allotment Date	3 May 2001
Tentative Listing Date	10 May 2001

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DEFINITIONS

Unless the context requires otherwise, the following terms shall apply throughout this Prospectus:

“Acquisitions”	:	Acquisition of WHSB and Acquisition of WEQSB, collectively
“Acquisition of WHSB”	:	Acquisition by KB of the entire issued and paid-up share capital of WHSB comprising 5,800,000 ordinary shares of RM1.00 each for a purchase consideration of RM28,721,314 which was fully satisfied by the issue of 24,975,055 new KB Shares at an issue price of RM1.15 per share
“Acquisition of WEQSB”	:	Acquisition by KB of the entire issued and paid-up share capital of WEQSB comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of RM29,171,068 which was fully satisfied by the issue of 25,366,146 new KB Shares at an issue price of RM1.15 per share
“ADA”	:	Authorised Depository Agent
“ADA Code”	:	ADA (Broker) Code
“Alliance”	:	Alliance Merchant Bank Berhad (21605-D) <i>(formerly known as Amanah Merchant Bank Berhad)</i>
“Approved Bumiputera Investors”	:	Bumiputera investors approved by MITI
“ATM”	:	Automated Teller Machine
“CDS”	:	Central Depository System
“ESOS”	:	Employees’ Share Option Scheme
“EPS”	:	Earnings per share
“FELDA”	:	Federal Land Development Authority, a body established under the Land Development Act, 1956
“FES”	:	Felda Engineering Services Sdn Bhd (299557-X)
“FIC”	:	Foreign Investment Committee
“GDP”	:	Gross Domestic Product
“Issue Price”	:	The issue price of RM1.60 per KB Share
“KB” or “the Company”	:	Knusford Berhad (380100-D) <i>(formerly known as Wengcon Corporation Berhad)</i>
“KB Group” or “the Group”	:	KB and its subsidiary companies
“KB Share”	:	Ordinary share of RM1.00 each in KB
“KLSE”	:	Kuala Lumpur Stock Exchange (30632-P)
“KPSB”	:	Kinston Park Sdn Bhd (491663-U)

DEFINITIONS (Cont'd)

“Listing”	:	The admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital of KB of RM74,042,002 comprising 74,042,002 KB Shares on the Main Board of the KLSE
“MCD”	:	Malaysian Central Depository Sdn Bhd (165570-W)
“MIDFCCS”	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)
“MITI”	:	Ministry of International Trade and Industry
“NBV”	:	Net book value
“NTA”	:	Net tangible assets
“PE Multiple”	:	Price earnings multiple
“Proposed ESOS”	:	Proposed ESOS for the full-time executive directors and employees of the KB Group
“Public Issue”	:	Public issue of 11,109,000 new KB Shares representing 15% of the enlarged issued and paid-up share capital at an issue price of RM1.60 per share payable in full on application
“Public Issue Shares”	:	The 11,109,000 new KB Shares to be issued by KB pursuant to the Public Issue to the eligible directors and employees of the KB Group and the Malaysian public
“Restructuring and Listing Exercise”	:	Acquisitions, Rights Issue, Public Issue and Listing collectively
“Rights Issue”	:	Rights issue of 12,591,799 new KB Shares on the basis of approximately 1.0005 new ordinary shares for every four (4) existing ordinary shares held after the Acquisitions but before the Public Issue at an issue price of RM1.15 per share
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“ROC”	:	Registrar of Companies
“SC”	:	Securities Commission
“Sq. Ft.”	:	Square feet
“WEQSB”	:	Wengcon Equipment Sdn Bhd (188913-X)
“WHSB”	:	Wengcon Holdings Sdn Bhd (202299-P)

DEFINITIONS (Cont'd)

“WHSB Group”	:	WHSB and its subsidiary companies, namely, WMCSB and WMKSB
“WMCSB”	:	Wengcon Machinery Sdn Bhd (263168-H)
“WMKSB”	:	Wengcon Marketing Sdn Bhd (308049-U)
“USD”	:	United States Dollar

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Lim Kang Swee <i>Managing Director</i>	17 Jalan Beka Damansara Heights 50490 Kuala Lumpur	Company Director	Malaysian
Dato' Haji Mohamed Moiz bin J.M. Ali Moiz <i>Executive Director</i>	Istana Pahang Persiaran Raja Chulan 50200 Kuala Lumpur	Company Director	Malaysian
Abdul Aziz bin Ismail <i>Executive Director</i>	13 Jalan SU5 Taman Selayang Utama 68100 Batu Caves Selangor Darul Ehsan	Company Director	Malaysian
Dato' Lim Kang Hoo <i>Executive Director</i>	7 Jalan Titiwangsa Setapak 53200 Kuala Lumpur	Company Director	Malaysian
Khoo Nang Seng @ Khoo Nam Seng <i>Executive Director</i>	15 Jalan Tasek Taman Tasek 80200 Johor Bahru Johor Darul Ta'zim	Company Director	Malaysian
Aznam bin Mansor <i>Non-Executive Director</i>	3 Jalan Puncak Setiawangsa 1 Taman Setiawangsa 54200 Kuala Lumpur	Advocate and Solicitor	Malaysian
Lim Ts-Fei <i>Independent Non-Executive Director</i>	135 Jalan Hujan Manik Taman Overseas Union Jalan Kelang Lama 58200 Kuala Lumpur	Advocate and Solicitor	Malaysian
Dr Wong Kai Fatt <i>Independent Non-Executive Director</i>	16 Jalan 17/35 Taman Tan Sri Lee Yan Lian 46400 Petaling Jaya Selangor Darul Ehsan	General Medical Practitioner	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Lim Ts-Fei	Chairman of Committee	Independent Non-Executive Director
Dr Wong Kai Fatt	Member of Committee	Independent Non-Executive Director
Abdul Aziz bin Ismail	Member of Committee	Executive Director

CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARY** : Lim Thiam Wah
(MAICSA No. 7000553)
28-2A Jalan Bunga Melati
Setapak
53000 Kuala Lumpur
- REGISTERED OFFICE** : 33-35 2nd Floor
Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur
- HEAD / MANAGEMENT OFFICE** : 33-35 1st Floor
Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur
Tel : 603-40232525
Fax : 603-40218499
- AUDITORS / REPORTING ACCOUNTANTS** : KPMG (Firm No. AF 0758)
Public Accountants
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
- SOLICITORS** : KM Chye & Murad
Advocates & Solicitors
6th Floor UBN Tower
Letter Box 163
Jalan P Ramlee
50250 Kuala Lumpur
- VALUERS** : Colliers, Jordan Lee & Jaafar Sdn Bhd (59901-U) (VE(1) 0063)
Level 6 Block G North
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
- PRINCIPAL BANKERS** : Malayan Banking Berhad (3813-K)
Lot 3799 Pasar Moden
Batu 5 Jalan Gombak
53000 Kuala Lumpur
- RHB Bank Berhad (6171-M)
257 & 259 Jalan Genting Klang
Setapak
53300 Kuala Lumpur
- Hong Leong Bank Berhad (97141-X)
8 & 10 Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Klang
53300 Kuala Lumpur

CORPORATE DIRECTORY (Cont'd)

ISSUING HOUSE	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) 12 th Floor Bangunan MIDF 195A Jalan Tun Razak 50400 Kuala Lumpur
REGISTRAR	:	Insurban Corporate Services Sdn Bhd (76260-W) 149 Jalan Aminuddin Baki Taman Tun Dr Ismail 60000 Kuala Lumpur
ADVISER AND MANAGING UNDERWRITER	:	Alliance Merchant Bank Berhad (21605-D) <i>(formerly known as Amanah Merchant Bank Berhad)</i> 29 th Floor Menara Multi-Purpose Capital Square 8 Jalan Munshi Abdullah 50100 Kuala Lumpur
UNDERWRITERS	:	Alliance Merchant Bank Berhad (21605-D) <i>(formerly known as Amanah Merchant Bank Berhad)</i> 29 th Floor Menara Multi-Purpose Capital Square 8 Jalan Munshi Abdullah 50100 Kuala Lumpur BBMB Securities Sdn Bhd (164534-K) Level 2, 3, 4 & 15 Letter Box No. 2 Menara Olympia 8 Jalan Raja Chulan 50200 Kuala Lumpur Mayban Securities Sdn Bhd (165630-M) 30 th Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur K & N Kenanga Berhad (15678-H) 801, 8 th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) 12 th Floor Bangunan MIDF 195A Jalan Tun Razak 50400 Kuala Lumpur
LISTING SOUGHT	:	Main Board of the KLSE

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1.0 INFORMATION SUMMARY

THE INFORMATION SUMMARY SET OUT BELOW IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE KB GROUP AND INVESTORS SHOULD READ AND UNDERSTAND THE FULL TEXT OF THIS PROSPECTUS PRIOR TO MAKING AN INVESTMENT DECISION

1.1 THE BUSINESS

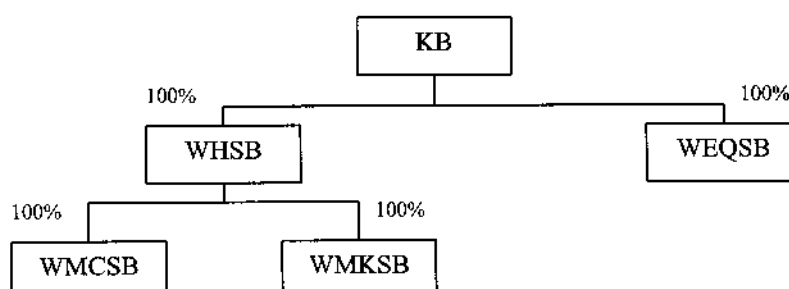
1.1.1 History and principal activities

KB was incorporated as a public limited company on 18 March 1996 in Malaysia under the Companies Act, 1965 under the name Wengcon Corporation Berhad. The Company adopted its present name on 25 April 2000. The authorised share capital is RM200,000,000 comprising 200,000,000 KB Shares of which 62,933,002 KB Shares have been issued and fully paid-up.

KB is principally an investment holding company with interest in four (4) subsidiary companies. The principal activities of the subsidiary companies within the Group are summarised below:

Company	Effective Equity Interest	Principal Activities
WHSB	100%	Reconditioning, sales and rental of heavy machinery and equipment
WMCSB	100%	Reconditioning, sales and rental of light and medium machinery and equipment
WMKSB	100%	Trading in building materials
WEQSB	100%	Rental of machinery and equipment and the provision of transportation services

The structure of the KB Group is as follows:



1.0 INFORMATION SUMMARY (Cont'd)

The Group's history can be traced back to 1989 when Dato' Lim Kang Hoo and Mr Khoo Nang Seng @ Khoo Nam Seng first founded a company under the name of Sahabat Kuari Sdn Bhd. The company subsequently changed its name to Wengcon Equipment Sdn Bhd. Its activities then were solely confined to East Malaysia and the company concentrated on building up its business in the provision of machinery and equipment and transportation services at a palm oil plantation developed and managed by FELDA under its land development and settlement scheme in Lahad Datu, Sabah.

This palm oil plantation, known as the Sahabat Complex, covers a total area of approximately 116,000 hectares or 286,000 acres and comprises more than fifty (50) schemes. These schemes were part of FELDA's original objective of developing forested land for agriculture and resettlement of the country's rural poor. These land schemes provided the basis for improving their livelihood and the means towards narrowing the rural urban economic gap. Each scheme requires an extensive network of secondary gravel roads as a means to transport the harvested oil palm to the respective mills housed within the precinct of the plantation and require general road maintenance to assure an efficient delivery system.

The business then, involved the rental of equipment and ancillary machinery as well as the provision of workers to operate the machinery and equipment. These machinery and equipment consist of crushing equipment, hydraulic breakers and rippers to process aggregates for the road maintenance and building of the secondary roads within the Sahabat Complex. Additionally, a fleet of dump trucks and transportation services were also provided to distribute the aggregates to the various schemes within the Sahabat Complex for the maintenance of existing secondary roads and the construction of new secondary roads.

A further value-added aspect of this business was the setting-up of a reconditioning workshop within the Sahabat Complex. This is to cater for the major repairs of the heavy equipment used by the other contractors and sub-contractors operating within and outside the Sahabat Complex as well as to recondition the machinery and equipment used for its own operations.

In 1992, Hi-Plus Sdn Bhd which subsequently changed its name to Wengcon Holdings Sdn Bhd commenced operations and started trading in building materials, new machinery and spare parts, supplementing its machinery business. The company diversified into the sales and rental of light, medium and heavy machinery and equipment in 1993 and the reconditioning of machinery and equipment in 1994.

In 1994, Mr Lim Kang Swee joined the KB Group, bringing with him his wealth of experience of more than fifteen (15) years in the reconditioning and rental of machinery and equipment business.

The Group streamlined its business activities in 1996 and 1997 whereby WHSB transferred its business in the trading of building materials to its subsidiary company, WMKSB, and the reconditioning, sales and rental of light and medium machinery and equipment as well as the sales of new machinery and spare parts to its other subsidiary, WMCSB. The Group also disposed of its non-core business activity in the manufacturing and trading of timber joinery products in 1998. Hence, WHSB remained focused on its reconditioning, sales and rental of heavy machinery and equipment.

1.0 INFORMATION SUMMARY (Cont'd)

Today, the KB Group has transformed from an equipment rental company to one which offers a “one-stop” reconditioning, sales and rental centre to service its clients from the various industries such as construction, agriculture, oil and gas, marine and industrial. The Group currently supplies light to heavy machinery and equipment ranging from generator sets, air compressors and welding sets to the marine and industrial sector, and excavators, bulldozers, backhoe loaders, cranes and dump trucks, to the construction and oil and gas sector.

The Group is currently headquartered in Kuala Lumpur and has its site operations and workshop housed in Shah Alam, Selangor Darul Ehsan, occupying a total land area of about 130,680 square feet and in Lahad Datu, Sabah. The wide expanse of land area is necessary to house not only the offices and workshops but also the extensive rental stock of the Group.

The Group’s new and used machinery and equipment are sourced locally as well as from overseas, namely from Japan, Australia, United Kingdom and the United States of America. The Group does not limit itself to any brand name and is able to source cheaply from a wide supplier base, both locally and overseas. Presently, the Group has stocked up its equipment rental fleet in excess of 1,000 units.

As of to-date, the Group’s activities are fairly diverse and linked to the construction, agriculture, oil and gas, marine and industrial sectors through its reconditioning, sales and rental of machinery and equipment to these sectors.

Over the years, the KB Group has also been able to carve a niche market in the reconditioning business through its product range, technical expertise and efficiency, wealth of experience, equipment capacity and reliability.

1.1.2 Summary description of the promoters, major shareholders, directors, key management and key technical personnel of the Group and their direct and indirect shareholdings in KB, prior to the Public Issue, are as follows:

	Designation	Direct [^]		Indirect	
		No. of Shares	% held	No. of Shares	% held
Promoter					
Dato' Haji Mohamed Moiz bin J. M. Ali Moiz	Executive Director	-	-	*41,910,000	66.60
Lim Kang Swec	Managing Director	8,994,000	14.29	-	-
Abdul Aziz bin Ismail	Executive Director	-	-	*41,910,000	66.60
Aznam bin Mansor	Non-Executive Director	-	-	*41,910,000	66.60
Dato' Lim Kang Hoo	Executive Director	-	-	*41,910,000	66.60
Khoo Nang Seng @ Khoo Nam Seng	Executive Director	4,475,000	7.11	-	-
Major Shareholder					
KPSB	N/A	**41,910,000	66.60	-	-
Dato' Haji Mohamed Moiz bin J. M. Ali Moiz	Executive Director	-	-	*41,910,000	66.60
Lim Kang Swec	Managing Director	8,994,000	14.29	-	-
Abdul Aziz bin Ismail	Executive Director	-	-	*41,910,000	66.60
Aznam bin Mansor	Non-Executive Director	-	-	*41,910,000	66.60
Dato' Lim Kang Hoo	Executive Director	-	-	*41,910,000	66.60
Khoo Nang Seng @ Khoo Nam Seng	Executive Director	4,475,000	7.11	-	-

1.0 INFORMATION SUMMARY (Cont'd)

	Designation	Direct [^]		Indirect	
		No. of Shares	% held	No. of Shares	% held
Director					
Dato' Haji Mohamed Moiz bin J. M. Ali Moiz	Executive Director	-	-	*41,910,000	66.60
Lim Kang Swee	Managing Director	8,994,000	14.29	-	-
Abdul Aziz bin Ismail	Executive Director	-	-	*41,910,000	66.60
Aznam bin Mansor	Non-Executive Director	-	-	*41,910,000	66.60
Dato' Lim Kang Hoo	Executive Director	-	-	*41,910,000	66.60
Khoo Nang Seng @ Khoo Nam Seng	Executive Director	4,475,000	7.11	-	-
Lim Ts-Fei	Independent Non-Executive Director	-	-	-	-
Dr Wong Kai Fatt	Independent Non-Executive Director	-	-	-	-
Key Management					
Lim Kang Swee	Managing Director	8,994,000	14.29	-	-
Lim Sew Hua	General Manager – Finance and Administration	-	-	-	-
Foong Kaye Ying	General Manager – Corporate Planning	-	-	-	-
Yong Sok Hong	General Manager - Reconditioning and Sales, WHSB	-	-	-	-
Chan Wai Mun	General Manager - Rental, WHSB	-	-	-	-
Ong Chee Keong	General Manager, WMKSB	-	-	-	-
Lim Siong Seong	Financial Controller	-	-	-	-
Key Technical Personnel					
Ng Meng Cheng	Plant and Workshop Manager, WHSB	-	-	-	-

Notes:

- * Deemed interested by virtue of his interest in KPSB pursuant to Section 6A of the Companies Act, 1965.
- ** The 41,910,000 KB Shares will be deposited into the CDS account of KPSB during the prescribed period for the deposit of the KB Shares with MCD but prior to the Public Issue. Further information is outlined under Section 5.1(iii) of this Prospectus.
- N/A Not applicable.
- ^ Prior to pink form allocation.

Further details are outlined under the information on shareholders, directors, key management and key technical personnel in Section 5.0 of this Prospectus.

1.0 INFORMATION SUMMARY (Cont'd)

1.2 FINANCIAL RECORD

1.2.1 Proforma consolidated results

The following table sets out a summary of the audited proforma consolidated results of the KB Group based on the audited results of the companies within the Group for the past five (5) financial years ended 31 December 1995 to 1999 and the audited proforma consolidated results for the nine (9) months ended 30 September 2000. The proforma consolidated results are presented for illustrative purposes only and have been prepared on the assumption that the current KB Group structure has been in existence throughout the financial years and period under review. The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10.0 of this Prospectus.

	←-----Year ended 31 December-----→					Nine (9) months ended 30 Sept 2000 RM'000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	
Turnover	119,380	192,829	192,763	151,480	129,044	105,371
Profit before depreciation and interest	10,503	17,120	21,760	23,767	25,079	19,468
Depreciation	(567)	(1,807)	(3,831)	(4,196)	(4,099)	(2,901)
Interest expense	(141)	(962)	(1,892)	(1,814)	(971)	(392)
Interest income	33	161	512	569	460	405
Profit before taxation	9,828	14,512	16,549	18,326	20,469	16,580
Taxation	(3,146)	(4,679)	(4,925)	(5,183)	(478)	(5,563)
Profit after taxation	6,682	9,833	11,624	13,143	19,991	11,017
Number of KB Shares assumed to be in issue ('000)	50,341	50,341	50,341	50,341	50,341	50,341
Gross EPS (sen)	19.5	28.8	32.9	36.4	40.7	43.9 [^]
Net EPS (sen)	13.3	19.5	23.1	26.1	39.7	29.2 [^]
Gross dividend per share (sen)	-	_*	_*	-	-	-

* Dividend of RM2,659,934 (net of taxation) was proposed for the financial year ended 31 December 1996 and was subsequently reversed in the financial year ended 31 December 1997.

[^] Annualised

Notes:

- (i) The summarised proforma consolidated results are prepared for illustrative purposes only and are based on the audited accounts of WHSB, WMCSB, WMKSB and WEQSB as KB, the holding company, has been dormant since the date of incorporation.
- (ii) The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the subsidiary companies.
- (iii) On 19 July 1998, a fire at WHSB's office destroyed many of the accounting records of the company and its subsidiary company, WMCSB. In view of this, the Auditors' Reports for the accounts of WHSB and WMCSB for the financial year ended 31 December 1997 were qualified. The Auditors' Reports for the accounts of WHSB and WMCSB for the financial year ended 31 December 1998 were also qualified due to the opening balances brought forward from the preceding financial year, i.e. 31 December 1997.
- (iv) The increase in turnover and profit in 1995 and 1996 was in tandem with the growth in the construction industry as demand for reconditioned machinery and equipment and building materials increased substantially.
- (v) The turnover in 1997 declined slightly as the management changed its focus to reduce the sale of new machinery and equipment and concentrated instead on the business of reconditioning, sales and rental of reconditioned machinery and equipment. The change in the management's decision was in line with the softening demand from the construction industry in 1997 due to a significant shift in contractors' preference to renting or purchasing reconditioned machinery and equipment. The profit, however, increased due to the higher gross margins obtained from the sales and rental of reconditioned machinery and equipment.
- (vi) The decrease in turnover in 1998 and 1999 was mainly due to the regional financial crisis that resulted in lower demand for reconditioned machinery and equipment and building materials. Nonetheless, the profit for 1998 and 1999 showed an increase due to the higher gross margins obtained from the rental of reconditioned machinery and equipment.
- (vii) The increase in turnover for the nine (9) months ended 30 September 2000, on an annualised basis, was primarily due to the improved outlook of the local economy and the recovery of the construction industry after the economic downturn in 1997.
- (viii) There were no extraordinary items in respect of the financial years and period under review except as mentioned in note (iii) above.

1.0 INFORMATION SUMMARY (Cont'd)

(ix) The proforma gross and net EPS is computed based on the profit before and after taxation respectively, and the number of ordinary shares assumed to be in issue of 50,341,203 KB Shares after the Acquisitions.

1.2.2 Proforma summary of the consolidated balance sheets

A summary of the proforma consolidated balance sheets of the KB Group is provided for illustrative purposes only and has been prepared based on the audited accounts of KB, WHSB Group and WEQSB as at 30 September 2000 and on the assumption that the Acquisitions, Rights Issue and Public Issue had been effected as at that date:

	Audited as at 30.9.2000 RM'000	Proforma I After Acquisitions RM'000	Proforma II After I and Rights Issue RM'000	Proforma III After II and Public Issue RM'000
PROPERTY, PLANT AND EQUIPMENT	-	15,280	15,280	32,580
CURRENT ASSETS				
Inventories	-	17,694	17,694	17,694
Trade and other receivables	-	98,569	98,569	98,569
Cash and bank balances	3	17,542	32,023	25,667
	3	133,805	148,286	141,930
CURRENT LIABILITIES				
Trade and other payables	144	49,711	49,711	49,711
Borrowings	-	2,553	2,553	-
Taxation	-	5,642	5,642	5,642
	144	57,906	57,906	55,353
NET CURRENT (LIABILITIES) / ASSETS	(141)	75,899	90,380	86,577
	(141)	91,179	105,660	119,157
Financed by :-				
SHARE CAPITAL	*	50,341	62,933	74,042
SHARE PREMIUM	-	7,551	9,440	14,105
ACCUMULATED LOSSES	(141)	(141)	(141)	(141)
RESERVE ARISING FROM CONSOLIDATION	-	31,151	31,151	31,151
SHAREHOLDERS' FUNDS	(141)	88,902	103,383	119,157
DEFERRED LIABILITY				
Borrowings	-	2,277	2,277	-
	(141)	91,179	105,660	119,157
NTA per ordinary share (RM)		1.77	1.64	1.61

Note :

* Comprise 2 ordinary shares of RM1.00 each

Notes to the proforma consolidated balance sheets of the KB Group are set out in Section 9.6 of this Prospectus.

1.0 INFORMATION SUMMARY *(Cont'd)*

1.2.3 Audit qualifications in the audited accounts for the past five (5) financial years

On 19 July 1998, a fire at WHSB's office destroyed many of the accounting records of the company and its subsidiary company, WMCSB. In view of this, the Auditors' Reports for the accounts of WHSB and WMCSB for the financial year ended 31 December 1997 were qualified. The Auditors' Reports for the accounts of WHSB and WMCSB for the financial year ended 31 December 1998 were also qualified due to the opening balances brought forward from the preceding financial year, i.e. 31 December 1997.

Further details of the audit qualifications are included in the Accountants' Report set out in Section 10.0 of this Prospectus.

1.3 RISK FACTORS

The following are some of the main risk factors (which may not be exhaustive) as extracted from Section 3.0 of this Prospectus which applicants for the Public Issue Shares should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue Shares. For a more detailed commentary, please refer to Section 3.0 of this Prospectus.

- (a) Company Risks which include:
 - Dependence on key personnel
 - Competition
 - Profit estimate and forecast
- (b) Business Risks which include:
 - Industry risks
 - Rental Business
 - Dependency on FES
 - Foreign exchange fluctuation
 - Political and economic considerations
- (c) Share Risks which include:
 - Investment
 - No prior market for KB Shares
 - Controlling shareholders

1.4 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

(i) Share Capital

	RM
Authorised	
200,000,000 ordinary shares of RM1.00 each	<u>200,000,000</u>
Issued and fully paid-up as at the date of this Prospectus:	
62,933,002 ordinary shares of RM1.00 each	62,933,002
To be issued pursuant to the Public Issue	
11,109,000 ordinary shares RM1.00 each	11,109,000
Enlarged issued and paid-up share capital	<u><u>74,042,002</u></u>

1.0 INFORMATION SUMMARY (Cont'd)

(ii) **Issue Price per share (RM)** 1.60

(iii) **Proforma Consolidated NTA as at 30 September 2000**

	NTA RM'000	NTA per share RM
Proforma Consolidated NTA after Acquisitions	88,902	1.77 [*]
Proforma Consolidated NTA after Acquisitions and Rights Issue	103,383	1.64 [^]
Proforma Consolidated NTA after Acquisitions, Rights Issue and Public Issue (after providing for estimated listing expenses of approximately RM2.0 million)	119,157	1.61 ⁺

Notes:

- * *Based on the enlarged issued and paid-up share capital of 50,341,203 KB Shares after the Acquisitions*
- [^] *Based on the enlarged issued and paid-up share capital of 62,933,002 KB Shares after the Acquisitions and Rights Issue*
- ⁺ *Based on the enlarged issued and paid-up share capital of 74,042,002 KB Shares after the Acquisitions, Rights Issue and Public Issue*

(iv) **Classes of shares and rights**

There is only one class of shares in KB being ordinary shares of RM1.00 each. The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of any surplus in the event of the liquidation of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or by other duly authorised representative shall have one vote for each share held. A proxy may but need not be a member of the Company.

1.0 INFORMATION SUMMARY (Cont'd)

(v) Consolidated Profit Estimate and Forecast

Year Ended/Ending 31 December	Proforma Estimate 2000 RM '000	Forecast 2001 RM '000
Consolidated profit before taxation	22,480	25,699
Taxation	(6,281)	(7,168)
Consolidated profit after taxation	16,199	18,531
Gross EPS (sen)	44.7*	34.7^
Net EPS (sen)	32.2*	25.0^
Net PE multiple based on the Issue Price of RM1.60 per KB Share (times)	5.0	6.4

Notes:

* Based on the number of ordinary shares assumed to be in issue of 50,341,203 KB Shares after the Acquisitions but before the Rights Issue and Public Issue which are expected to be completed by March 2001 and May 2001 respectively

^ Based on the enlarged issued and paid-up share capital of 74,042,002 KB Shares

(vi) Dividend Estimate and Forecast

Year Ended/Ending 31 December	Estimate 2000	Forecast 2001
Gross dividend per ordinary share (sen)	10.0	10.0
Net dividend per ordinary share (sen)	7.2	7.2
Net dividend cover (times)	3.04*	3.47*
Gross dividend yield based on the Issue Price of RM1.60 per KB Share (%)	6.25	6.25
Net dividend yield based on the Issue Price of RM1.60 per KB Share (%)	4.50	4.50

Note:

* Based on the enlarged issued and paid-up share capital of 74,042,002 KB Shares

1.0 INFORMATION SUMMARY *(Cont'd)*

1.5 PROCEEDS OF THE RIGHTS ISSUE AND PUBLIC ISSUE AND UTILISATION

The gross proceeds of the Rights Issue of RM14,480,569 and Public Issue of RM17,774,400 totalling RM32,254,969 will accrue to the KB Group and are expected to be utilised in the financial year ending 31 December 2001 in the following manner:

	RM
Repayment of term loan and overdraft	3,189,488
Repayment of revolving credit	500,000
Repayment of hire purchase facilities	935,987
Purchase of freehold land and building	12,300,000
Purchase of plant and equipment to facilitate the reconditioning business	5,000,000
Estimated listing expenses	2,000,000
Working capital	8,329,494
TOTAL	<u>32,254,969</u>

Further details of the utilisation are outlined in Section 2.8 of this Prospectus.

1.6 A SUMMARY OF MATERIAL LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES OF THE KB GROUP

1.6.1 Material Litigation

Neither the Company nor its subsidiary companies are engaged in any material litigation, either as plaintiff or defendant, or any material claims against the Company or its subsidiary companies, or material arbitration proceedings, which has a material effect on the business or financial position of the Company or its subsidiary companies and the Directors do not know of any proceeding pending or threatened or of any facts likely to give rise to any proceedings which might materially affect the business or financial position of the Company or its subsidiary companies.

1.6.2 Material Commitments

As of 15 March 2001, the KB Group does not have any material capital commitments.

1.6.3 Contingent Liabilities

As at 15 March 2001, the KB Group does not have any material contingent liabilities.