
14. EXECUTIVE SUMMARY REPORT BY FROST & SULLIVAN

(Prepared for inclusion in this Prospectus)

FROST  SULLIVAN

Frost & Sullivan (M) Sdn. Bhd. (522293W)
Suite E-08-15, Block E, Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur
Tel: 603 6204 5800 Fax: 603 6201 7402
www.frost.com

19 NOV 2003

**The Board of Directors
KBES Berhad
400 Jalan Kamunting Batu
34600 Kamunting
Perak Darul Ridzuan**

Dear Sirs:

**Executive Summary of the Independent Market Research Report on the
Peninsular Malaysian Express Bus Industry**

The following is the executive summary of the independent market assessment report on the Peninsular Malaysian Express Bus Industry prepared by Frost & Sullivan (M) Sdn Bhd. This report has been prepared for inclusion in the prospectus of KBES Berhad in relation to its listing on the Main Board of the Kuala Lumpur Stock Exchange (KLSE).

Market Overview

The robust economic development in Malaysia with an economic growth of 4.2 percent and an expected growth of 4.5 percent in 2002 and 2003 respectively has resulted in the migration of people within the country for a variety of reasons – employment, education, tourism, etc. Providers of public transportation play a crucial role in fostering growth of the economy by connecting people and industries for a more efficient distribution of resources. The largest mode of public transportation – the express buses – carries large numbers of passengers daily to enable various industries to tap on the nation's population skills and knowledge. Massive road network covering about 64,500 kilometers mostly in Peninsular Malaysia contributes in mobilizing the nation's population to capitalize on economic growth.

Despite being one of the pillars of growth, the Malaysian express bus industry, which has been around for almost 50 years, is constantly faced with challenges, such as the following:

- High operating costs
- Paucity of funds
- Issuance of permits without prior study

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- Inability to raise ticket prices despite higher operating costs
- Shortage of experienced and trained bus drivers
- Poor management and pilferage continue to undermine the industry

However, the express buses remain the preferred mode of transport for school leavers, job seekers and business people. Students, job seekers, business people, workers and leisure travelers make up a majority of the number of passengers for the express buses. They preferred express buses as traveling by express buses is more cost effective than driving. Express buses are also more convenient than airlines as they provide more choices of destination and more transit points.

The express bus industry in Malaysia

The CVLB (Commercial Vehicle Licensing Board) defines 'express buses' as buses that travel back and forth along a route approved by CVLB with a designated time and fare schedules payable once on a per trip basis between two destination points. Express buses can have stations for passengers to alight and embark at points separated by a minimum of 32 kilometers and charge the passengers (based on the fares pre-determined by CVLB) accordingly.

Generally, express buses may be segmented into two types based on the seating capacity of the buses owned:

- Normal coach which typically can seat between 34 to 44 passengers; and
- Luxury coach which typically can seat between 25 to 30 passengers

Normal coaches are usually used for travel duration of less than six hours or for distances less than 400 kilometers while luxury coaches are provided for travel duration that lasts more than six hours or for distances more than 400 kilometers. Usage of luxury coaches is less common due to higher ticket prices. The two biggest luxury coach operators are Transnasional Ekspres Sdn Bhd (Executive Coaches) and Park May Berhad (Nice Executive coaches).

The express bus industry in Malaysia is a unique industry for two reasons. Firstly, the industry is relatively stable and is not severely affected during an economic recession. Secondly, the express bus industry is a regulated industry wherein the bus fares are regulated and fixed by the government. The total number of passengers and revenues for the express bus industry is measured by the number of trips and percentage loading capacity. Higher trip frequency and higher percentage of loading capacity are two attributes of a successful express bus operation. The industry average for loading capacity per trip is approximately 60 percent.

As at the end of December 2002, the number of express buses on the road in Peninsular Malaysia (excluding Sabah and Sarawak) amounts to around 2,583 buses which can run around 2,372 trips

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daily. The estimated number of passengers carried by the express bus industry in 2002 was around 17.5 million or about 48,000 passengers per day. Based on the average ticket price of RM 22, the total ticket sales revenues for express buses in 2002 were estimated at RM 385 million. Based on the feedback from market participants, this figure represents about 90 percent of the total ticket sales revenues of RM 428 million. The remaining 10 percent or RM 43 million consisted of ticket sales from non-express bus services such as charter and tour bus services.

Forecasts

The express bus industry is expected to register moderate growth despite being a mature industry in Malaysia. The CAGR (Compounded Annual Growth Rate) for passengers and revenues are expected to be at 7.0 percent and 16.4 percent respectively. The growth in the number of passengers is attributed to several factors including new investments in manufacturing plants, increase in the number of higher learning institutions, infrastructures development and growth in the number of tourist arrivals. The CAGR for revenue is forecast to grow higher than the CAGR for passengers as revenue growth is subjected to passenger traffic growth, fare revisions and contribution of ticket sales revenues to the overall revenues. As a result of the expected growth in passenger traffic and the expected fare revisions, the revenues generated by this industry is expected to increase from approximately RM 428 million in 2002 to approximately RM 915 million in 2007.

Figure 1-1 presents the revenue forecasts for the express bus industry (Peninsular Malaysia) during the forecast period – 2002 to 2007. These revenues are the total express bus revenues which include charter and travel services.

Figure 1-1

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Express bus industry: Estimated Revenue (Peninsular Malaysia), 2002-2007

Year	Revenues (RM Million)	Revenue Growth Rate (%)
2002	428	--
2003	540	26.2
2004	591	9.6
2005	637	7.7
2006	835	31.1
2007	915	9.3
Compound Annual Growth Rate (2002-2007): 16.4%		

Note: All figures are rounded; the base year is 2002. Source: Frost & Sullivan

Figure 1-2 presents the total number of passengers forecast for the express bus industry (Malaysia), 2002-2007.

Figure 1-2

Express bus industry: Estimated number of passengers (Peninsular Malaysia), 2002-2007

Year	Passengers (RM Million)	Passenger Growth Rate (%)
2002	17.5	--
2003	18.4	5.1
2004	19.5	6.0
2005	21.0	7.7
2006	22.7	8.0
2007	24.5	8.0
Compound Annual Growth Rate (2002-2007):		7.0%

Note: All figures are rounded; the base year is 2002. Source: Frost & Sullivan

Competitive Analysis

The express bus industry is a fragmented market where a lot of small competitors present in a market where the top four leaders (with fleet size greater than 51 buses) control less than 50 percent of the market.

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More than 50 percent of the bus companies are small scale operators with each having a fleet size of less than ten buses. Large bus companies which have more than 20 buses comprise about 22 percent and the largest segment – more than 50 buses – constitutes of only 4 bus companies or about 3 percent. The four largest express bus companies are NadiCorp Holdings Sdn Bhd (Transnasional Ekspres Sdn Bhd and Kumpulan Kendaraan Malaysia Berhad (KKMB), Konsortium Bas Ekspres Semenanjung (M) Sdn Bhd (KBESM), ParkMay Berhad and SriMaju Holdings Sdn Bhd.

Transnasional Ekspres Sdn Bhd, a subsidiary of NadiCorp Holdings Sdn Bhd, is the leading operator in terms of revenues and also the number of passengers. Transnasional is the market leader with 15 percent market share due to the large number of buses and the higher amount of trips compared to other players. The market share is based on the estimated ticket sales revenues derived from the number of buses each company has and the average number of trips generated.

KBESM is the second largest express bus service provider with about 7.6 percent of the market while KKMB (Kumpulan Kendaraan Melayu Berhad) in third position with about 6.5 percent share of the market. The remaining players are Park May Berhad, Sri Maju Holdings Sdn Bhd, Cepat Ekspres, Sutera Liner, Mutiara Ekspres, Budaya Ekspres (Transline Sdn Bhd), Aneka Jasaramai Ekspres, etc.

Conclusion

The express bus industry has been an integral part of the nation's economic development. The industry aids in the distribution of various resources to achieve economic goals of the country, its various industrial sectors and its people. The express bus industry is a fairly stable industry where demand for travel is year round. The industry has been recording positive growth in terms of the number of passengers and revenues despite the various industry challenges. In addition to, addressing the host of industry challenges, there is a need for market participants to capitalize on industry trends like loyalty programs to retain customers, week end commuting among workers, ways to alleviate accidents and fraud, new bus models and bus consortiums. These trends would likely help market participants boost their presence in the market and gain a leading edge over the competitors.

The express bus industry is an industry in which proper utilization of resources, prudent workshop management, efficient route management, professional human resource department, periodic bus replacement and inspection, superior customer services and computerised operational system are essential to cut cost in order to sustain growth and profitability as ticket prices is regulated – hence limits upside potential since market participants are not able to control ticket prices.

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Consolidation of bus companies is an industry trend which is expected to proliferate among smaller scale bus companies. The formation of a consortium, which is recommended by the government, is touted as the ultimate solution to help the industry become more efficient, competitive, organized and profitable. A large number of small bus operators that are plagued by lack of funding sources, high maintenance cost, bus breakdowns and dissatisfied customers would likely find a reprieve by joining a consortium. Bus consortiums is said to be a lifeline to small scale bus operators that have been hit hard by the competition and the constraints of industry regulations.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and / or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely



Sanjay Singh
Regional Research Manager
Industrial Practice

FROST & SULLIVAN MALAYSIA SDN BHD
(522293-W)
SUITE E-08-15, BLOCK E, PLAZA MONT' KIARA
2, JALAN KIARA, MONT' KIARA
50480 KUALA LUMPUR
TEL: 03-6204 5800 FAX: 03-6201 7402

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15.1 Share capital

- (i) No shares will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) There are no founders, management or deferred shares in the Company. There is only one (1) class of shares in the Company, namely ordinary shares of RM0.50 each, all of which rank pari passu with one another.
- (iii) Save as disclosed in Sections 6.1 and 6.5 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of the Company or its subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding from the date of this Prospectus.
- (iv) Save for the Public Issue Shares reserved for the Eligible Directors, Eligible Employees and Business Associates as disclosed in Section 3.4 of this Prospectus, no person including Directors or employees of the KBES Group has been or is entitled to be given an option to subscribe for any shares, stocks or debentures or the Company or its subsidiaries nor has any options to subscribe for securities been granted or exercised by any Directors or employees during the last financial year.
- (v) Save for the Public Issue Shares reserved for the Eligible Directors, Eligible Employees and Business Associates as disclosed in Section 3.4 of this Prospectus, there is currently no scheme involving the employees in the capital of the Company or its subsidiaries.

15.2 Articles of Association, Listing Requirements of the KLSE, the Act and the Rules of the MCD

The following provisions are reproduced from the Articles of Association of the Company, the listing requirements of the KLSE, the Act and the Rules of the MCD.

15.2.1 Transfer of securities

The provisions in the Articles of Association, the Listing Requirements of KLSE, the Act and the Rules of MCD in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:

(i) Articles of Association

The following provisions are reproduced from the Company's Articles of Association which has been approved by the KLSE.

(a) Transfer of Listed Security

The provisions in the Company's Articles of Association in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:

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Article 33

The transfer of any Listed Security or class of Listed Security of the Company, shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Security.

Article 34 (1)

Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that, the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators or assignee, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Article 34 (2)

The Central Depository may in its absolute discretion refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

(ii) Listing Requirements of KLSE

The provisions of the Listing Requirements of KLSE on the transferability of securities are as follows:

Paragraph 7.13 – Transfer of securities

The transfer of any listed security or class of listed security of the company, shall be by way of book entry by the MCD in accordance with the Rules of the MCD and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the company shall be precluded from registering and effecting any transfer of the listed securities.

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Paragraph 7.14 – Transmission of securities from Foreign Register

- (1) Where:
- (a) the securities of a company are listed on an approved market place; and
 - (b) such company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act, 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,
 - (c) such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the approved market place (hereinafter referred to as “the Foreign Register”), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as “the Malaysian Register”) provided that there shall be no change in the ownership of such securities.
- (2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs 1(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

(iii) Act

The provisions within the Act on the transferability of securities are as follows:

Section 103(1)

Notwithstanding anything in its articles a company shall not register a transfer of shares or debentures unless a proper instrument of transfer in the prescribed form has been delivered to the company, but this subsection shall not prejudice any power to register as a shareholder or debenture holder any person to whom the right to any shares in or debentures of the company has been transmitted by operation of law.

Section 103(1A)

Nothing in this section shall be construed as affecting the validity of any instrument which would be effective to transfer shares or debentures apart from this section; and any instrument purporting to be made in any form which was common or usual in use, or in any other form authorised or required for that purpose apart from this section before the commencement of this Act, shall be sufficient, whether or not it is completed in accordance with the prescribed form, if it complies with the requirements as to execution and contents which apply to a transfer.

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Provided that a company shall be precluded from registering a transfer of shares or debentures, the title of which is evidenced by a certificate that is issued on or after the date of coming into operation of this subsection unless a proper instrument of transfer in the prescribed form has been delivered to the company.

Section 107C(1)

On or after the coming into operation of this section, the transfer of any securities or class of securities of a company whose securities or any class of whose securities have been deposited with a central depository shall be by way of book entry by the central depository in accordance with the rules of the central depository and, notwithstanding Sections 103 and 104, such company shall be precluded from registering and effecting any transfer of securities or class of securities which have been deposited.

Section 107C(2)

Subsection (1) shall not apply to a transfer of securities to a central depository or its nominee company.

(iv) Rules of the MCD

The rules within the MCD on the transferability of securities are as follows:

Rule 8.01(2)

The MCD may, in its absolute discretion, reject a transfer request made by a depositor thereunder, where the reason for the said transfer does not fall within any of the approved reasons stipulated under Rule 8.03(1)(c).

Rule 8.05A

Transfer made by the authorised depository agent from the agent's principal or nominee account shall be subject to the Rules in this Chapter.

Rules 9.03(2)

It shall be the responsibility of the authorised depository agent, in processing the transfer between two securities accounts belonging to different depositors (hereinafter the transfer is referred to as "the inter-account transfer"), to check and ensure the completeness, accuracy and / or genuineness of the documents lodged as follows:

- (a) the prescribed Form FTF010 (request for ordinary transfer of securities form) or Form FTF015 (request for express transfer of securities form) fully and properly completed in triplicate;
- (b) the transferring depositor has executed the transferor portion on the said form duly witnessed by another person (other than the depositor's spouse);

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- (c) the transferring depositor has stated his reason for the transfer and that the reason is or are amongst any of the approved reasons as stated herein below:
 - (i) transmission and transfer of securities arising from the provisions of any written law or an order of court of competent jurisdiction;
 - (ii) rectification of errors;
 - (iii) pledge, charge or mortgage;
 - (iv) mandatory offer pursuant to the provisions of the Malaysian Code On Take-overs and Mergers 1998;
 - (v) any other circumstances as deemed fit by the MCD after consultation with the SC;
- (d) documents to support the reason for the transfer; and
- (e) such other accompanying documents duly processed in such manner as the MCD may from time to time determine in its procedures manual.

15.2.2 Remuneration of Directors

The provisions in the Articles of Association of the Company dealing with the remuneration of the Directors are as follows:

Article 78

The remuneration of the Directors shall from time to time be determined by an ordinary resolution of the Company, and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Provided always that:

- (aa) fees payable to non-executive Directors shall be by way of a fixed sum and not by a commission on or percentage of profits or turnover;
- (bb) salaries payable to executive Directors shall not include a commission on or percentage of turnover;
- (cc) Any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 87

A Director holding any such office as aforesaid shall receive such remuneration as the Directors may determine but shall not under any circumstances be remunerated by way of salary or commission or participation in profits of the Company or of any other company in which the Company is interested, or by any or all of those modes, or otherwise as may be thought expedient but shall not include a commission on or a

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percentage of turnover, and it may be made a term of such appointment or appointments that the appointees shall receive a pension, gratuity or other benefits on their retirement.

Article 97 (b)

An alternate Director so appointed shall not in respect of such appointment be entitled to receive any remuneration from the Company, but shall otherwise be subject to the provisions of these Articles with regard to Directors. Any remuneration paid by the Company to an alternate Director shall be deducted from the remuneration of that Director so appointing him as an alternate Director.

15.2.3 Voting and Borrowing Powers of Directors

The provisions in the Articles of Association of the Company dealing with the voting and borrowing powers of Directors of the Directors are as follows:

Article 110

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any party which is related to the Company (but subject always to the provisions of the Act) but not of any unrelated third party.

Article 121

A Director may vote in respect of:

- (aa) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (bb) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

15.2.4 Alteration of Capital or Variation of Class Rights

The provisions in the Articles of Association of the Company as to the changes in share capital or variation of class rights, which are no less stringent than those required by law are as follows:

Article 6

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act, be varied or abrogated, if agreed to by the holders of three-fourth (3/4) of such shares at a general meeting called for the purpose. To every such separate general meeting all the provisions of these Articles relating to general meetings of the Company, or to the proceedings thereat, shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the nominal amount of the issued shares of the class. Provided that where the necessary

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majority for such a special resolution is not obtained at the meeting, consent in writing of holders of not less than three-fourth (3/4) of the nominal amount of the issued shares of such class if obtained within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Article 9

The Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

Article 10

All new shares shall be subject to the provisions of these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

Article 11

The Company may by ordinary resolution:

- (aa) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (bb) Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;
- (cc) Sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act) and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have only such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

Article 12

Subject to confirmation by the Court (as defined in the Act), the Company may by special resolution reduce its share capital or any capital redemption reserve fund or share premium account in any manner authorised by the Act.

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15. ADDITIONAL INFORMATION

15.3 Directors and substantial shareholders

- (i) The names, addresses and occupations of the Directors of the Company are set out in Section 1 of this Prospectus.
- (ii) A Director is not required to hold any qualification shares in the Company unless otherwise so fixed by the Company at general meeting.
- (iii) For the FYE 31 December 2003 and the six (6) months ended 30 June 2003, the aggregate amount of remuneration and benefits paid to the Directors of KBES for services rendered in all capacities to the KBES Group was RM611,827 and RM352,012 respectively. For the FYE 31 December 2003, the aggregate amount of remuneration and benefits to the Directors of KBES is estimated to be approximately RM853,812.
- (iv) No Director, senior management or person nominated to become a Director or senior management is or was involved in the following events (whether in or outside Malaysia):
- a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he is or was a partner or any corporation of which he is or was a director or key personnel;
 - conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
 - the subject or any order, judgement or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- (v) The direct and indirect interest of the Directors of KBES before and after the IPO are as follows:

Directors	Before the IPO				After the IPO ¹			
	Direct		Indirect		Direct		Indirect	
	No. of KBES Shares	%	No. of KBES Shares	%	No. of KBES Shares	%	No. of KBES Shares	%
Md Azar bin Ismail	-	-	-	-	100,000	0.08	-	-
Lau Chan Seng	13,085,523	12.90	78,834,438 ²	77.71	13,185,523	10.46	70,064,438 ²	55.61
Hai Shah Hairi bin Hassan	3,603,573	3.55	78,834,438 ³	77.71	3,703,573	2.94	69,834,438 ³	55.42
Fong Weng Keong	529,937	0.52	-	-	629,937	0.50	-	-
Low Guan Theong	-	-	81,518,060 ⁴	80.35	100,000	0.08	81,618,060 ⁴	64.78
Malik Parvez Ahmad bin Nazir Ahmad	-	-	-	-	20,000	*	-	-

Notes:

- * Negligible
- (i) Includes Public Issue Shares to be offered under the Share Allocation Scheme

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- (ii) Deemed interested by virtue of his 46.00% shareholdings in SRBC which in turn holds 98.68% interest in SZSB, his wife's, Lau Kooi Keong, his son's, Lau Siau Beng, his daughter's, Lau Siau Khim, and his brother's, Low Guan Theong, interests in KBES and, his son's, Lau Siau Chuan, indirect interest in KBES via his 65.00% shareholding in ST Capital which in turn holds approximately 100.00% interest in ST Corporation pursuant to Section 6A of the Act
- (iii) Deemed interested by virtue of his 50.10% shareholdings in SRBC which in turn holds 98.68% interest in SZSB, his 61.59% shareholdings in RBSB which in turn holds 63.09% interest in UCSB and his 35.00% shareholdings in ST Capital which in turn holds approximately 100.00% interest in ST Corporation pursuant to Section 6A of the Act
- (iv) Deemed interested by virtue of his 49.00% shareholdings in RBSB which in turn holds 35.00% interest in UCSB and his brother's, Lau Chan Seng, interest in KBES pursuant to Section 6A of the Act
- (vi) The direct and indirect interest of the substantial shareholders of KBES before and after the IPO are as follows:

Substantial shareholders	Before the IPO				After the IPO ¹			
	Direct		Indirect		Direct		Indirect	
	No. of KBES Shares	%	No. of KBES Shares	%	No. of KBES Shares	%	No. of KBES Shares	%
SZSB	54,371,541	53.59			54,371,541	43.15	-	-
UCSB	14,060,996	13.86			14,060,996	11.16	-	-
Lau Chan Seng ¹	13,085,523	12.90	78,834,438 ²	77.71	13,185,523	10.46	70,064,438 ²	55.61
Hai Shah Hairi bin Hassan ¹	3,603,573	3.55	78,834,438 ³	77.71	3,703,573	2.94	69,834,438 ³	55.42
SRBC	-	-	54,371,541 ⁴	53.59	-	-	54,371,541 ⁴	43.15
RBSB	-	-	14,060,996 ⁵	13.86	-	-	14,060,996 ⁵	11.16
ARSB	-	-	14,060,996 ⁶	13.86	-	-	14,060,996 ⁶	11.16
Waseem Ahmad bin Abdul Hanan	-	-	14,060,996 ⁷	13.86	-	-	14,060,996 ⁷	11.16
Low Guan Theong ¹	-	-	81,518,060 ⁸	80.35	50,000	0.08	81,618,060 ⁸	64.78

Notes:

- Includes Public Issue Shares to be offered under the Share Allocation Scheme
 - Deemed interested by virtue of his 46.00% shareholdings in SRBC which in turn holds 98.68% interest in SZSB, his wife's, Lau Kooi Keong, his son's, Lau Siau Beng, his daughter's, Lau Siau Khim, and his brother's, Low Guan Theong, interests in KBES and, his son's, Lau Siau Chuan, indirect interest in KBES via his 65.00% shareholding in ST Capital which in turn holds approximately 100.00% interest in ST Corporation pursuant to Section 6A of the Act
 - Deemed interested by virtue of his 50.10% shareholdings in SRBC which in turn holds 98.68% interest in SZSB, his 61.59% shareholdings in RBSB which in turn holds 63.09% interest in UCSB and his 35.00% shareholdings in ST Capital which in turn holds approximately 100.00% interest in ST Corporation pursuant to Section 6A of the Act
 - Deemed interested by virtue of its 98.68% shareholdings in SZSB pursuant to Section 6A of the Act
 - Deemed interested by virtue of its 63.09% shareholdings in UCSB pursuant to Section 6A of the Act
 - Deemed interested by virtue of its 35.00% shareholdings in UCSB pursuant to Section 6A of the Act
 - Deemed interested by virtue of his 38.41% shareholdings in RBSB which in turn holds 63.09% interest in UCSB and his 51.00% shareholding in ARSB which in turn holds 35.00% interest in UCSB pursuant to Section 6A of the Act
 - Deemed interested by virtue of his 49.00% shareholdings in RBSB which in turn holds 35.00% interest in UCSB and his brother's, Lau Chan Seng, interest in KBES pursuant to Section 6A of the Act
- (vii) Save as disclosed in Section 4 of this Prospectus, the Directors are not aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profit of the KBES Group.

15. ADDITIONAL INFORMATION

- (viii) Save as disclosed in Section 9.1.4 of this Prospectus, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in any business, whether quoted or unquoted on a recognised stock exchange, which carries on a similar trade as the KBES Group.
- (ix) Save as disclosed in Section 9.1 of this Prospectus, none of the Directors and substantial shareholders of KBES have any interest in any contract or arrangement, which is significant in relation to the business of the KBES Group subsisting at the date of this Prospectus.
- (x) Save for the Acquisitions and Settlement described in Sections 6.2.1 to 6.2.3 of this Prospectus and the rental arrangement with SCM described under section 9.1.1 of this Prospectus, none of the Directors or substantial shareholders of KBES have any interests, direct or indirect, in the promotion of or in any assets, which have been within the two (2) preceding years from the date of this Prospectus, acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to the KBES Group.
- (xi) Save as disclosed in Section 4.2 of this Prospectus, the Directors of KBES are not aware of any persons who are able to directly or indirectly, jointly or severally, exercise control over the Company.
- (xii) None of the Directors of the Company have any existing or proposed service contracts with the Company or its subsidiaries, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year.

15.4 General

- (i) The nature of the Company's business is described in Section 6 of this Prospectus and the names of all the corporations which are deemed to be related to the Company by virtue of Section 6 of the Act have been disclosed in Section 6.5 of this Prospectus.
- (ii) The KBES Group has not established a place of business outside Malaysia.
- (iii) Apart from the listing sought on the Main Board of the KLSE, KBES is not listed on any other stock exchange.
- (iv) The manner in which copies of this Prospectus together with the official Application Forms and envelopes may be obtained is set out in Section 15 of this Prospectus.
- (v) The time of the opening and closing of the Application Lists of the IPO is set out in Section 3.1 of this Prospectus.
- (vi) The amount payable in full on application of the IPO is RM0.75 per KBES Share.

15. ADDITIONAL INFORMATION

- (vii) Save for the rental payment disclosed in Section 9.1.1 and the dividend payment to the shareholders of KBESM on 18 October 2003 as described in section 6.2.1 of this Prospectus, no amount or benefit has been paid or given within the two (2) years preceding the date of this Prospectus, nor is it intended to be so paid or given, to any promoter.
- (viii) Save as disclosed in Section 3.9 of this Prospectus, no commission, discount, brokerage or other special terms have been paid or granted by the Company and / or its subsidiaries within the two (2) years preceding the date of this Prospectus in connection with the issue or sale of any capital of the Company or its subsidiaries, and no Director or proposed Director or promoter or expert is entitled to receive any such payment.
- (ix) As at the date of this Prospectus, the Company and its subsidiaries do not have any convertible debt securities.
- (x) The name and address of the Auditors and Reporting Accountants of the Company are set out in Section 1 of this Prospectus.

15.5 Material litigations

As at 10 November 2003, save as disclosed below, neither KBES nor its subsidiaries is engaged in any material litigation, arbitration or claims, either as plaintiff or defendant, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of KBES or its subsidiaries.

As an express bus operator, the KBESM Group is engaged in litigation, arbitration or claims which is usual for its normal course of business including claims arising from property damage and/or personal injuries. The KBESM Group has insurance coverage for such claims. Based on KBESM Group's assessment of known claims and discussion with its insurance agents and risk management personnel, the Directors and management believes that there is no proceeding either threatened or pending against the KBESM Group in relation to such claims arising in the ordinary course of business that, if resolved against the KBESM Group, would materially exceed its insurance coverage.

15.6 Material contracts

As at 10 November 2003, save as disclosed below, there are no material contracts (including contracts not reduced into writing), not being contracts in the ordinary course of business entered into by the Company and its subsidiaries within the two (2) years preceding the date of this Prospectus:

- (i) Sale and purchase agreement dated 25 March 2003 between KBES (the Purchaser) and the KBESM Vendors to purchase the entire issued and paid-up share capital comprising of 7,915,000 Shares in KBESM for an aggregate purchase consideration of RM40,161,894.00 only satisfied by the issuance of 80,323,788 new KBES Shares to the KBESM Vendors, credited as fully paid-up at an issue price of RM0.50 per KBES Share;

15. ADDITIONAL INFORMATION

- (ii) Sale and purchase agreement dated 25 March 2003 between KBES and ST Corporation, to purchase the entire issued and paid-up share capital comprising of 450,000 Shares in SCM for an aggregate purchase consideration of RM2,909,807 satisfied by the issuance of 5,819,614 new KBES Shares to ST Corporation, credited as fully paid-up at a price of RM0.50 per KBES Share;
- (iii) Settlement agreement dated 25 March 2003 between Lau Chan Seng, ST Corporation (collectively the Creditors), KBESM and SCM (collectively the Debtors) and KBES. Under the Agreement, KBES agreed to settle to the Creditors for and on behalf of the Debtors for debts of RM1,239,219 owing by KBESM to Lau Chan Seng and RM1,820,114 owing by SCM to ST Corporation, by the issuance of 2,478,438 and 3,640,228 new KBES Shares to Lau Chan Seng and ST Corporation respectively;
- (iv) Underwriting agreement dated 3 November 2003 between KBES and the Underwriters to underwrite 8,000,000 Public Issue Shares which are reserved for the Eligible Directors, Eligible Employees and Business Associates and will be made available for subscription by the Malaysian public for an underwriting commission of 1.50% of the value of the shares at an issue price of RM0.75; and
- (v) Placement agreement dated 3 November 2003 entered into between KBES, the Offeror and SIBB in relation to the placement of KBES Shares pursuant to the Public Issue and Offer for Sale for the appointment of SIBB as the Placement Agent for a placement fee of 2.00% of the IPO Price.

15.7 Material agreements

As at 10 November 2003, save as disclosed below, there are no material agreements entered into by the Company and its subsidiaries within the two (2) years preceding the date of this Prospectus:

Driver, Repair, Maintenance & Ticketing Sales Agreement between KBESM and various parties appointing these parties where KBESM agrees to engage the various parties to provide good and experience drivers as well as repair and maintenance services to KBESM to assist KBESM in operating its fleet of express buses. In addition, KBESM appoints these parties to sell tickets at a guaranteed minimum sales value per month. In consideration for the labour, maintenance and ticket sales services provided by these parties, KBESM will reimburse and pay these parties a fixed sum per month for the term of one (1) year commencing from the date of and upon the terms and conditions of the Agreement.

15.8 Public take-over offers

None of the following has occurred in the last financial year and the current financial year up to the date of this Prospectus.

- (i) public take-over offers by third parties in respect of the Company's shares; or
- (ii) public take-over offers by the Company in respect of other companies' shares.

15. ADDITIONAL INFORMATION

15.9 Consents

- (i) The written consent of the Adviser, Managing Underwriter and Underwriter, Principal Bankers, Issuing House, Registrar, Auditors and Reporting Accountants, Solicitors, Company Secretary and the Independent Market Researcher to the inclusion in this Prospectus of their names in the manner and form in which their names appear have been given before the issue of this Prospectus and has not been subsequently withdrawn.
- (ii) The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their Accountants' Report and their letters relating to the consolidated profit estimate and forecast and proforma consolidated balance sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15.10 Documents available for inspection

Copies of the following documents are available for inspection at the registered office of the Company or such other place as the SC may determine during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Memorandum and Articles of Association of the Company and its subsidiaries;
- (ii) Accountants' Report as included in Section 12 of this Prospectus;
- (iii) Directors' Report as included in Section 13 of this Prospectus;
- (iv) Reporting Accountants' letters relating to the consolidated profit estimate and forecast for the FYE ending 31 December 2003 and 2004 respectively and the proforma consolidated balance sheets as at 30 June 2003 as included in Sections 11.6 and 11.10 of this Prospectus respectively;
- (v) Independent market research report dated 25 March 2003 prepared by Frost & Sullivan;
- (vi) The material contracts referred to under Section 15.6 of this Prospectus;
- (vii) The material agreements referred to under Section 15.7 of this Prospectus;
- (viii) Audited accounts of KBESM and its subsidiaries for the past five (5) FYE 31 December 1998 to 2002 and the six (6) months ended 30 June 2003;
- (ix) Audited accounts of SCM for the past five (5) FYE 31 December 1998 to 2002 and the six (6) months ended 30 June 2003; and
- (x) Letters of consent referred to in Section 15.9 of this Prospectus.

15. ADDITIONAL INFORMATION

15.11 Responsibility Statements

- (i) SIBB acknowledges that, to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts about the IPO and the KBES Group and has satisfied itself that the consolidated profit estimate and forecast of the Group for the FYE 31 December 2003 and 2004 respectively, for which the Directors are solely responsible, have been stated by the Directors of the Company after due and careful enquiry.

- (ii) The Directors and Promoters of KBES and the Offeror have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

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