3. PARTICULARS OF THE IPO

This Prospectus is dated 1 December 2003.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed KBES Shares as a prescribed security. In consequence thereof, the shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

An application has been made to the KLSE on 18 November 2003 for admission to the Official List of the Main Board of the KLSE and for permission to deal in and for the listing of and quotation for the entire enlarged issued and fully paid-up share capital of KBES, including the IPO Shares which are the subject of this Prospectus. The KBES Shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from the MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the application for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation for the entire enlarged issued and fully paid-up KBES Shares on the Main Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the IPO will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe. Admission to listing is not being sought on any other stock exchange.

Only an applicant who has a CDS account can make an application by way of an application form. The applicant shall furnish his/her CDS account number in the space provided in the Application Form and he/she shall be deemed to have authorised MCD to disclose information pertaining to the CDS account to MIH or the Company. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the KBES Shares. Failure to comply with these specific instructions, as the application form requires or inaccuracy in the CDS account number, may result in the application being rejected. If a successful applicant fails to state his/her CDS account number, MIH under the instruction of the Company will reject the application. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application, and the applicant shall furnish his / her CDS account number to the participating financial institution by way of keying in his / her CDS account number if the instructions on the ATM screen at which he / she enters his / her Electronic Share Application requires him / her to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

Pursuant to the Listing Requirements of the KLSE, an applicant must have at least 25% of the total number of shares for which listing is sought in the hands of a minimum 1,000 public shareholders holding not less than 100 shares each at the point of listing. In the event that the above is not met pursuant to the IPO, KBES may not be allowed to proceed with its listing on the Main Board of the KLSE.

The approval of the SC obtained vide its letter dated 18 August 2003 shall not be taken to indicate that the SC recommends the IPO. Investors should rely on their own evaluation to assess the merits and the risks of the IPO.

The SC and the KLSE assumes no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its shares.

3. PARTICULARS OF THE IPO

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or make, such information or representation must not be relied upon as having been authorised by KBES and / or the Offeror. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of KBES or the Group since the date hereof.

The distribution of this Prospectus and the sale of the IPO Shares in other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation of an offer to buy or offer to sell any of the IPO Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

If you are in any doubt about this Prospectus, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.1 Critical dates in respect of the IPO

The Application Lists will open at 10.00 a.m. on 8 December 2003 and will remain open until 5.00 p.m. on the same day or for such further period or periods as the Directors of KBES, the Offeror and Managing Underwriter may mutually decide. Late applications will not be accepted.

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

Opening date of the IPO	1 December 2003
Closing date of the IPO	8 December 2003
Tentative date for balloting of applications	10 December 2003
Tentative date for allotment of securities	17 December 2003
Tentative date for the Listing	19 December 2003

3.2 Purposes of the IPO

The purposes of the IPO are as follows:

(i) To obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of KBES on the Main Board of the KLSE;

(ii) To provide an opportunity for the Malaysian Public, Eligible Directors, Eligible Employees, Business Associates and Malaysian private and /or institutional investors to participate directly in the equity and continuing growth of the Group;

(iii) To enable KBES to gain access to the capital market for funds to finance the future expansion and growth of the Group; and

(iv) To provide additional funds to meet the Group's capital expenditure and working capital requirements.

3. PARTICULARS OF THE IPO

3.3 Share capital

	RM
Authorised	
200,000,000 KBES Shares	100,000,000
Issued and fully paid-up	
101,450,000 KBES Shares	50,725,000
To be issued pursuant to the Public Issue	
24,550,000 KBES Shares	12,275,000
Enlarged issued and paid-up share capital	
126,000,000 KBES Shares	63,000,000

The IPO price of RM0.75 per ordinary share is payable in full upon application.

There is only one (1) class of shares in the Company being ordinary shares of RM0.50 each, all of which rank pari passu with one another. The IPO Shares, upon allotment and issue, will rank pari passu in all respects with the 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 KBES Shares shall, in proportion to the amount paid-up on the KBES 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 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 or by other duly authorised representative, and, on a show of hands, every person present who is a shareholder or proxy or attorney or other duly authorised representative of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

3.4 Particulars of the IPO

The IPO shall be subject to the terms and conditions of this Prospectus and, upon acceptance, the IPO Shares will be allocated in the following manner:

(i) Public issue

- (a) 4,000,000 Public Issue Shares will be made available for application by the Eligible Directors, Eligible Employees and Business Associates
- (b) 20,550,000 Public Issue Shares will be placed with Malaysian private and / or institutional investors by the Placement Agent

(ii) Offer for Sale

- (a) 4,000,000 Offer Shares will be made available for application by the Malaysian Public
- (b) 5,000,000 Offer Shares will be placed with Malaysian private and / or institutional investors by the Placement Agent

3. PARTICULARS OF THE IPO

The IPO Shares in respect of paragraph (i)(b) and (ii)(b) above are not underwritten as the placees, which have already been identified by the Placement Agent, have provided written irrevocable undertakings to subscribe for their respective portion of the 25,550,000 IPO Shares.

Any Public Issue Shares in respect of (i)(a) above which is not subscribed by the Eligible Directors, Eligible Employees and Business Associates will be made available for application by the Malaysian Public and /or the Private Placement.

Any Offer Shares in respect of (ii)(a) above which is not subscribed by the Malaysian Public will be made available for application under the Private Placement if the Private Placement is oversubscribed and vice-versa.

The IPO Shares in respect of paragraph (i)(a) and (ii)(a) above have been fully underwritten at an underwriting commission of 1.50% of the IPO price of RM0.75 per IPO Share.

3.5 Details on the Share Allocation Scheme

A brief description in the criteria of allocation of the KBES Shares as approved by the Board of Directors to the Eligible Directors and Eligible Employees of the KBES Group who are confirmed in service as at 10 November 2003, is as follows:

Category		**No. of KBES Share to be allocated based on the number of years of service ('000)**					**KBES Shares allocated ('000)**
		Below one (1) year	One (1) – two (2) years	Above two (2) – three (3) years	Above three (3) – four (4) years	Above four (4) years	
Managers	No. of Managers	-	-	-	-	3	3
	No. of KBES Shares ('000)	10	20	30	40	50	150
Executives	No. of Executives	-	1	2	-	6	9
	No. of KBES Shares ('000)	5	10	20	30	40	290
Supervisors	No. of Supervisors	1	-	-	1	7	9
	No. of KBES Shares ('000)	2	5	10	15	20	157
Skilled workers	No. of Skilled Workers	1	-	2	-	1	4
	No. of KBES Shares ('000)	1	5	7	10	15	30
Drivers	No. of Drivers	27	9	2	29	99	166
	No. of KBES Shares ('000)	1	5	7	10	15	1,861
General workers	No. of General Workers	5	4	8	6	15	38
	No. of KBES Shares ('000)	1	3	5	7	10	249
Clerks	No. of Clerks	3	3	2	2	-	10
	No. of KBES Shares ('000)	1	3	5	7	10	36

Note:
As at 10 November 2003, the KBES Group employs a total of 256 employees. However, the Share Allocation Scheme is only applicable for confirmed employees of the KBES Group.

However, the above KBES Shares allocated under the Share Allocation Scheme is subject to the employees subscribing to their respective allocations.

3. PARTICULARS OF THE IPO

The allocation to the Directors under the Share Allocation Scheme are as follows:

Name of Directors	No. of KBES Shares allocated
Md Azar bin Ismail	100,000
Lau Chan Seng	100,000
Hai Shah Hairi bin Hassan	100,000
Fong Weng Keong	100,000
Low Guan Theong	100,000
Malik Parvez Ahmad bin Nazir Ahmad	20,000
Total	**520,000**

However, the above KBES Shares allocated under the Share Allocation Scheme is subject to the Directors subscribing to their respective allocations.

The allocation to Business Associates of the KBES Group and active KBESM Members under the Share Allocation Scheme are as follows:

Parties	No. of KBES Shares allocated ('000)
Customers (ticketing agents) *Based on revenue generated from them for the past 2.5 years*	473
Suppliers *Based on purchases from them from for the past 2.5 years*	230
Active KBESM Members *Based on the active member list as at 31 July 2003*	4
Total	**707**

However, the above KBES Shares allocated under the Share Allocation Scheme is subject to the Business Associates of the KBES Group and the active KBESM Members subscribing to their respective allocations.

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3.6 Basis of arriving at the IPO Price

The IPO price of RM0.75 per IPO Share was determined and agreed upon by the Company and SIBB as the Adviser and Managing Underwriter based on various factors after taking into account the following:

(i) The Group's financial and operating history and conditions as outlined in Sections 6, 11 and 12 of this Prospectus;

(ii) The future plans and prospects of the Group as set out in Section 6 of this Prospectus;

(iii) The estimated net PE multiple of approximately 7.65 times based on the estimated consolidated net EPS of KBES of approximately 9.81 sen for the FYE 31 December 2003 and the enlarged issued and paid-up share capital of 126,000,000 KBES Shares and the IPO price of RM0.75;

(iv) The proforma consolidated NTA per share of KBES after the Restructuring Scheme, IPO and utilisation of proceeds from the Rights Issue and Public Issue as at 31 December 2003 of RM0.55; and

(v) The estimate net dividend of 2.88 sen per KBES Share or the estimated net dividend yield of approximately 3.84% for the FYE 31 December 2003.

Investors should note that the market price of KBES Shares upon listing on the KLSE is subject to the vagaries of market forces and other uncertainties which may affect the price of KBES Shares being traded.

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3. PARTICULARS OF THE IPO

3.7 Utilisation of proceeds from the Rights Issue and Public Issue

The Rights Issue and Public Issue will raise gross proceeds of approximately RM6,431,550 and RM18,412,500 million respectively amounting to a total gross proceeds of RM24,844,050 which will be utilised for the following purposes:

Utilisation	Notes	RM'000	Timeframe from Listing Months
Repayment of bank borrowings	1	3,000	6
Purchase of new buses	2	10,850	18
Working capital	3	8,994	6
Estimated listing expenses	4	2,000	6
Total		24,844	

Notes:

1 Repayment of bank borrowings

An amount of RM3.00 million from the proceeds from the Rights Issue and Public Issue will be utilised to repay part of the borrowings of the KBES Group. The bank borrowings of KBES Group as at 10 November is as follows:

Company	Financial Institution	Limit of facilities RM	Type of facilities	Amount outstanding RM	Interest rate p.a.[1] %	Terms of repayment RM	Purpose of borrowings
KBESM	HSBC Bank Malaysia Berhad	1,500,000	Islamic term financing	1,361,139	n.a.[2]	4	Purchase of coaches
THR	OCBC Bank (Malaysia) Berhad	350,000	Overdraft	347,584	2.25 + base lending rate (BLR)	On call	Working capital
THTS	OCBC Bank (Malaysia) Berhad	100,000	Overdraft	99,707	2.25 + BLR	On call	Working capital
THT	OCBC Bank (Malaysia) Berhad	500,000	Overdraft	497,124	2.25 + BLR	On call	Working capital
DRE	OCBC Bank (Malaysia) Berhad	1,000,000	Term loan	502,242	2.50 + BLR	5	Purchase of coaches
DRT	OCBC Bank (Malaysia) Berhad	1,000,000	Term loan	485,595	2.50 + BLR	5	Purchase of coaches
SRE	OCBC Bank (Malaysia) Berhad	450,000	Term loan	218,387	2.50 + BLR	5	Purchase of coaches
STCP	OCBC Bank (Malaysia) Berhad	1,000,000	Term loan	502,066	2.50 + BLR	5	Part finance the purchase of leasehold land comprising plots 73-76 and 84-86, Kamunting Raya Industrial Estate, Kamunting, Perak
SCM	OCBC Bank (Malaysia) Berhad	250,000	Overdraft	250,503	2.50 + BLR	On call	Working capital
Total		4,650,000		4,264,347			

Note:

1. The BLR as at 10 November 2003 is 6.00%

2. n.a. – Not applicable as the term loan is based on the Islamic principle of Al-Bai Bithaman Ajil which does not have interest elements. However, it should be highlighted that KBESM's term loan of RM1.50 million is payable in 48 instalments amounting to approximately RM1.70 million.

2 Purchase of new buses

The KBES Group is principally involved in provision of express bus services. As at 10 November 2003, the last practicable date prior to the printing of this Prospectus, the KBES Group holds 232 express bus permits out of which 18 permits are without their respective designated buses. Accordingly, the Group is proposing to purchase 31 new buses, where 18 of these new buses will be designated to the 18 permits and the balance will be utilised to replace the older buses in the KBES fleet. The purchase of these additional buses is in line with the Group's longer-term objective of expanding its fleet of buses to meet the expected future demand. The higher number of trips resulting from the increase in the number of buses will further enhance its operating capacity and competitive edge. The Group intends to allocate RM10.85 million to purchase 31 buses at a cost of approximately RM350,000 per bus.

3 Working capital

The amount of RM8.99 million will be set aside for the working capital requirements of the KBES Group. This amount will be utilised to improve the operational efficiency of the Group's day-to-day operations.

4 Estimated listing expenses

The Company shall bear all expenses and fees incidental to all the corporate exercises leading to the listing of and quotation for the entire issued and paid-up share capital of KBES on the Main Board of the KLSE which is estimated at approximately RM2.00 million. The estimated listing expenses comprise the following:

Description	**Estimated cost RM**
Professional fees	600,000
Fees payable to the SC including processing fee and fee for registration of Prospectus with the SC	98,000
Fees payable to the KLSE including initial and annual listing fees	37,500
Fee for lodgement of Prospectus with the ROC	500
Issuing house's fee and disbursements	150,000
Advertisement of Prospectus	200,000
Printing of Prospectus and application forms	200,000
Underwriting commission	120,000
Placement fees	212,800
Brokerage fees	185,000
Miscellaneous and contingencies	196,200
Total	**2,000,000**

3.7.1 Utilisation of proceeds from the Offer for Sale

The gross proceeds from the Offer for Sale of RM6,750,000 million shall accrue to the Offeror and no part of the proceeds from the Offer for Sale is receivable by KBES. The Offeror shall bear all expenses relating to the Offer Shares including underwriting commission, brokerage, stamp duty, registration and transfer fees.

3.8 Financial impact from the utilisation of proceeds

The amount of RM10.85 million of the Rights Issue and Public Issue proceeds is allocated for the purchase of 31 new buses, where 18 of these new buses will be designated to the 18 permits and the balance will be utilised to replace the older buses in the KBES fleet. The higher number of buses is expected to increase the revenue and earnings of the KBES Group. The amount of RM3.00 million of the Rights Issue and Public Issue proceeds which is allocated for the repayment of borrowings, is expected to result in interest savings of approximately RM270,000 for the FYE 31 December 2003 onwards, assuming the repayment will be effected in January 2004 based on an average interest rate of 9.0% per annum.

The Public Issue will also raise an additional RM8.99 million for working capital requirements which is expected to strengthen the liquidity and cash flow position of the Group.

3.9 Brokerage and underwriting commission

Brokerage in respect of the IPO Shares to be made available for application by Eligible Directors, Eligible Employees and Business Associates and the Malaysian Public is payable by KBES at the rate of 1.00% of the IPO Price of RM0.75 per IPO Share in respect of successful applications which bear the stamp of SIBB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The Underwriters have agreed to underwrite in aggregate, 8,000,000 IPO Shares where:

a. 4,000,000 Offer Shares will be made available for application by the Malaysian Public; and
b. 4,000,000 Public Issue Shares will be made available for application by the Eligible Directors, Eligible Employees and Business Associates.

Underwriting commission is payable by the Company at the rate of 1.50% of the IPO price of RM0.75 per IPO Share for the KBES Shares which are being underwritten.

3.10 Extracts of the provisions / terms in the Underwriting Agreement

The following are extracts of the Underwriting Agreement dated 3 November 2003, including escape clauses which may allow the Underwriter to withdraw from obligations under the agreement after the opening of the offer:

Clause 2 – Underwriting Commitment

2.1 **Underwriting Commitment:** In consideration of the underwriting commission to be paid by the Offeror (in relation to the eight (8) million IPO Shares to be made available for application by the Malaysian Public and Eligible Directors, Eligible Employees and Business Associates of the KBES Group (Underwritten Shares) to the Underwriters as stated in Clause 10.1 below and more particularly specified in the Underwriting Agreement and relying upon each of the representations, warranties and undertakings by the Company and the Offeror as set out in Clause 3.1 of the Underwriting Agreement Clause 3.2 and Clause 3.3 below respectively hereof, the Managing Underwriter hereby agrees to act as Managing Underwriter and the Underwriters hereby agree to severally but not jointly underwrite the number of the Underwritten Shares as set out in the Underwriting Agreement upon the terms and conditions hereinafter contained.

2.2 **Obligations Several:** The Offeror and the Company each acknowledge that:

(a) the obligation of each Underwriter under the Underwriting Agreement is several;

(b) no Underwriter will be responsible for any failure by any other Underwriter to meet their respective obligations under the underwriting Agreement; and

(c) no failure by any Underwriter to meet their respective obligations under the Underwriting Agreement will relieve the Offeror, the Company or the remaining Underwriters of their respective obligations hereunder.

Clause 3 – Warranties and Representations by the Company and the Offerors

3.2. **Undertakings By the Company:** In further consideration of the Underwriters agreeing at the request of the Company to underwrite the Underwritten Shares, the Company undertakes with each of the Underwriters:

(a) **Payment of Taxes:** to pay all and any stamp duties and other documentary taxes or duties, including any interest and penalties resulting from the delay or omission on the part of the Company, payable in Malaysia on or in connection with, the creation, issue and allotment of the IPO Shares or the execution of the Underwriting Agreement;

(b) **Furnishing Information:** to give to the Underwriters, any or all information which it may reasonably require affecting the IPO Shares, the accounts or affairs of the Company or any member of the Company and its subsidiaries;

(c) **Variation & Supplemental Prospectus:** not to vary or publish any amendment or supplement to the Prospectus without the prior consent in writing of the Underwriters;

(d) **Further Acts:** to do all other things and sign or execute such documents as may be required in order to complete the issue and offer of the IPO Shares;

(e) **Application To KLSE:** to make an application to the KLSE for permission to deal in and for the listing of and quotation for the entire issued and paid up share capital of the Company on the Main Board of the KLSE and comply with or procure its board of directors to comply with the requirements of the KLSE, SC and the ROC in connection with the IPO Shares including the lodgment and registration of the Prospectus in accordance with the Act;

(f) **Compliance With SC & KLSE Conditions:** to comply with all conditions, if any, imposed by the SC, the KLSE or any other relevant authorities in respect of the IPO and the listing of and quotation for the IPO Shares on the Main Board of the KLSE;

(g) **Compliance With Laws:** to take all other actions to comply with all legal and other requirements necessary to ensure that the IPO will not infringe any existing laws or the terms of any consents, approvals or authorisations;

(h) **IPO Within Malaysia Only:** not to take any action to distribute the Prospectus or any relevant application forms for the IPO Shares or other material in any country or jurisdiction other than Malaysia;

(i) **Utilisation of Proceeds:** to apply the proceeds of the IPO Shares solely for the purposes noted in the letter of approval from the SC dated 18 August 2003;

(j) **Resolutions:** to deliver to the Underwriters certified copies of all relevant board of directors' and shareholders' resolutions relating to the IPO and Underwriting Agreement as the Underwriters may reasonably require;

(k) **Fulfilment of Conditions Precedent:** to use its best endeavours to procure the fulfilment of all the conditions precedent set out in the Underwriting Agreement;

3. PARTICULARS OF THE IPO

(l) **Issue & Allotment Of Shares:** to ensure that subsequent to the last date for Underwriters may agree upon, (Closing Date) successful applicants for the IPO Shares are allotted the successful portion of their application for the IPO Shares within the period prescribed under the Rules of the Central Depository or any other applicable laws, legislation or rules which includes any amendments thereafter; and

(m) **Listing On KLSE:** to use its best endeavours to obtain and maintain the listing of the IPO Shares and the entire issued and paid up share capital of the Company on the Main Board of the KLSE.

3.3 **Warranties & Representations By the Offeror:** In consideration of the Underwriters agreeing at the request of the Offeror to underwrite the Underwritten Shares under the Offer For Sale, the Offeror hereby warrants, represents and undertakes to the Underwriters as follows:

(a) **Powers and authorisations:** Memorandum and Articles of Association of the Offeror includes provisions which give power for the Offeror to enter into this Agreement, deliver and perform the transactions contemplated herein;

(b) **Non-violation:** neither the execution and delivery of the Underwriting Agreement nor the performance of any of the transactions contemplated therein do or will contravene or constitute a default under, or cause to be exceeded any limitation on the Offeror imposed by or contained in, (i) any law, regulation, judgment, ordinance by which the Offeror or any of their assets are bound or affected or (ii) any agreement to which any of the Offeror is a party or by which their assets are bound;

(c) **Consents:** no authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever which has been duly and unconditionally obtained, made or taken is necessary or desirable to ensure the validity, enforceability or priority of the liabilities and obligations of the Offeror or the rights of the Underwriters under the Underwriting Agreement, other than payment of stamp duty in Malaysia;

(d) **No Security:** the Offeror is not a party to, nor any of the Offer Shares bound by, any order, agreement or instrument under which the Offeror is, or in certain events may be, required to create, assume or permit to arise any security interest over the Offer Shares;

(e) **Ownership:** the Offeror is the beneficial owner of the Offer Shares; and

(f) **Winding Up Proceedings:** there are no winding up proceedings pending or threatened against any of the Offeror.

3.4 **Basis:** The agreement of the Underwriters to underwrite the Underwritten Shares is entered into on the basis of the aforesaid representations, warranties and undertakings being true and accurate in all material respects up to and including listing of the Company. Without prejudice to the other rights and remedies of the Underwriters, the Company and the Offeror undertake with the Underwriters that they shall severally (but not jointly) hold each of the Underwriters harmless and keep each of them fully and effectually indemnified against any losses, claims, damages or liabilities to which the Underwriters may become subject under any statute, at common law or otherwise, and reimbursing each of the Underwriters for any legal or other expenses (including the cost of any investigation and preparation) reasonably incurred by it in disputing or defending any claim or action or other proceeding in connection with any litigation, whether or not resulting in any liability, insofar as such losses, claims, damages, liabilities or litigation arising out of, or are based upon, any untrue statement or alleged untrue statement or a material fact contained in this Prospectus or any omission or alleged omission to state therein a material fact required or necessary to be stated therein or to make the statements therein misleading or any misrepresentation or breach or alleged breach of any of the aforesaid representation, warranties or undertakings by the Company and the Offeror and such indemnity shall extend to include all costs, charges and expenses which the Underwriters may reasonably pay or incur in disputing or defending any claim or action or other proceeding in respect of which indemnity may be sought against the Company and the Offeror.

3.5 **Rights & Remedies:** The rights and remedies conferred upon the Underwriters by the aforesaid representations, warranties, agreements and indemnities shall continue in full force and effect for a period of six (6) months from the date on which the KBES Shares are listed on the KLSE notwithstanding completion of the issue and application of the IPO and notwithstanding any investigations or due diligence by or on behalf of the Underwriters.

(a) **Breaches & Termination:** In the event of:

(i) any breach of the warranties or representations set out herein; or

(ii) failure on the part of the Company and the Offeror to perform any of the obligations herein contained; or

(iii) any change rendering any of the said warranties or representations inaccurate in any respect; or

(iv) if any material information shall have been withheld and coming to the notice of the Underwriters prior to the Closing Date

each of the Underwriters shall be entitled (but not bound) by notice to the Managing Underwriter to elect to treat such breach, failure or change as releasing or discharging it from its obligations hereunder and the Underwriters or any of them will be entitled to terminate the Underwriting Agreement by notice to the Company and the Offeror.

(b) **Consequences of termination:** On delivery of the notice under clause 3.6(a), Underwriting Agreement will terminate and thereafter each party's rights and obligations will cease and none of the parties will have any claim against each other, except for the liability of the Company and the Offeror under Clauses 3.6(c) and 10.1.

(c) **Indemnity:** Without prejudice to the other rights and remedies of the Underwriters, the Company and the Offeror jointly and severally undertake with the Underwriters and each of them that it will hold the Underwriters and each of them fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which the Underwriters may incur or which may be made against them as a result of or in relation to any breach by the Issuer of the representations, warranties or agreements under this underwriting agreement and such indemnity will extend to include all costs, charges and expenses which the Underwriters or any of them may reasonably pay or incur in disputing or defending any such claim or action or other proceeding.

3. PARTICULARS OF THE IPO

Clause 5 – Under subscription of the Underwritten Shares

5.2 **Under subscription of the Underwritten Shares:** If on the Closing Date or such later date as the directors of the Company may determine in agreement with the Managing Underwriter, the whole of the Underwritten Shares have been validly taken up in full, then no allotment is to be made to the Underwriters, but, if on such date, the Underwritten Shares shall not have been validly taken up in full, then the Underwriters shall be bound, subject to the fulfilment of the conditions of **Clauses 4.1** and **4.2** to take up and apply for so much of the Underwritten Shares not taken up in accordance with the proportions of their respective commitments as stipulated in the Second Column of the **First Schedule** under the terms and subject to the conditions of Underwriting Agreement subject always to rounding up by the Managing Underwriter in the Rounding Up Notice referred to in Clause 6.2 (if any).

Clause 8 – Underwriters' Liabilities

8.1 **Pro-rated Obligations:** The liabilities and obligations of the Underwriters pursuant to the provisions of **Clauses 2.1**, **5.1** and **7.1** shall be to take up and apply for or procure subscriptions of the Underwritten Shares not subscribed or taken up by the Closing Date, according to each Underwriter's respective commitment stipulated in the Second Column of the **First Schedule** in accordance with the percentages stated in the Third Column of the **First Schedule** and as may be stipulated in the Underwriting Notice sent to all the Underwriters.

8.2 **Ceasing of Obligation:** In the event by or on the Closing Date acceptances shall have been validly received by MIH for all the Underwritten Shares then the underwriting obligations of the Underwriters hereunder shall cease.

Clause 9 – Prospectus

9.1 **Prospectus:** The applications of the Underwriters shall be on terms and conditions of the Prospectus in the form registered with the SC and lodged with the ROC notwithstanding any variation between the Prospectus so registered and lodged and the draft Prospectus annexed to the Underwriting Agreement, PROVIDED THAT no material variation shall be made in the Prospectus without the written consent of all the Underwriters with regard to the following matters, namely:

(a) the authorised and issued share capital of the Company;

(b) the number of IPO Shares comprised in the IPO (in particular the Underwritten Shares), the par value of the Shares and the IPO Price;

(c) the constitution of the board of directors of the Company;

(d) the Closing Date;

(e) the information or statements relating to material litigation affecting the Company and/or its subsidiaries;

(f) the risk factors which may affect the Company and/or its subsidiaries;

(g) the information or statements relating to the contingent liabilities affecting the Company and/or its subsidiaries;

(h) the business viability, competitive advantages, the business history and future plans of the Company and/or its subsidiaries;

(i) the intention to apply to the KLSE for permission to deal in and for the listing of and quotation for the entire issued and paid up share capital of the Company inclusive of the IPO Shares on the Main Board of the KLSE;

(j) the forecast profit before and after taxation for the FYE 31 December 2003; and

(k) the forecast dividend for the FYE 31 December 2003.

For the purpose of Section 52 of the SCA, the said application and any acceptance thereof shall be deemed to be made pursuant to the Prospectus.

Clause 10 – Underwriting Commission and Managing Underwriting Commission

10.1 **Underwriting Commission:** In consideration of its obligations hereunder, each of the Underwriters shall be entitled to receive an underwriting commission of one point five percent (1.5%) of the IPO Price of the Underwritten Shares underwritten or agreed to be underwritten by each of the Underwriters in the Second Column of the **First Schedule** and the Underwriting Commission payable to each of the Underwriters is stipulated in the Fourth Column of the **First Schedule** set out opposite their respective names (**the Underwriting Commission**).

10.2 **Managing Underwriter's Commission:** In addition, the Managing Underwriter shall be entitled to receive a managing underwriting commission (**the Managing Underwriting Commission**) of zero point two five percent (0.25%) of the IPO Price of the Underwritten Shares.

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4. RISK FACTORS

Applicants for the IPO Shares should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained in this Prospectus, before applying for the IPO Shares.

4.1 No prior market for KBES Shares

Prior to the IPO, there has been no public market for the KBES Shares. There can be no assurance that an active market for the KBES Shares will develop upon its listing on the Main Board of the KLSE or, if developed, that such market can be sustained. There is also no assurance that the market price of the KBES Shares will be traded above the IPO price of RM0.75 upon or subsequent to the listing of KBES. The IPO Price has been determined after taking into consideration a number of factors including, but not limited to, the Group's financial and operating history and condition, the future plans and prospects of the KBES Group, the earnings potential, the proforma consolidated NTA of the Company and the potential dividend yield.

The market price of the KBES Shares could be subject to significant fluctuations due to various external factors and events, including, but not limited to, the liquidity of the KBES Shares in the market, the difference between the Company's actual financial or operating results and those expected by the investors and analysts, general market conditions, the express bus industry and board market fluctuations.

4.2 Control by substantial shareholders

Upon completion of the IPO, the direct substantial shareholders of KBES will be as follows:

Name	No. of KBES Shares[1]	%
SZSB[2]	54,371,541	43.15
UCSB[3]	14,060,996	11.16
Lau Chan Seng	13,185,523	10.46

Notes:

1 Includes Public Issue Shares to be offered under the Share Allocation Scheme
2 Further information on the shareholders of SZSB is set out in Section 7.1.2.1 of this Prospectus
3 Further information on the shareholders of UCSB is set out in Section 7.1.2.2 of this Prospectus

These substantial shareholders will be able to exercise the voting rights attached to their shares in respect of matters requiring shareholders approval. This includes the constitution of the Board and the direction and future operations of the KBES Group, which include decisions on acquisitions or disposals, business opportunities, declaration of dividends and issuance of additional shares or other securities. Depending on how they choose to vote and because of the size of their shareholdings, the said substantial shareholders may be in a position to determine the outcome of matters requiring shareholders' approval, except for matters that involve their interests or where they are required to abstain from voting by law and / or by the relevant authorities.

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4.3 Industry risks

The KBES Group is subject to certain risks inherent in the express bus industry. Although the Group seeks to limit these risks, no assurance can be given that any change in these factors will not have a material effect on the Group's business. These risks include, but are not limited to, the following:

KBESM Group

(i) Pilferage and fraud

Some of the most common frauds include fraudulent reimbursement of diesel and repair bills. These frauds affect the profitability of bus operators including the KBES Group. These challenges faced by the industry may be minimised by establishing a computerised systems to monitor bus operations and maintenance.

(Source: Market Assessment Report of Peninsular Malaysian Express Bus Industry by Frost & Sullivan)

The KBESM Group seeks to reduce the above risks through the following measures:

- the majority of the refuelling of its express buses are undertaken at the Group's refuelling depot; and
- the repairs and maintenance of its express buses are undertaken at the Group's workshop or appointed agents, thereby ensuring the authenticity of the repairs done.

In addition, to enhance the efficiency of its operation, the KBESM Group has developed an online operations and management system (Online System) located at the Taiping bus terminal (the major hub for its buses), which was designed to function as, amongst others, a monitoring system. The module which acts as a monitoring system enables the KBESM management to oversee the sales activities in 'real-time' from a computer terminal. This allows the management to keep track of the number of tickets sold for each trip and act accordingly should there be a need to increase the number of trips to certain destinations in view of higher demand whilst reducing the number of trips for others. The Online System is currently operational in respect of sales out of the Taiping bus terminal. The management of KBESM intends to implement the said system throughout its counters in Peninsular Malaysia in the future.

(ii) High operational costs

The KBES Group is operating in a demanding industry where the operating costs such as diesel, parts, tolls and wages are rising. Furthermore, the express bus industry is a regulated industry where fares are set by the government and are reviewed every three years, therefore, rising operating costs may not be met by a corresponding increase in fares. Unless measures are taken to trim down the costs to become more efficient, bus companies are likely to face declining profits.

(Source: Market Assessment Report of Peninsular Malaysian Express Bus Industry by Frost & Sullivan)

The KBES Group has undertaken measures such as cost minimisation to establish more efficient operations to reduce the erosion of its profit margin. In an effort to reduce operational costs, the KBES Group sources a majority of the bus assembly process and maintenance through its affiliated companies owned by its common shareholders. Therefore, the Group is able to control the cost of new buses and is not subject to the problems such as non- or delayed delivery of buses and poor quality of seats and air-conditioning system, which are considered to have an impact on the operations of other non-integrated bus companies.

The KBES Group is also embarking on two (2) strategies to make the Group's daily operations more efficient and cost effective to meet the challenges of an increasingly competitive industry:

- **Rationalisation of its routes**
  This involves, amongst others, rerouting trips to prevent low load capacity and identifying routes that are not popular.

- **Enhancing support facilities**
  This involves upgrading and improving its existing support facilities such as its workshop, its centralised fuelling depot and its Online System.

(iii) Shortage of experienced and trained bus drivers

The industry is highly labour intensive where the degree to which automation can substitute human resources is limited, an example being the need for bus drivers. The industry also has a negative reputation of inexperienced and reckless bus drivers that were held responsible for road accidents. Bus operators have to ensure only experienced and trained drivers ply the bus routes, especially the long haul routes. Hence, having experienced and well-trained drivers can reduce road accidents and improve customer service.

(Source: Market Assessment Report of Peninsular Malaysian Express Bus Industry by Frost & Sullivan)

The KBES Group has embarked on the use of performance-based incentives to retain the bus drivers in addition to the basic salary which has helped ease labour shortages and minimise trip disruptions caused by road accidents. In addition, the Online System currently implemented at the Taiping depot also encompasses a Drivers module which assists the management in identifying errant drivers where the particulars of the bus drivers are recorded in the Online System at the terminals before the bus departs. Drivers with expired licences and outstanding summons would not be able to drive the buses and collect their salaries. The Drivers module contained within the Online System aids the management of the KBES Group to better manage its bus drivers and maintain records on their drivers through the Online System via the Drivers module.

However, there is no assurance that the above measures will always be successful in retaining good bus drivers.

(iv) Adequacy of insurance coverage

The KBES Group currently procures fire policy for its buildings for up to RM6 million, money policy for loss / theft of money in transit for up to a maximum of RM8 million and third party motor vehicle policies for its fleet of buses. Although the third party motor vehicle policies for its fleet of buses are consistent with the industry practice, such coverage may prove inadequate if the Company were to experience numerous passenger injury claims in significant amounts or where a few of buses are stolen or lost, thereby adversely affecting the KBES Group's operations. Therefore, even though the KBES Group has taken the necessary measures in accordance to industry practice to ensure that all its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement costs of all assets of the Group arising there from, or sufficient for the purpose of compensation for any possible passenger liability claims against the KBES Group.

4. RISK FACTORS

SCM

The KBES Group also undertakes, through SCM, the assembly of air-conditioners for buses, manufacture of air-conditioner parts for buses and providing related maintenance services. SCM is not considered to be a major contributor to the earnings of KBES Group as the PAT of SCM for the six (6) months ended 30 June 2003 of RM535,000 represents only 9.4% of the proforma profit after taxation of KBES Group for the six (6) months ended 30 June 2003 of RM5.71 million. KBES Group is of the view that the industry risks arising specifically from the operations of SCM are limited as all the air conditioners assembled by SCM are sold to ST Assembly– a coach assembler which is an affiliated company owned by Hai Shah Hairi bin Hassan and Lau Siau Chuan. In this respect, the business of SCM is indirectly linked to the risk factors and prospects of the express bus sector as a whole.

4.4 Licensing and regulation

The express bus industry is regulated under the Ministry of Entrepreneur Development where a permit / licence must be obtained from the CVLB for any parties interested in operating express buses. The permits / licences issued by CVLB are subject to renewal every five (5) years. The KBESM Group has obtained permits / licences from the CVLB for its operations of express buses and has to date, successfully renewed all its permits / licences. However, there is no assurance that the KBES Group will be able to ensure successful renewal for all of its permits in the future.

In addition, the licensing and regulating of commercial vehicles inclusive of express buses are governed under the CVLB Act 1987 (as amended from time to time and any re-enactment thereof) (Licensing Act). The CVLB may revoke or suspend any licence granted under the Licensing Act based on the following:

(i) on the grounds that any of the provisions of the Licensing Act or any other written law or that any of the conditions of the licence has not been complied with;

(ii) on the grounds that the grant of the licence was induced by a false representation of fact by or on behalf of the holder; or

(iii) where it is satisfied that the vehicle has been or is intended to be used for an unlawful purpose or that the original purpose for which the licence was issued no longer exists.

The KBES Group has always strived to ensure that it strictly complies with the Licensing Act to prevent its permits / licences from being revoked or suspended by the CVLB. The KBES Group intends to continue its strict compliance with the Licensing Act. However, there is no assurance that any changes to the present regulations or the introduction of new regulations will not have a material impact on the Group's operations and financial performance.

4.5 Government legislation and policies

The bus industry is a regulated industry due to its importance to the country's economic growth as part of the country's mass transport system. In 1994, the idea of having the nation's transportation needs being catered to by a few consortia of operators was mooted by the Government. In the Klang Valley, Park May Berhad and Intrakota Komposit Sdn Bhd were mandated to jointly lead the inter city/intra city operations. The Government also appointed Park May Berhad and Mara Holdings Sdn Bhd as consortia leaders to provide express bus services along the North South Expressway.

Subsequently, the Ministry of Entrepreneur Development had, in its letter dated 5 April 2001, approved in principle the establishment of the consortium status for the KBESM Group. As a consortium, KBESM Group is able to leverage on its expanded size as it will be in a better position to negotiate for lower prices of materials like fuel and spare parts for its buses. This, coupled with the support of an in-house workshop enables KBESM, as a consortium to achieve economies of scale by depressing its cost of operations. In view of this added advantage attained by the expanded size of bus fleets resulting from the formation of consortiums, the Government may approve the granting of consortium status to other bus operators in the future.

4.6 Barriers to entry

The barriers to entry of the express bus industry are considered relatively high in view of:

(i) it being a regulated industry as the licensing of bus services are issued and regulated by the CVLB; and

(ii) the extensive capital requirement i.e. each express bus with a capacity of between 26 to 32 seats is estimated to cost approximately RM390,000.

Generally, in order to be competitive in the express bus industry, express bus operators must possess a large fleet of buses. This requires thorough planning in the areas of logistics, human resources allocation and cash collection.

Notwithstanding the above, there is no assurance that there will not be new express bus operators entering the market.

4.7 Competition

4.7.1 Competition from other express bus operators

The express bus industry is a highly fragmented industry where a lot of small competitors are present in a market where the top four (4) leaders (with fleet size greater than fifty-one (51) buses) control less than 50 percent of the market. KBESM holds the second position in terms of market share based on estimated revenues for the year 2002 with an estimated market share of 7.60%. Transnasional Ekspres Sdn Bhd has the largest market share of 15.00% in terms of estimated revenue for the year 2002. *(Source: Market Assessment Report of Peninsular Malaysian Express Bus Industry by Frost & Sullivan)*

The KBES Group constantly seeks to improve itself and remain competitive. Four (4) major factors that provide the KBES Group with a competitive edge over its competitors are:

(i) due to the large fleet of buses owned by the KBES Group, KBES has the bargaining power in terms of spare parts and diesel which has enabled the KBES Group to achieve economies of scale in terms of cheaper parts and diesel.

(ii) ability to maintain low cost of operations by managing the cost of the bus assembly process and maintenance as further described in Section 6.3.7(ii) of this Prospectus;

(iii) having an organised in-house workshop with a dedicated team of mechanics which resulted in reduced idle time and down time of buses, coupled with proper sourcing and stocking of parts and assemblies; and

(iv) having low level of borrowings where as at 30 June 2003 the gearing of the KBESM Group is 0.14 times.

However, there is no assurance that the Group will maintain its existing market share in the future.

4.7.2 Competition from airline operators

With the introduction of a second national carrier, airfares for domestic routes have dropped dramatically which has made air travel cheaper and more accessible to a wider population base. The lower domestic airfares have resulted in fierce competition within the airline industry but also with other modes of travel that provide transportation services to passengers wishing to travel inter-state. This would also include express bus operators like KBESM which may face some degree of competition from the introduction of cheap airfares offered by airline operators. However, the Group is positive that it would be able to compete with air travel providers as the Group and the express bus industry in general is able to offer the additional advantage of convenience as compared to air travel. Express buses provide more frequent trips to a particular destination than an airline is able to. Further, express buses are able to access more remote locations such as smaller towns and suburban areas which air travel passengers will not have direct access.

However, there is no assurance that future developments in the airline industry and passenger demand patterns would adversely affect express bus operators including the KBES Group.

4.8 Difficulty to obtain financing

The express bus business is capital intensive in nature where it requires substantial amounts of capital as each bus is estimated to cost about RM390,000. Hence, most companies operating in this industry would require financing in order to expand their bus fleet. Due to the failure of several bus companies in the past, bus operators now face a more challenging task in securing financing to purchase buses for expansion of their fleet.

(Source: Market Assessment Report of Peninsular Malaysian Express Bus Industry by Frost & Sullivan)

The KBES Group's strong track record has enabled it to access funds and credit facilities through banks. Further, KBESM has also obtained credit terms for parts and diesel ranging from 30 to 90 days. In addition, the listing of KBES will enable it to gain access to the capital market for funds to finance the future expansion and growth of the KBES Group, as well as to meet the Group's capital expenditure and working capital requirements. However, there can be no assurance that the ability of the KBES Group to access funds will be sustained, and hence will adversely impact the KBES Group's track record.

4.9 Dependence on key personnel

The KBES Group believes that its continued success depends to a significant extent upon the skills, experiences, abilities and continued efforts of its existing Directors, senior management and skilled personnel. The loss of any of the Group's Directors, senior management and skilled personnel could adversely affect the Group's ability to compete in the express bus industry.

The Group seeks to mitigate this risk by making continuous efforts to groom the younger members of the senior management to gradually take over from the senior members to ensure a smooth transition in the management team. Some of the steps taken include the provision of on-the-job training to younger members of the management team by the senior members of the team and compulsory regular attendance of these younger members at management meetings to expose them to the decision making process. Further, the younger members are also sent for periodical training in their various areas of specialities so they are kept abreast of the latest developments in the industry in addition to engaging in networking activities which would enable them to gauge their competitors in the industry.

4. RISK FACTORS

The Group also aims to attract and retain skilled personnel to support its business operations. Nevertheless, there is no assurance that even with all the efforts in place, the KBES Group will able to retain their key personnel which in turn, may adversely affect the performance of the Group.

4.10 Management succession plan

The success of the KBES Group could be attributed to the leadership and stewardship of its experienced Directors and key management. The loss of any Director or key management could adversely affect the KBES Group's ability to compete in the industry.

The express bus operation of KBESM requires professional personnel who are familiar with route planning, servicing and maintenance of buses, procurement and renewal of bus permits and human resource management, in particular the management of KBESM Group's bus drivers. To this end, the Directors and management and KBES believe that they have in place a team of experienced and technically sound management to oversee the above tasks. As shown in the organisational chart set out in section 6.3.13 of this Prospectus, the operations of KBESM are divided into three main divisions namely Finance and Administrative, Operations and Maintenance and Purchasing which complement and support the Managing Director/Chief Executive Officer. Its Executive Director cum Chief Operating Officer, Hai Shah Hairi bin Hassan, has more than 15 years of working experience in the express bus business and oversees the day-to-day operation of buses and management of ticketing counters, bus stations, trips planning and procurement of new permits. Low Guan Theong, the Executive Director is well versed in the maintenance of buses having worked in the motor vehicles and express bus business for more than 15 years. The Finance and Administrative division is headed by Fong Weng Keong, a chartered accountant who has over twenty (20) years experience in the areas of Finance and Administration. Hence, the management succession plan is considered to be in place with the delegating of these three main tasks to different individuals.

Notwithstanding the above, KBESM plans to recruit more professional personnel in the future to ensure the continuity of qualified management in the business. With the listing of KBES on the Main Board of the KLSE, it is hoped that KBESM will be able to attract more professional personnel in the future.

4.11 Profit estimate and forecast

This Prospectus contains the profit estimate and forecast of the KBES Group for the FYE 31 December 2003 and 2004 respectively, which is based on a set of bases and assumptions that are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of the profit estimate and forecast, and because events and circumstances may not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and the actual results may be materially different from that stated herein. Investors are deemed to have read and understood the assumptions and uncertainties underlying the profit estimate and forecast contained herein.

4.12 Under provision of tax penalty payment

All subsidiaries of KBESM have submitted income tax returns and tax estimates (required under the self-assessment regime) to the Inland Revenue Board (IRB) for the 2002 Year of Assessment. To-date, three (3) of KBESM's subsidiaries, namely WTT, MESB and SRBT have yet to receive their respective assessments from the IRB as the submission of the tax returns and tax estimates were not submitted within the time period stipulated by the IRB.

As a result, these companies could be imposed with penalties for the abovementioned non-compliance with income tax obligations, ranging from RM1,000 to three times the tax payable.

4. RISK FACTORS

Based on past notices of assessment raised over the FYE 31 December 1998 to 2001, the penalties imposed for late submission of tax returns of the KBES Group ranged from 5% to 15% of the tax payable.

In this regard, the vendors of KBESM and SCM have undertaken to bear any tax penalty payment that may be imposed by IRB in relation to the late filing of tax returns in respect of years of assessment up to 2000 (current year basis) and failure of the KBES Group to furnish their estimated tax payable within the stipulated time frame for the years of assessment 2001 and 2002 to the IRB pursuant to the requirements by the SC as set out in their letter dated 18 August 2003 in relation to the approval of the Proposed Flotation Scheme.

Further, the vendors of KBESM and SCM will also provide undertakings prior to the issuance of the Prospectus to indemnify KBESM from all tax liabilities which remain outstanding (in relation to any amounts exceeding the provisions of WTT, MESB and SRBT made in the accounts of the said companies.

In order to avoid the occurrence of any non-compliance with income tax obligations in the future, KBES has undertaken measures such as centralising the overall management of the KBESM Group. The centralised monitoring and control is expected to ensure compliance with income tax obligations in the future. In addition, more accounts support staff have been recruited to ensure timely preparation of accounts. Mr Fong Weng Keong was appointed in July 2001 as the Finance Director of KBESM to oversee financial matters such as treasury functions, credit control and internal controls of the KBESM Group.

4.13 Dividend payment

Although the Board of KBES anticipates that they will declare dividends for the estimate FYE 31 December 2003 and forecast FYE 31 December 2004, this is not an indication that the Company will declare or continue to declare dividends in the ensuing financial years.

4.14 Forward-looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which is subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Board of KBES and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, inter alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the KBES Group and the industry and changes in operating costs.

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