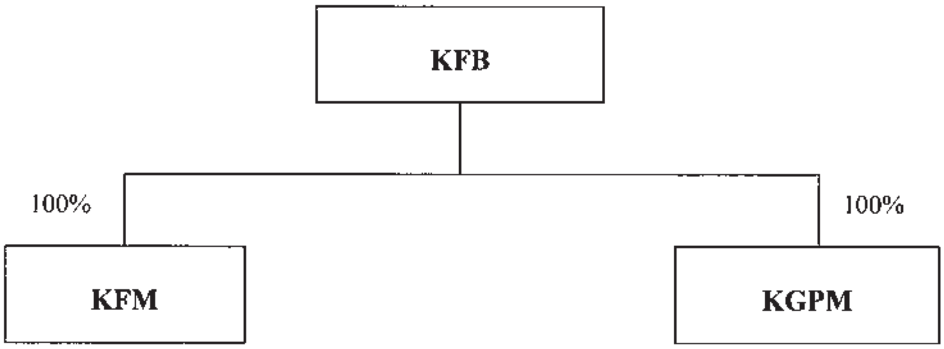
1. INFORMATION SUMMARY

THIS IS A SUMMARY OF THE SALIENT INFORMATION IN THE PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS CAREFULLY BEFORE YOU DECIDE WHETHER TO INVEST IN OUR SHARES.

1.1 HISTORY AND PRINCIPAL ACTIVITIES

We were incorporated in Malaysia as a public limited company on 21 January 2004 under the Companies Act, 1965 under the name of "Ganz & Gainz Berhad". We assumed our present name of "Kawan Food Berhad" on 12 March 2004. Our Group commenced business in 1987.

Our principal activity is investment holding, whilst the principal activities of our subsidiaries are the manufacturing, trading, distributing and exporting of pastries and other food products. The corporate structure of our Group is depicted as follows:



A summary of the details of our subsidiaries is as follows:

Subsidiary	Date & Place Of Incorporation	Issued And Paid-Up Share Capital RM	Effective Equity Interest Held %	Principal Activities
KFM	28 August 1984/ Malaysia	1,000,000	100	Manufacturing, trading, distributing and exporting of pastries and other food products
KGPM	22 May 2004/ Malaysia	10,000,002	100	Trading, distributing and exporting of pastries and other food products

See Section 4 of this Prospectus for further information on our Company and our Group.

1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The direct and indirect shareholdings of our Promoters, substantial shareholders, Directors and key management upon completion of the Public Issue will be as follows:

1.2.1 Promoters

		<------------Direct--------->		<--------Indirect--------->	
Promoters	**Nationality/ Country of Incorporation**	**No. of Shares held**	**% held**	**No. of Shares held**	**% held**
Gan Thiam Chai	Malaysian	26,640,000	33.30	-	-
Gan Thiam Hock	Malaysian	6,720,000	8.40	-	-
Kwan Sok Kay	Malaysian	6,720,000	8.40	-	-
KKSB	Malaysia	19,200,000	24.00	-	-

1.2.2 Substantial Shareholders

		<------------Direct--------->		<---------Indirect--------->	
Substantial Shareholders	**Nationality/ Country of Incorporation**	**No. of Shares held**	**% held**	**No. of Shares held**	**% held**
Gan Thiam Chai	Malaysian	26,640,000	33.30	-	-
Gan Thiam Hock	Malaysian	6,720,000	8.40	-	-
Kwan Sok Kay	Malaysian	6,720,000	8.40	-	-
KKSB	Malaysia	19,200,000	24.00	-	-
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	Malaysian	-	-	19,200,000[1]	24.00
Datuk Haji Ibrahim bin Haji Ahmad	Malaysian	-	-	19,200,000[1]	24.00

Note:

1. Deemed interested pursuant to Section 6A of the Act by virtue of his shareholding in KKSB.

1. INFORMATION SUMMARY *(CONT'D)*

1.2.3 Directors

		<----------Direct-------->		<---------Indirect--------->	
Directors	**Nationality**	**No. of Shares held**	**% held**	**No. of Shares held**	**% held**
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain *(Non-Independent Non-Executive Chairman)*	Malaysian	-	-	19,200,000[1]	24.00
Gan Thiam Chai *(Managing Director)*	Malaysian	26,640,000	33.30	-	-
Gan Thiam Hock *(Non-Independent Executive Director)*	Malaysian	6,720,000	8.40	-	-
Kwan Sok Kay *(Non-Independent Executive Director)*	Malaysian	6,720,000	8.40	-	-
Datuk Haji Ibrahim bin Haji Ahmad *(Non-Independent Non-Executive Director)*	Malaysian	-	-	19,200,000[1]	24.00
Chen Seng Chong *(Independent Non-Executive Director)*	Malaysian	200,000^	0.25^	-	-
Lim Peng @ Lim Pang Tun *(Independent Non-Executive Director)*	Malaysian	100,000^	0.13^	-	-

Notes:

1. *Deemed interested pursuant to Section 6A of the Act by virtue of his shareholding in KKSB.*

^ *Assuming full subscription by our Directors of their respective entitlements for the pink form allocation.*

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1.2.4 Key Management

		<----------Direct^-------->		<-----Indirect------->	
Key Management	**Nationality**	**No. of Shares held**	**% held**	**No. of Shares held**	**% held**
Siah Chee Boon (*Financial Controller*)	Malaysian	180,000	0.23	-	-
Sia Su Lin (*Accountant*)	Malaysian	60,000	0.08	-	-
Chan Chiow Koon (*Sales Manager*)	Malaysian	100,000	0.13	-	-
Loo Hoo Sing (*Branch Manager, Johor Bahru*)	Malaysian	150,000	0.19	-	-
Gan Thiam Chuan (*Production Manager*)	Malaysian	240,000	0.30	-	-

Note:
^ *Assuming full subscription by our key management of their respective entitlements for the pink form allocation.*

See Section 5 of this Prospectus for further details of our Promoters, substantial shareholders, Directors and key management personnel.

1.3 COMPETITIVE STRENGTHS

The frozen food industry is a competitive industry, with various market players in the domestic and export markets. As such, our Group competes with both local companies as well as multi-national corporations. However, we believe that we have the following competitive strengths:

(i) Wide distribution coverage;

(ii) Long time presence and reputation in the frozen food industry;

(iii) Automation of production processes;

(iv) Innovation in recipes in the creation of a wide variety of products; and

(v) Food standard and critical control certifications ensuring high quality products.

See Section 6.2 of this Prospectus for further details of our Group's competitive strengths.

1.4 STRATEGY AND FUTURE PLANS

Our Group plans to undertake a number of expansion strategies in the near future, including geographical expansion, product branding and horizontal expansion. Some of these plans include market expansion, new product branding and investment in new technology towards enhancing efficiency.

See Section 6.8 of this Prospectus for further details of our Group's strategy and future plans.

1.5 TECHNOLOGY AND INTELLECTUAL PROPERTY

Over the years, our Group has progressed from manual production to the use of automation in our production processes. As at 31 December 2004, our Group has invested approximately RM20 million in machineries and will continue to invest into new technologies in order to improve production efficiency and achieve higher economies of scale. For instance, the Roti Paratha automation process is the result of our Group's R&D initiatives and collaboration with a European food equipment manufacturer. By automating the Roti Paratha production process, our Group, through KFM, will be able to make Roti Paratha at a higher volume and deliver them to consumers at a much faster pace, thus achieving higher quality in terms of freshness.

Our Group currently owns two (2) trademarks which are "KG" and "Kawan". The "KG" trademark is presently registered in Australia and pending registration in Malaysia. The "Kawan" trademark is presently registered in Australia, Singapore, United Arab Emirates and the United Kingdom, and is pending registration in Malaysia, Canada, India, Bangladesh, Pakistan and the US.

See Sections 6.5.3 and 6.6 of this Prospectus for further details of our Group's technology and intellectual property respectively.

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1.6 RISK FACTORS

The following is a summary of risk factors, both specific to our Group and relating to the general business environment, which may impact on the operating performance and financial position of our Group, and is not an exhaustive list. This Prospectus should be read in its entirety in order to appreciate the risk factors associated with an investment in us. Details of the key risk factors listed below, which are not exhaustive, of which you should be aware are set out in Section 3 of this Prospectus:

1.6.1 Risks Relating to Business and Operations of our Group

(i) operating risks;
(ii) competition;
(iii) product tampering and food contamination;
(iv) deterioration of perishable products;
(v) protection of our Group's proprietary technology and intellectual property rights;
(vi) dependence on range of products and demand for new products;
(vii) delays in research and development;
(viii) negative publicity;
(ix) dependence on key management;
(x) foreign exchange risks;
(xi) fluctuations in raw material prices;
(xii) exposure to credit risk of customers;
(xiii) changes in customer preference;
(xiv) customer loyalty;
(xv) restriction on operations;
(xvi) electricity and system disruptions;
(xvii) technology used / to be used; and
(xviii) environment risk.

1.6.2 Risks Relating to KFB Shares

(i) no prior market for KFB Shares and possible volatility of share price;
(ii) control by certain shareholders; and
(iii) delay in, or failure of, Listing.

1.6.3 Other Risks

(i) political and economic conditions;
(ii) changes to general economic, political, legislative, business and/or credit conditions;
(iii) risks in new geographical markets;
(iv) difficulty in managing future growth; and
(v) forward-looking statements.

1.7 R&D CAPABILITIES

Our Managing Director, Gan Thiam Chai, leads our R&D department. Our R&D team members have been responsible for a number of breakthroughs in the production of the frozen pastry range. Our team had contributed to the customisation of the machines to the development of new product recipes. Our Group usually initiates new R&D programmes through comments and feedback from various sources within our Group, such as our Marketing Department and Production Department, as well as comments and feedback from our domestic and overseas customers.

See Section 6.7 of this Prospectus for further details of our Group's R&D capabilities.

1.8 LICENCES

Our Group is principally involved in the manufacture, distribution and export of pastry and other food products. Our manufacturing activities are governed by the manufacturing licences issued by the MITI and food standards set by relevant bodies, both locally and overseas.

See Section 6.12 of this Prospectus for further details of our Group's material licences and permits.

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1.9 FINANCIAL HIGHLIGHTS

1.9.1 Proforma Consolidated Income Statement

You should read the summary of our proforma consolidated income statement for the past five (5) financial years ended 31 December 2004, which was prepared based on the Accountants' Report set out in Section 10 of this Prospectus (based on the results of KFB, KFM and KG in view that KGPM has acquired KG's business and undertakings pursuant to the Acquisition of Net Assets) and on the assumption that the current structure of our Group has been in existence throughout the financial years under review. The following table is presented for illustrative purposes only and has been extracted from the Accountants' Report set out in Section 10 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

	<-------- FYE 31 December				------->
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	30,333	31,760	35,811	38,595	45,642
EBITDA	10,028	10,728	13,259	13,841	14,934
Depreciation	(953)	(1,618)	(1,794)	(2,268)	(2,575)
Amortisation of goodwill and property rights	(12)	(16)	-	-	-
Interest expenses	(245)	(394)	(372)	(204)	(111)
Interest income	18	49	62	103	229
PBT	8,836	8,749	11,155	11,472	12,477
Less: Taxation	(2,222)	(1,988)	(2,417)	(2,316)	(3,228)
PAT	6,614	6,761	8,738	9,156	9,249
No. of KFB Shares assumed in issue ('000)[1]	69,680	69,680	69,680	69,680	69,680
Gross EPS (RM)[2]	0.13	0.13	0.16	0.16	0.18
Net EPS (RM)[3]	0.09	0.10	0.13	0.13	0.13

Notes:

1. *Based on the issued and paid-up share capital of our Group of 69,680,000 KFB Shares after the KFB Acquisitions but before the Public Issue.*
2. *Based on the consolidated PBT divided by the number of KFB Shares assumed in issue.*
3. *Based on the consolidated PAT divided by the number of KFB Shares assumed in issue.*
4. *There were no exceptional or extraordinary items during the financial years under review.*

1.9.2 Proforma Consolidated Balance Sheet

We have prepared our proforma consolidated balance sheets as at 31 December 2004 below for illustrative purposes only, to show the effects of the KFB Acquisitions, the Public Issue and ESOS had the KFB Acquisitions, Public Issue and ESOS been completed as at that date. We advise you to read the proforma consolidated balance sheets together with the notes and assumptions included in the full set of our proforma consolidated balance sheets set out in Section 9.11 of this Prospectus.

	As at 31 December 2004 RM'000	Proforma I After KFB Acquisitions RM'000	Proforma II After Proforma I and Public Issue RM'000	Proforma III After Proforma II and ESOS^ RM'000
Property, plant and equipment	-	24,222	28,222	28,222
Current assets				
Inventories	-	2,681	2,681	2,681
Trade and other receivables	463	9,410	9,410	9,410
Cash and cash equivalents	*	7,121	11,441	23,441
	463	19,212	23,532	35,532
Current liabilities				
Trade and other payables	475	1,895	1,895	1,895
Borrowings (secured)	-	4,939	4,939	4,939
Taxation	-	850	850	850
	475	7,684	7,684	7,684
Net current (liabilities)/assets	(12)	11,528	15,848	27,848
	(12)	35,750	44,070	56,070
(Represented by)/Financed by:				
Capital and reserves				
Share capital	**	34,840	40,000	46,000
Share premium	-	-	3,160	9,160
Accumulated losses	(12)	(22)	(22)	(22)
(Deficit)/Surplus in shareholders' funds	(12)	34,818	43,138	55,138
Long term and deferred liabilities				
Deferred tax liabilities	-	932	932	932
	(12)	35,750	44,070	56,070
Number of shares in issue ('000)	*	69,680	80,000	92,000
Net tangible assets per share (RM)	-	0.50	0.54	0.60

* *RM2.00*

** *Based on the paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each in KFB as at 31 December 2004.*

^ *Assuming 12,000,000 new KFB Shares, representing 15% of the enlarged issued and paid-up share capital after the KFB Acquisitions and Public Issue, will be issued at an issue price of RM1.00 per KFB Share arising from the exercise of options under the ESOS.*

1.9.3 Qualifications to Financial Statements

Our audited financial statements and those of our subsidiaries, for the past five (5) financial years (where relevant) have not been subjected to any audit qualification or matters of emphasis.

1.10 PRINCIPAL STATISTICS RELATING TO THE IPO

The following statistics relating to the IPO are derived from the full text of this Prospectus and should be read in conjunction with that text.

1.10.1 Share Capital

	RM
Authorised share capital 200,000,000 ordinary shares of RM0.50 each	100,000,000
Issued and fully-paid up share capital (prior to the Public Issue) 69,680,000 ordinary shares of RM0.50 each	34,840,000
To be issued pursuant to the Public Issue 10,320,000 ordinary shares of RM0.50 each	5,160,000
Enlarged share capital upon the Listing 80,000,000 ordinary shares of RM0.50 each	40,000,000
To be issued pursuant to the full exercise of ESOS options 12,000,000 ordinary shares of RM0.50 each	6,000,000
	46,000,000

1.10.2 Offer for Sale

10,400,000 Offer Shares have been reserved for Bumiputera investors approved by the MITI, identified investors and the Malaysian Public.

1.10.3 IPO Price

The IPO Price for each IPO Share	RM1.00

1.10.4 Proforma Consolidated NTA

Proforma consolidated NTA of our Company as at 31 December 2004 (after the Public Issue and deducting the total estimated share issue expenses of RM2,000,000)	RM43,138,000
Proforma consolidated NTA per KFB Share as at 31 December 2004*	RM0.54

* *Based on the enlarged share capital of 80,000,000 KFB Shares after the KFB Acquisitions and Public Issue.*

1.10.5 Classes of Shares and Ranking

We have only one (1) class of shares, being ordinary shares of RM0.50 each. The Public Issue Shares and the new KFB Shares to be issued pursuant to the exercise of the options under the ESOS, when issued, shall rank pari passu in all respects with the other then existing issued and paid-up ordinary shares of RM0.50 each in our Company, including voting rights and rights to all dividends and distribution that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to special rights attaching to any share which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our articles of association.

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

1.10.6 Profit Forecast

FYE 31 December 2005	**RM'000**
Revenue	41,357
Consolidated PBT	10,628
Less: Taxation	(2,913)
Consolidated PAT	7,715
Less: Pre-acquisition profits	(4,140)
Consolidated PAT attributable to our shareholders	3,575
Based on weighted average number of KFB Shares in issue of approximately 45.179 million#	
Net EPS* (sen)	17.08
Net PE multiple based on the IPO Price of RM1.00 per KFB Share (times)	5.85
Based on the enlarged share capital of 80 million KFB Shares in issue after the KFB Acquisitions and Public Issue	
Net EPS* (sen)	9.64
Net PE multiple based on the IPO Price of RM1.00 per KFB Share (times)	10.37

* *Based on the consolidated PAT before adjusting for pre-acquisition profits.*

\# *Based on the assumption that the KFB Acquisitions are completed in May 2005 and the Public Issue is completed in July 2005 and no new KFB Shares will be issued pursuant to the exercise of options under the ESOS in the FYE 31 December 2005.*

1.10.7 Dividend Forecast

FYE 31 December 2005	**%**
Gross dividend per KFB Share	4.0
Net dividend per KFB Share	2.9
Gross dividend yield based on the IPO Price of RM1.00 per KFB Share	2.0
Net dividend yield based on the IPO Price of RM1.00 per KFB Share	1.4
Net dividend cover based on enlarged number of KFB Shares in issue (times)*	6.7

* *Based on the consolidated PAT before adjusting for pre-acquisition profits and on the assumption that no KFB Shares will be issued pursuant to the exercise of options under the ESOS in the FYE 31 December 2005.*

See Section 9.9 of this Prospectus for further information on our dividend forecast.

1.11 PROPOSED USE OF PROCEEDS FROM THE PUBLIC ISSUE

	Amount RM'000	**To be utilised by FYE 31 December**
Purchase of machinery	4,000	2006
Working capital	4,320	2005
Estimated share issue expenses	2,000	2005
	10,320	

See Section 2.7 of this Prospectus for details of the proposed use of the gross proceeds from the Public Issue.

The proceeds of the Offer for Sale will accrue entirely to the Offerors.

1.12 MATERIAL LITIGATION

Our Directors have confirmed that save as disclosed below, as at 15 June 2005, neither we nor any of our subsidiaries is engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on our financial positions or those of our subsidiaries, and our Directors are not aware of any proceedings pending or threatened against us and/or our subsidiaries or of any fact likely to give rise to any proceedings which might materially affect the financial positions or businesses of our Company and/or our subsidiaries.

Georgetown Sessions Court Summons No. 52-3313-2004 Twenty First Grafix Sdn Bhd v KFM

By a summons and statement of claim filed on 9 November 2004 and served on KFM on 29 November 2004, Twenty First Grafix Sdn Bhd, an advertising consultant providing corporate and product branding services of products ("Consultant") has claimed against KFM the sum of RM130,940 alleged as owing by KFM to the Consultant, pursuant to the work and services provided to KFM for its Roti Paratha by the Consultant, as well as interest and costs on the claim.

See Section 14.5 of this Prospectus for details of this matter.

1.13 CONTINGENT LIABILITIES

Our Directors have confirmed that, as at 15 June 2005, they are not aware of any contingent liabilities which, upon becoming enforceable, may have a material effect on our Group's financial position.

1.14 MATERIAL CAPITAL COMMITMENTS

Our Directors have confirmed that save as disclosed in Section 4.1.2.2 and Section 14.6(iv), as at 15 June 2005, our Group has not contracted for any material capital commitment not provided for in the financial statements in respect of acquisition of land and building, plant and machinery and other fixed assets.

1.15 BORROWINGS

The following sets out our Group's total outstanding borrowings (which is interest bearing) as at 15 June 2005 being the latest practicable date prior to the issuance of this Prospectus:

	RM'000
Long Term Loan (Payable after twelve (12) months)	-
Short Term Loan (Payable within twelve (12) months)	
Revolving Credit	4,939
Total	4,939

Our Group has not defaulted on payments of interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof immediately preceding the date of this Prospectus.

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2. DETAILS OF THE IPO

2.1 INTRODUCTION

This Prospectus is dated 30 June 2005.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the form of application, with the ROC, who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed our Shares as a Prescribed Security. Consequently, the IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository.

We have received the approval from the SC for the proposed IPO and Listing on 25 April 2005 and 27 June 2005. We have made an application to Bursa Securities for the admission of our Company to the Official List of the Second Board, permission to deal in and for the quotation of our entire issued and paid-up share capital, including the IPO Shares which are the subject of this Prospectus, on the Second Board. Any allotment made on an application for the IPO Shares pursuant to this Prospectus shall be void if the said permission 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 we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. Our Shares will be admitted to the Official List of the Second Board and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Admission to the Second Board is not to be taken as an indication of our merits and our subsidiaries or of our Shares.

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the quotation of our entire issued and paid-up share capital on the Second Board of Bursa Securities. Accordingly, monies paid in respect of any application accepted for the IPO Shares will be returned in full without interest if the said permissison is not granted.

Pursuant to the Listing Requirements, at least 25% of the total number of shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the point of listing. Upon completion of the IPO and at the point of listing, we expect to have the necessary number of shareholders for us to be listed on the Second Board. If we do not meet the public shareholding requirement, we may not be allowed to proceed with our listing on the Second Board. In such an event, we will return in full, without interest, monies paid in respect of all applications.

You must have a CDS Account when applying for the IPO Shares.

In the case of an application by way of Application Form, you should state your CDS Account number in the space provided in the Application Form. In the case an application by way of Electronic Share Application, you can make an Electronic Share Application only if you are an individual, has a CDS Account and you shall furnish your CDS account number to the Participating Financial Institution. This is done by way of keying in your CDS account number on the ATM screen at which you enter your Electronic Share Application. In the case of an application by way of Internet Share Application, you can make an Internet Share Application only if you have a CDS Account and an existing account with access to the Internet financial services facilities with Internet Participating Financial Institutions. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

We have not authorised any person to give any information or represent us in relation to the IPO. Bear in mind also that this Prospectus shall not represent or imply that there have been no change in our Group's affairs since the issuance of this Prospectus.

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

You should rely on your own evaluation to assess the merits and risks of the IPO and an investment in us. If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser immediately.

2.2 OPENING AND CLOSING OF APPLICATION

Applications will be accepted from 10.00 a.m. on 30 June 2005 and will close at 5.00 p.m. on 15 July 2005 or for such later period or periods as our Directors and the Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted. Should the closing date of the application be extended, the dates for the balloting, despatch of notice of allotment and listing and quotation for our entire issued and paid-up share capital on the Second Board will be extended accordingly. The following is an indicative timing of events leading up to the Listing:

Event	**Tentative Date**
Opening of application	30 June 2005
Closing of application	15 July 2005
Balloting of applications	19 July 2005
Allotment of shares	22 July 2005
Despatch of notice of allotment to successful applicants	25 July 2005
Listing of and quotation for our entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities	28 July 2005

Our Directors and the Underwriter may in their absolute discretion mutually decide to extend the closing date of application to a later date(s). We will announce any extension to the closing date of the application, the dates for the balloting, despatch of notice of allotment and listing of and quotation for our entire issued and paid-up share capital on the Second Board of Bursa Securities in widely circulated Bahasa Malaysia and English daily newspapers in Malaysia. Late applications will not be accepted.

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2.3 DETAILS OF THE IPO

The IPO is 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

The 10,320,000 new KFB Shares, representing 12.90% of our enlarged share capital, are to be issued to the following parties at the IPO Price of RM1.00 per KFB Share pursuant to the Public Issue:

(a) Malaysian Public

3,600,000 Public Issue Shares representing 4.50% of our enlarged share capital are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions, to be allocated via ballot.

(b) Our Group's Eligible Directors and employees

3,200,000 Public Issue Shares representing 4.00% of our enlarged share capital are reserved for application by our Group's eligible Directors and employees.

The allocation of the Public Issue Shares to our Group's eligible employees, as approved by our Board, is generally based on seniority in ranking, length of service and contribution to our Group's success.

The following are the details of allocation to our eligible Directors:

No.	Name of Director	Designation	Number of Shares Allocated
1.	Chen Seng Chong	Independent Director	200,000
2.	Lim Peng @ Lim Pang Tun	Independent Director	100,000

A total of 80 of our Group's eligible employees are allocated the remaining 2,900,000 Public Issue Shares.

(c) Private Placement

3,520,000 Public Issue Shares representing 4.40% of our enlarged share capital will be placed to investors by the Placement Agent.

(ii) Offer For Sale

The Offerors will offer for sale an aggregate of 10,400,000 Offer Shares representing 13.00% of our enlarged share capital to the following parties at an IPO Price of RM1.00 per KFB Share pursuant to the Offer for Sale:

(a) Approved Bumiputera Investors

4,800,000 Offer Shares representing 6.00% of our enlarged share capital have been reserved for Bumiputera investors approved by the MITI.

2. DETAILS OF THE IPO *(CONT'D)*

(b) **Private Placement**

3,200,000 Offer Shares representing 4.00% of our enlarged share capital will be placed to investors by the Placement Agent.

(c) **Malaysian Public**

2,400,000 Offer Shares representing 3.00% of our enlarged share capital will be reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions, to be allocated via ballot.

All the IPO Shares available for application by the Malaysian Public as set out under Sections 2.3(i)(a), 2.3(i)(b) and 2.3(ii)(c) have been fully underwritten at an underwriting commission of 2%.

The 3,520,000 Public Issue Shares to be issued by way of private placement as stated in Section 2.3(i)(c) above and the 8,000,000 Offer Shares as stated in Section 2.3(ii)(a) and Section 2.3(ii)(b) above are not required to be underwritten and therefore are not underwritten.

2.4 SHARE CAPITAL AND RIGHTS ATTACHING TO SHARES

	RM
Authorised share capital	
200,000,000 ordinary shares of RM0.50 each	100,000,000
Issued and fully-paid up share capital (prior to the Public Issue)	
69,680,000 ordinary shares of RM0.50 each	34,840,000
To be issued pursuant to the Public Issue	
10,320,000 ordinary shares of RM0.50 each	5,160,000
Enlarged share capital upon the Listing	
80,000,000 ordinary shares of RM0.50 each	40,000,000
To be offered pursuant to the Offer for Sale	
10,400,000 ordinary shares of RM0.50 each	5,200,000
To be issued pursuant to the ESOS	
12,000,000 ordinary shares of RM0.50 each*	6,000,000

* *Assuming 12,000,000 new KFB Shares, representing 15% of the enlarged issued and paid-up share capital after the KFB Acquisitions and Public Issue, will be issued at an issue price of RM1.00 per KFB Share arising from the exercise of options under the ESOS.*

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Class of shares and ranking

We have only one (1) class of shares, being ordinary shares of RM0.50 each. The Public Issue Shares and the new KFB Shares to be issued pursuant to the exercise of the options under the ESOS, when issued, shall rank pari passu in all respects with the other then existing issued and paid-up ordinary shares of RM0.50 each in our Company, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to special rights attaching to any share which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our articles of association.

Each shareholder shall be entitled to vote at any of our general meetings in person, by proxy or by attorney, and, on a show of hands, every person present who is a shareholder, or a representative, proxy or attorney of a shareholder, shall have one (1) vote, and on a poll, every shareholder present in person, by proxy, by attorney or by duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be our member.

2.5 BASIS OF ARRIVING AT THE IPO PRICE

Prior to the IPO, there has been no public market for our Shares. We and Hwang-DBS, as our Adviser and Underwriter, after taking into consideration the following factors, have determined and agreed upon the IPO Price of RM1.00 per KFB Share:

(i) the prospects, future plans and strategies of our Group as described in Section 6.8 of this Prospectus;

(ii) our Group's operating and financial history and conditions as described in Sections 4, 6, and 9.1 of this Prospectus;

(iii) the forecast net PE multiples of 10.37 times based on the forecast net EPS of 9.64 sen for the FYE 31 December 2005 based on the enlarged issued and paid-up share capital of 80,000,000 KFB Shares after the Public Issue;

(iv) the industry review and prevailing market conditions; and

(v) the proforma consolidated NTA per KFB Share after the Public Issue of RM0.54 as at 31 December 2004.

You should also note that market price of our Shares upon and subsequent to the Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares. You should bear in mind the investment considerations and risk factors set forth in Section 3 of this Prospectus before deciding on whether or not to invest in the IPO Shares.

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2.6 PURPOSE OF THE IPO

The purposes of the IPO are as follows:

(i) to obtain the listing of and quotation for our entire issued and paid-up capital on the Second Board, which is expected to enhance the business, profile and future prospects of our Group;

(ii) to enable our Group to gain access to the capital market to raise funds for its future expansion and continued growth of our Group;

(iii) to provide an opportunity for investors and institutions, the eligible Directors and employees of our Group, and the Malaysian public to participate in the continuing growth of our Group by way of equity participation; and

(iv) to raise funds for our Group's operation and expansion.

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2.7 PROCEEDS FROM THE PUBLIC ISSUE AND PROPOSED USE OF PROCEEDS

Based on the IPO Price of RM1.00 per Public Issue Share, the gross proceeds of RM10,320,000 from the Public Issue will accrue entirely to us. We propose to use the proceeds as follows:

Utilisation	Note	Amount RM'000	To be utilised by FYE 31 December
Purchase of machinery	(i)	4,000	2006
Working capital	(ii)	4,320	2005
Estimated share issue expenses	(iii)	2,000	2005
		10,320	

In the event there is a change to the estimated listing expenses, the proceeds to be utilised for working capital will be adjusted accordingly.

(i) *Purchase of machinery*

Our Group is principally involved in the manufacturing, trading, distributing and exporting of pastries and other food products. In order to enhance the level of technology and to diversify its range of products, we propose to purchase automated machinery to complement our existing manufacturing processes. The machinery to be purchased is in line with our Group's long term objective of upgrading and expansion of its manufacturing operations.

(ii) *Working capital*

We propose to allocate an amount of approximately RM4.3 million for working capital requirements of our Group. We expect the additional cash resources to strengthen our Group's liquidity position and allow the flexibility for future expansion without having to resort to more costly means of obtaining funds.

(iii) *The expenses for the share issue are estimated at approximately RM2,000,000 with the following estimated breakdown:*

	RM'000
Professional fees	*702*
Fees to the authorities	*100*
Fees to Issuing House	*89*
Underwriting commission, management fees, placement fees and brokerage fees	*319*
Printing and advertising	*166*
Miscellaneous	*624*
	2,000

2.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

2.8.1 Brokerage

We will pay a brokerage fee at the rate of 1% of the IPO price at RM1.00 per Public Issue Share in respect of successful applications which bear the stamps of either Adviser, a participating organisation of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

2.8.2 Underwriting

Hwang-DBS Securities Berhad, as the Underwriter, had on 15 June 2005 agreed to underwrite the 6,800,000 Public Issue Shares to be made available for application by the eligible Directors and employees of our Group and the Malaysian Public together with 2,400,000 Offer Shares to be made available for application by the Malaysian Public. We will pay the underwriting commission at the rate of 2% of the IPO Price of RM1.00 per Public Issue Share.

2.8.3 Placement

The Placement Agent has agreed to place out 3,520,000 Public Issue Shares and 3,200,000 Offer Shares which are reserved for the identified investors. We will pay a placement fee to the Placement Agent at a rate of 1.25% of the IPO Price of RM1.00 per Public Issue Share to be placed out.

2.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

Pursuant to the underwriting agreement dated 15 June 2005 ("Underwriting Agreement"), the Underwriter will underwrite 6,800,000 Public Issue Shares together with 2,400,000 Offer Shares. We will pay the underwriting commission for the 6,800,000 Public Issue Shares at the rate of 2% of the IPO Price of RM1.00 per IPO Share, the total of which is RM136,000. The Offerors will bear the underwriting commission in respect of the 2,400,000 Offer Shares underwritten.

The salient terms of the Underwriting Agreement are summarised as follows:-

(i) The obligations of the Underwriter are conditional upon:

   (a) Bursa Securities having approving in principle the listing of and quotation for our entire enlarged issued and paid-up capital on the Second Board;

   (b) SC approving the IPO, prior to the Closing Date;

   (c) there not having been, on or prior to the Closing Date, any adverse change in our condition (financial or otherwise) from that set forth in the Prospectus which is material in the context of the IPO, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in the Underwriting Agreement and in the Prospectus as though they have been given or made on such date;

   (d) the registration with the SC and the lodgment with the ROC of the Prospectus in accordance with the requirements of the Securities Commission Act 1993;

   (e) the offering of the IPO Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);

   (f) the Underwriting Agreement having been duly executed by all parties and stamped; and

(g) all necessary approvals and consents required in relation to the IPO (including but not limited to shareholders' and governmental approvals) having been obtained and being in full force and effect.

(ii) If any of the above conditions are not satisfied, the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing given to the other parties, and in that event (except for the liability of the Company for the payment of the expenses as provided in Clause 7 as provided in the Underwriting Agreement, and any right and/or liability of the Company, Offerors and/or the Underwriter under Clauses 4, 4A or 5 as provided in the Underwriting Agreement), the parties to the Underwriting Agreement shall be released and discharged from their respective obligations under the Underwriting Agreement, provided that the Underwriter may at their discretion waive compliance with any provision of this Clause of the Underwriting Agreement (in which case any condition so waived shall be deemed to have been satisfied in relation to it).

(iii) Notwithstanding anything herein contained, if in the reasonable opinion of the Underwriter:

(a) there shall have been such a change in national or international monetary, financial, political or economic conditions, or in exchange control or currency exchange rates;

(b) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of Force Majeure which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the IPO, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms. In this Clause, "Force Majeure" means an event or cause which is unpredictable and beyond the reasonable control of the party claiming the same, and which could not have been avoided or prevented by reasonable foresight, planning and/or implementation, and includes (without limitation) war, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage, crimes, and acts of God;

(c) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities;

(d) any change in any law, regulation, directive, policy or ruling in any jurisdiction;

(e) any government requisition or occurrence of any nature; or

(f) the Company has committed a breach of any of the representations, warranties, undertakings, covenants or other provisions of the Underwriting Agreement, the breach of which is either incapable of remedy or if capable of remedy, the Company has failed to remedy such breach within a period of fourteen (14) days from the date of a notice in writing by the Underwriter notifying the Company of such breach and requiring the Company to remedy the same,

which would prejudice materially the success of the IPO, then the Underwriter shall be entitled may by notice in writing to the Company terminate this Agreement, and thereupon the parties to the Underwriting Agreement shall (except for the liability of the Company for the payment of costs and expenses referred to in Clause 7 as provided in the Underwriting Agreement incurred prior to and/or in connection with such termination) be released and discharged from their respective obligations under the Underwriting.

2.10 APPROVALS, CONDITIONS AND MORATORIUM SHARES

2.10.1 Conditions of Approvals

The MITI has vide its letter dated 31 December 2004 approved the IPO while the SC vide its letter dated 25 April 2005, has approved the IPO, under the Securities Commission Act 1993 and Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests. Subsequently, the MITI had vide its letter dated 10 June 2005 approved the establishment of the ESOS and revision to certain of the terms set out in the said letter dated 31 December 2004. The SC had also vide its letter dated 27 June 2005 approved the revision to certain of the terms and conditions set out in its said letter dated 25 April 2005.

The said approvals were subject to the following terms and conditions:

Authority/ Date of Approval Letter		Details of conditions imposed	Status of compliance
MITI / 31.12.2004	(a)	KFB is required to obtain the approval of the SC for the listing scheme and to comply with the Guidelines on the Acquisition of Interest, Mergers and Take-Overs.	The approval of the SC was obtained on 25 April 2005 and 27 June 2005 respectively.
	(b)	The allocation of 4,800,000 Shares, representing 6% of the enlarged issued and paid-up share capital of KFB reserved for Bumiputera investors is subject to the approval of the MITI, in which, the allocation will be done subsequent to obtaining SC's approval.	The approval of the MITI on the allocation of shares to Bumiputera investor was obtained on 24 June 2005.
	(c)	MITI agrees to recognise the Bumiputera shareholding after the implementation of the above allocation as follows: **Name of shareholder** / **No. of Shares** / **% of the enlarged issued and paid-up share capital** KKSB / 19,200,000 / 24.00 subject to the condition that 30% of the total shareholdings are allowed to be disposed of within three (3) months after the listing and the balance of 70% in stages subject to the approval of the MITI.	To be complied by KKSB, if applicable
	(d)	KFB is required to inform the MITI upon completion of the implementation of the listing.	To be complied.
MITI / 10.06.2005	(a)	Implementation of the ESOS up to 15% of the issued and paid-up share capital of the Company; and	Noted.

Authority/ Date of Approval Letter	Details of conditions imposed	Status of compliance
	(b) The distribution of the 10,320,000 Public Issue Shares is revised as follows:	

Distribution	MITI's approval 31.12.2004 No. of Shares allocated (unit)	Proposed revision No. of Shares allocated (unit)
Public	3,600,000	3,600,000
Eligible directors, business associates and employees of the Company	3,200,000	-
Eligible directors and employees	-	3,200,000
Private Placement	3,520,000	3,520,000

Authority/ Date of Approval Letter	Details of conditions imposed	Status of compliance
	subject to the condition:	
	(i) Obtain SC's approval for the listing scheme and compliance with the Guidelines on the Acquisition of Interest, Mergers and Take-Overs.	Complied. The approval of the SC was obtained on 25 April 2005 and 27 June 2005 respectively.
MITI / 24.06.2005	The MITI has approved the allocation of 4,800,000 KFB Shares offered at RM1.00 per share with no condition.	Not applicable.
SC / 25.04.2005	(i) KFB should adequately and fully disclose the following in the listing prospectus:	
	(a) The terms and conditions of the restraint of trade on the Gan family, the KG Agreement dated 15 May 1999 between the Gan family, KG and Tee Yih Jia Food Manufacturing Pte Ltd group, the legal opinions via letter dated 23 September 2004 from Messrs. Chooi & Co and letter dated 12 January 2005 from Messrs. Zain & Co on the validity of the said restriction to KFB's operations;	Complied, where relevant. Please refer to Sections 3.1(xv) of this Prospectus. The SC had, vide its letter dated 27 June 2005, waived the condition requiring KFB from having to disclose in the listing prospectus the KG Agreement and legal opinions from the solicitors on the validity of the restraint of trade on the Gan's family to KFB's operations.

Authority/ Date of Approval Letter	**Details of conditions imposed**	**Status of compliance**
	(b) Risks associated with KFB's dependency on a key personnel namely Gan Thiam Chai and steps taken/to be taken to mitigate this dependency;	Complied. Please refer to Section 3.1(ix) of this Prospectus.
	(c) The management succession plan of KFB Group. In this regard, KFB is required to have a clear management succession plan in place prior to the issue of the listing prospectus;	Complied. Please refer to Section 6.17 of this Prospectus.
	(d) The business status of KG upon completion of the proposed acquisitions by KFM and KGPM;	Complied. Please refer to Section 4.1.2.2 (ii) of this Prospectus.
	(ii) With regard to trade debtors, KFB should:	
	(a) fully disclose in the listing prospectus the debtor's position, the ageing analysis and, for amounts exceeding the credit period, comments by directors on the recoverability of the amounts;	Complied. Please refer to Section 9.4 of this Prospectus.
	(b) make full provision for all overdue trade debtors which are in dispute or under legal action, or for amounts which have been outstanding for more than six (6) months. The directors of KFB should confirm to the SC that this condition has been complied with prior to the issuance of the listing prospectus; and	Complied. The declaration by the Board was submitted to the SC on 23 June 2005.
	(c) submit a declaration by its directors to the SC that trade debts exceeding the credit period which have not been provided as doubtful debts, excluding those under paragraph 1.2(ii)(b) above, are recoverable;	Complied. The declaration by the Board was submitted to the SC on 23 June 2005.
	(iii) The directors/proposed directors and substantial shareholders of the KFB Group should not, in the future, carry out any new businesses which will compete directly or indirectly and be in conflict with the business of the KFB Group;	Noted and to be complied with.
	(iv) Any future transactions between the KFB Group and the proposed directors/substantial shareholders or companies related to the proposed directors/substantial shareholders, if any, must be on an "arm's-length" basis and must not be unfavourable to the KFB Group. In this regard, the Audit Committee of KFB should monitor and the directors should report on the position of such transactions in the annual report of KFB;	Noted and to be complied with, if applicable.
	(v) KFB should disclose the status of utilisation of proceeds to be raised from the public issue in its quarterly and annual reports until the proceeds are fully utilised;	Noted and to be complied with.

Authority/ Date of Approval Letter	Details of conditions imposed	Status of compliance
	(vi) The following promoters/substantial shareholders of KFB are to comply with the moratorium requirement as set out under paragraph 6.24 of the SC Guidelines:	To be complied. Please refer to Section 2.10.2 of this Prospectus.

Name of shareholders	No. of Shares held after listing	% of enlarged issued and paid-up capital#	No. of Shares held under moratorium	% of enlarged issued and paid-up capital#
		%		%
Gan Thiam Chai	26,640,000	33.30	23,928,000	29.92
Gan Thiam Hock	6,720,000	8.40	6,036,000	7.54
Kwan Sok Kay	6,720,000	8.40	6,036,000	7.54
	40,080,000	**50.10**	**36,000,000**	**45.00**

Note:
 # Computed based on enlarged issued and paid-up share capital of 80,000,000 Shares of RM0.50 each.

Details of conditions imposed	Status of compliance
(vii) KFB should ensure that KGPM obtains the necessary certifications and licences required to carry on the business of KG prior to the issuance of KFB's listing prospectus;	Complied. Please refer to Section 6.12 of this Prospectus.
(viii) Gan Thiam Chai, Gan Thiam Hock and Kwan Sok Kay are to relinquish their executive positions in KG upon completion of the acquisitions by KFM and KGPM;	Complied. Gan Thiam Chai, Gan Thiam Hock and Kwan Sok Kay have resigned from all their executive positions in KG on 31 May 2005.
(ix) KFB should comply with the following conditions with regards to the buildings situated on P.T. Tapak Perusahaan Shah Alam, Bandar Shah Alam, Daerah Petaling, Selangor bearing KFB's address Lot 20, Jalan Pengapit 15/19, Shah Alam, Selangor:	
(a) To obtain the following approvals within one (1) year from the date of SC's approval letter:	Noted and to be complied with.
(1) The Certificate of Fitness or relevant building approvals for the extensions to the factory building; and	
(2) To register the ownership of KFM in the document title;	
(b) To make quarterly announcements on the status of the applications to Bursa Securities; and	Noted and to be complied with.
(c) To update SC on the status of the applications when such announcements are made to Bursa Securities;	Noted and to be complied with.

Authority/ Date of Approval Letter	Details of conditions imposed	Status of compliance
	(x) 30% of the enlarged capital of KFB to be held by Bumiputera investors should be approved by MITI to comply with National Development Policy ("NDP") requirement;	Complied. The MITI has agreed to recognise 24% equity interest in KFB as Bumiputera shareholding and approved the allocation of 6% equity interest in KFB to a Bumiputera investor based on the enlarged share capital of KFB after the Public Issue vide its letter dated 31 December 2004 and 24 June 2005 respectively.
	(xi) Hwang-DBS/KFB should inform the SC on the status of compliance with the NDP requirement upon completion of the listing exercise;	Noted and to be complied with.
	(xii) Hwang-DBS/KFB should inform the SC upon completion of the proposed transfer of shares; and	Complied.
	(xiii) KFB to fully comply with all the relevant requirements pertaining to the implementation of the listing proposal as specified in the SC Guidelines.	Noted and complied, where applicable.
SC / 27.06.2005	(i) KFB should adequately and fully disclose the following in the listing prospectus:	
	(a) The salient terms and conditions of the KG Agreement dated 15 May 1999 and the potential impact/effect of the restraint of trade on the KFB Group together with the directors' view on the matter;	Complied. Please refer to Section 3.1 (xv) of this Prospectus.
	(b) Summary of the legal opinions given by the solicitors on the validity of the restraint of trade with respect to KFB's operations; and	Complied. Please refer to Section 3.1 (xv) of this Prospectus.
	(c) The KG Agreement is to be made available for inspection to the public.	Complied. Please refer to Section 14.12 of this Prospectus.

The SC noted the effect of the changes to our equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings arising from the implementation of the Public Issue, as follows:

	Before proposal	After proposal*
	%	%
Bumiputera	-	30.00
Non-Bumiputera	100.00	70.00
Foreign	-	-
Total	100.00	100.00

* *Before the full exercise of ESOS*

2.10.2 Moratorium on Sale of Shares

Pursuant to Paragraph 6.24 of the SC Guidelines, KFB Shares held by our promoters amounting to 45% of our issued and paid-up capital as at the date of our admission to the Official List of the Second Board are to be placed under moratorium.

The details of the moratorium are as follows:

Promoters	Shares under moratorium	
	No. of Shares	% of our enlarged issued and paid-up capital upon the completion of the Public Issue
Gan Thiam Chai	23,928,000	29.92
Gan Thiam Hock	6,036,000	7.54
Kwan Sok Kay	6,036,000	7.54
	36,000,000	45.00

The aforementioned promoters have fully accepted the moratorium. They will not be allowed to sell, transfer or assign of any part of their interest in the KFB Shares under the moratorium for one (1) year from the date of our admission to the Official List of the Second Board.

The restriction is specifically endorsed on the share certificates representing the respective shareholdings of the substantial shareholders/promoters which are under moratorium.

The remarks which have been endorsed over these share certificates are as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Malaysia Securities Berhad during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction".

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3. INVESTMENT CONSIDERATIONS AND RISK FACTORS

BEFORE INVESTING IN OUR IPO SHARES, AND NOTWITHSTANDING THE PROSPECTS OF OUR GROUP OUTLINED IN THE PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER, ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, THE FOLLOWING INVESTMENT CONSIDERATIONS (WHICH MAY NOT BE EXHAUSTIVE), BOTH SPECIFIC TO OUR GROUP AND RELATING TO THE GENERAL BUSINESS ENVIRONMENT, THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP.

You should rely on your own evaluation to assess the merits and risks of the investment. If you are in any doubt as to the information contained in this Section, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.1 RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

(i) Operating Risks

KFM, which carries out the core revenue-generating business of our Group, has been profitable during the past five (5) financial years. However, our Group's revenue and operating results could be adversely affected by many factors. These may include, amongst others, debt collection problems, customer order deferrals, the ability of our Group to control unforeseen costs, unforeseen changes to our Group's operating expenses, the availability of human resources to meet market demand, competition, the ability of our Group to develop and market, on a timely basis, new products, market acceptance of new products or services, and other business risks common to going concerns.

Apart from the revenue generated from our Group's core products, our Group continuously procures sales leads which our Directors believe are promising and which, if successfully completed, will contribute positively to our Group's revenue. Our Directors are confident that these sales leads should materialise within the next twelve (12) to twenty-four (24) months.

(ii) Competition

Our Group's competitors include domestic and international groups of frozen foods manufacturers and individual operators. Some of these competitors may be more established and possess substantially greater financial and marketing resources than our Group. Our Group has experienced and expects to continue to experience competition from current and future competitors. The growth of such future competitors into the existing market may severely affect our Group's operating results.

Nevertheless, our Group believes that our ability to compete depends on many factors within and outside our control, such as (but not limited to) timing and market acceptances of new products, and enhancements developed by our Group and our competitors, pricing, value for money, customer service and support, sales and marketing efforts, product distribution channels and the resources of our competitors.

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(iii) Product Tampering and Food Contamination

Our Group's products are packed in plastic materials which may be tampered with. Such tampering of the products may have an adverse effect as there will be adulteration of the products. This would lead to loss in consumer confidence, product recall and product destruction. In addition, such an event may lead to litigation, whereby our Group may incur substantial litigation costs and may be ordered to compensate consumers.

The risk of food contamination is another risk related to the food industry and which may have an adverse effect on any food manufacturer. Food contamination may happen because of two reasons, namely negligence or sabotage. Any incidences of food contamination may cause a major crisis to any food company as it could cause irreparable damage to reputation. For companies without strong financial standing, as well as for smaller companies, it may even lead to bankruptcy.

In order to minimise these risks, our Group, like many other food manufacturers, leans more towards prevention as we try to ensure that food production undergoes stringent testing and quality controls. Certification such as HACCP is one way of ensuring that the production process has undergone an independent audit testing and for our Group, HACCP ensures that our Group's products go through regular outsourced testing in order to ensure that they are products that are safe and of the highest quality.

(iv) Deterioration of Perishable Products

Although most of our Group's products have extended shelf lives, this does not detract from the fact that food products are perishable goods, which may deteriorate due to shipment or delivery delays, malfunctioning of freezer facilities or poor handling during delivery by shippers or intermediaries. As at 15 June 2005, our Directors are not aware of any instances whereby our Group was made to compensate for delivery delays, malfunctioning of freezer facilities or poor handling during transportation.

In order to mitigate such risks, our Group consistently ensures that we employs experienced and reliable shipment and delivery companies to carry out the logistical aspect of bringing our products to consumers. Our Directors are of the opinion that for so long as the product "cold-chain" remains unbroken, by ensuring the proper and timely delivery of products, the deterioration of such products will not materialise.

(v) Protection of our Group's Proprietary Technology and Intellectual Property Rights

Our Group manufactures mainly frozen convenience food products. In doing so, it is important for us not to infringe patents and proprietary rights of third parties in developing new products or innovative manufacturing processes. Any infringement of third party rights, whether deliberate or inadvertent, may result in litigation against our Group.

Our Group may also initiate legal proceedings against parties deemed to have infringed upon our Group's proprietary rights and licences. In order to protect our proprietary technology and intellectual property rights, our Group has, at the date of this Prospectus, obtained certificates of registration or filed trademark applications or are in the process of filing for the registration of our Group's trademarks, details of which are set out in Section 6.6 of this Prospectus.

(vi) Dependence on Range of Products and Demand for New Products

Our Group currently has a wide range of products, of which the better known products include samosas, steamed buns, Roti Paratha, naan and chapatti. These products account for approximately 63.1% of our Group's revenue for the FYE 31 December 2004.

Our Group, via extensive R&D and marketing efforts, intends to introduce a number of new products to the consumer market in the next coming years. These include products which have already been identified, such as Oriental finger food. Our Directors believe that the introduction of new products will contribute positively to the future earnings of our Group and mitigate any reliance on the saleability of the current range of products.

(vii) Delays in Research and Development

The frozen food industry is a competitive industry, with various market players in the domestic and export markets. As such, our Group competes with both local companies as well as multi-national corporations. This level of competition is further increased by the risk of technological change, for example, in automation processes and freezing methods, which may have an impact on the business of our Group, even though this risk may not be as significant as in technology-intensive industries. In terms of market viability, our Group could also be affected on a few factors, including, the creation and innovation of products, as well as productivity in the automation process.

Our Group has on-going R&D programmes for the purpose of developing products that are innovative and which meet the dynamic requirements and expectations of the market. As a result of our R&D, we have managed to continually create new and innovative products which support changing preferences of consumers, both in taste as well as in convenience. Simultaneously, our Group has automated most of our production processes to ensure greater production efficiencies. With automation, our Group is able to produce more products at a faster pace, ensuring not only a higher degree of freshness and quality in our products but also shortening our time to market. However, there can be no assurance that the production of new and enhanced products as well as the improvements and development of our automation process can be successfully achieved on a timely basis.

Nonetheless, our Group believes that our current range of products have been well-accepted by our customers. The continued availability of our Group's existing range of products can mitigate any material delay in the roll-out of new or enhanced products. While it can be said that the future growth of the Group is, to a certain extent, dependent on the successful development of new products, nevertheless, our Group is currently carrying out R&D programmes on several groups of products as well as continuing to improve and expand on our automation processes. As such, our Group believes that any material risk of delays in R&D for any particular product can be successfully mitigated.

(viii) Negative Publicity

Our Group may, from time to time, be the subject of complaints from customers with regard to food quality and operational inefficiency. The business may also be adversely affected by negative publicity resulting from the publication of industry findings or health concerns concerning the products that our Group offers or are planning to offer. Such negative publicity, regardless of their validity, may reduce the number of customers and hence adversely affect our Group's revenue and profits.

In order to mitigate such risk, our Group ensures that any customer complaints or queries, for example, regarding the quality of our products, or any negative publicity on the frozen food industry, are prioritised and given due care and attention. Coupled with the marketing and positive publicity carried out by our marketing team, our Directors are of the opinion that customers will less likely be affected by such negative publicity, if any.

(ix) Dependence on Key Management

Our Group believes that our continued success depends, to a significant extent, upon the abilities and continued efforts of our Directors and key management. Our Group's Directors play an important role in maintaining business relationships with our Group's suppliers and customers, and charting the overall business strategy of our Group.

Our Group is led by Gan Thiam Chai who is our Group Managing Director. He also heads our R&D team. His experience in the food processing industry and expertise is one of the primary reasons for the success of our Group. If he were to cease to be involved in the management of our Group, our Group's business and profitability may be adversely affected. In order to mitigate this risk of dependency, our Group has in place a management succession plan, further details of which are set out under Section 6.17 of this Prospectus.

Nevertheless, our Board is of the opinion that any dependence of current Directors and key management is mitigated by ensuring that the employees identified as possessing the right combination of skills and attributes, are given the proper training and incentives to be able to support our Group and eventually stand in their place. Our Group currently enjoys a cordial relationship with our employees and they do not belong to any trade union.

(x) Foreign Exchange Risks

Our Group sells and distributes our products to various countries including the US, countries in the Middle East, Australia, Hong Kong and Singapore. The exports to these markets are often transacted in USD, and hence, our Group is exposed to foreign exchange fluctuations. The risk of foreign exchange fluctuation has been mitigated by the exchange control rules implemented since 1 September 1998 which effectively pegged the RM against USD at the fixed rate of RM3.80 to USD1.00. However, any downward adjustment of RM against USD may have adverse financial impact on our Group's financial performance and vice versa, should the Ringgit peg be removed or adjusted.

In order to further mitigate this risk, our Group may use certain financial instruments to hedge against transactions denominated in foreign currencies, and will continue to assess the need to utilise these hedging techniques to mitigate this risk.

(xi) Fluctuations in Raw Material Prices

The prices of the ingredients and raw materials used by our Group may be subject to price fluctuations due to various factors beyond our Group's control, including severe climatic conditions, and governmental regulations such as price ceilings for raw materials like flour and cooking oils, which might reduce supply, leading to increases in supply costs.

For our Group, the main raw materials are wheat flour and cooking oil. Due to an increase in world wheat prices and cost of ocean freight over the last one and a half years, the Malaysian wheat flour millers, for the first time since 1998, have increased the price of wheat flour by 25 sen per kilogram effective from 18 April 2005 except those which are designated as General Purpose Flour. As for the other major raw materials such as palm oil based cooking oil, it is abundantly available locally as Malaysia is one of the largest producers of palm oil. Our Group seeks to reduce our exposure to price fluctuation of raw materials by purchasing raw materials from long-term suppliers as well as sourcing from other suppliers on competitive terms. In addition, our Group may consider revising the selling price of our Group's products on a timely basis.

Notwithstanding the above, our Directors are of the view that with the quality of our Group's products, the adverse impact of the fluctuations in raw material prices would be minimised.

(Reference: IMR Report)

(xii) Exposure to Credit Risk of Customers

Our Group is exposed to the credit risk of our customers. Any deterioration in the financial position of our Group's customers may materially and adversely affect our Group's profits and cashflow as these customers may default on payments owing to our Group. However, our Group will endeavour to ensure that prudent credit control policies are observed. Additionally, our Group exercises prudent judgment when trading with our customers, and deals with more financially sound customers. These measures may lessen any adverse impact such credit risks may have on our Group's profitability.

(xiii) Changes in Consumer Preference

Changes in consumer preference can be an advantage or disadvantage to food manufacturers depending on what and where the current trend is. Companies that manufacture food products usually favoured by consumers will continue to experience growth while those involved in the down trend of food preferences will need to adapt and look for new initiatives.

However, as changes in food trends tend to be more gradual, there will typically be sufficient time for food manufacturers to adapt to most changes. Our Group keeps abreast with the new food products that are being introduced into the market by competitors' and consumers' preference by conducting regular market surveys. By doing so, our Group is able to make appropriate adaptative measures to match market needs, and thus our Directors believe that we are able to cater for such changes in food trends, whether locally or worldwide.

(xiv) Customer Loyalty

The frozen food industry has low consumer loyalty as the cost for consumers to switch from one brand to another is minimal. It is common for consumers to experiment with the same type of product from different companies.

Thus, in order to reduce the occurrence of customers switching from one brand to another, our Group can adopt aggressive marketing strategies like food promotions in retail premises, advertisements in related media, product branding and faster product introduction into the market to project the image of a versatile company which understands the different tastes of the customers.

(Source: IMR Report)

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(xv) Restriction on Operations

Gan Thiam Chai, Gan Thiam Hock and Kwan Sok Kay ("Gan Family") had earlier entered into a sale of shares agreement dated 15 May 1999 ("KG Agreement") with Tee Yih Jia Food Manufacturing Pte Ltd ("TYJFM"), Goi Seng Hui ("GSH") and Daly Goh Kiang Meng (collectively referred to as "the TYJ Group") as well as KG, for the acquisition of an aggregate of 300,000 ordinary shares in KG ("KG Shares"), representing 50% of the issued and paid-up share capital in KG then from the TYJ Group.

In Clause 5.1(a) of the KG Agreement, KG irrevocably undertook that it would not in any manner manufacture or produce any Spring Roll Pastry (defined as "any pastry sheets produced from a liquid batter and cooked by heated drum with regulated thickness and cut into required sizes") and/or sell, distribute, trade in or market Spring Roll Pastry (such activities collectively referred to as the "Pastry Business") manufactured by other manufacturers/producers unless the prior written consent of the TYJFM or GSH is obtained.

In Clause 5.1(b) of the KG Agreement, KG further undertook that it would appoint Tee Yih Jia Food Manufacturing Sdn Bhd ("TYJFMSB") or TYJFM to exclusively contract manufacture Spring Roll Pastry for them for so long as the TYJ Group and/or TYJFMSB remain in the business of Spring Roll Pastry and are willing to undertake such contract manufacturing.

A similar undertaking was given in the KG Agreement by the Gan Family, in that the Gan Family irrevocably undertook not to directly or indirectly, inter-alia, be involved in the Pastry Business in competition with the business/activities carried on by the TYJ Group and/or TYJFMSB or carry on for the account of Gan Family or be concerned as a director in any company engaged in the Pastry Business or provide any technical advice in relation to the Pastry Business, for so long as the TYJ Group and/or TYJFMSB remain in the business of Spring Roll Pastry.

Our Directors take the view, having obtained legal opinions from our legal advisers, that these provisions of the KG Agreement may constitute a restraint of trade ("ROT") which is void by virtue of the Contracts Acts 1950. This, notwithstanding, as a matter of prudence, our Board will ensure our Group will not venture into the business of manufacturing, production, sale, distribution or marketing of Spring Roll Pastry, unless the supply of Spring Roll Pastry is sourced from the TYJFMSB or TYJFM or for so long as the Gan Family remains involved or interested in our Group, and for as long as the TYJ Group and/or TYJFMSB remain in the business of Spring Roll Pastry and are willing to undertake such contract manufacturing.

Also, our Directors are of the view that the ROT will not have any impact on the Group based on the opinions obtained from legal advisers, and they believe that this limitation on the operations of our Group (should it be found that the ROT is valid) will be outweighed by the expansion of existing and new markets, and the development of new products whilst maintaining our current products. Nevertheless, like any new products launched and introduced to the market, such products will be subject to acceptance by the consumers.

In respect of the foregoing, we set out below the summaries of the said legal opinions:

(a) Messrs Chooi & Co.'s opinion:

Messrs Chooi & Co. has advised that:

(i) Clause 5.1(b) of the KG Agreement may constitute an exclusive buying agreement, by which KG has agreed that all its supplies of pastry will be sourced exclusively from TYJFM or TYJFMSB for so long as the TYJ Group and/or TYJFMSB remain in the Spring Roll Pastry business; and

(ii) it is arguable that during the continuance of such exclusive buying agreement, the restriction on KG under Clause 5.1(a) from manufacturing or producing Spring Roll Pastry, or selling distributing trading in or marketing Spring Roll Pastry manufactured by other manufacturers manufacturing such pastry, would be valid and binding.

Messrs Chooi & Co.has further advised that in their view should the arrangements for supply of Spring Roll Pastry to KG referred to in Clause 5.1(b) of the KG Agreement be validly terminated, the restriction on KG contained within Clause 5.1(a) as described above would constitute a ROT within the ambit of Section 28 of the Contracts Act 1950, and would be void and unenforceable.

(b) Messrs Zain & Co.'s opinion:

Whilst it is possible for the relevant prohibitions in the KG Agreement to be interpreted to amount to a ROT, seeing as they prevent KG and the Gan Family from carrying on the Pastry Business, these ROT provisions may also be interpreted as an "agreement to manufacture", in which case the ROT provisions will remain valid and binding on the parties to the KG Agreement.

On the assumption that the ROT provisions are indeed valid, Messrs Zain & Co. is of the view that the Share Split, the Acquisition of Machineries by KFM, the Acquisition of Lot 20 by KFM, the Acquisition of Net Assets by KGPM, the Public Issue, the Offer for Sale and the Listing will not, in itself, contravene the ROT, and further that the Acquisitions of KFM and KGPM by KFB will not contravene the ROT, provided both KFM and KGPM will not be involved in the Pastry Business unless the necessary consents are obtained or the supply of Spring Roll Pastry is sourced from the TYJFM or TYJFMSB for as long as the TYJ Group and/or TYJFMSB remain in the business of Spring Roll Pastry and are willing to undertake such contract manufacturing. The effect, however, of these acquisitions is that the Gan Family will become substantial shareholders of KFB and as such, would become involved and interested in the KFB Group. Consequently, the ROT provisions, <u>if indeed valid</u>, would affect the KFB Group for so long as the Gan Family is involved or interested in the KFB Group. In the event the Gan Family ceases to be involved or interested in the KFB Group after the Listing, the KFB Group would be free to undertake the Pastry Business.

Messrs Zain & Co. is of the opinion that the Acquisitions and Listing of KFB will not be affected by the ROT, and that KFB Group would not be in contravention of the ROT for so long as it does not carry out the Pastry Business without obtaining the necessary consents or sourcing the supply of the Spring Roll Pastry from TYJFM or TYJFMSB for as long as the latter remains in the business and are willing to undertake such contract manufacturing. Additionally, whilst it is always possible that an injunction may be filed by the TYJ Group to stop the Listing, such an application would be unjustifiable and without basis where the KFB Group has not in any way breached or contravened the ROT.

(xvi) Electricity and System Disruptions

Our manufacturing process involves automation and hence our Group's manufacturing facilities are subject to the disruptions of electricity supply or machine breakdown. Such disruptions may cause downtime and delay in delivery of products to our customers.

Our Group has not experienced any major electricity system disruptions in business that had a significant effect on our operations. Our Group ensures that we have a regular maintenance schedule for our machineries and equipments. Notwithstanding this, there is no assurance that electricity and system disruption will not materially affect our Group's business.

(xvii) Technology used / to be used

Our Group places more emphasis on automation in order to keep manual intervention to the minimum. Compared to many SMEs in the food industry which are still heavily reliant on manual production, our Group has the advantage of economies of scale as well as production efficiency as we have automated most of our production processes. Details of the technology used in our Group's operations are set out in Section 6.5.3 of this Prospectus.

In order to mitigate this risk, our Group keeps abreast with the development of the automation of more products through our R&D team. Nonetheless, no assurance can be given that the automation of the production process by other companies would not have any material adverse impact on our Group's business.

(xviii) Environment Risk

The Malaysian Department of Environment subjects licensed manufacturers to certain environmental legislation and regulations. The primary legislation relating to the environment in Malaysia is the Environmental Quality Act 1974, as well as regulations such as the Environmental Quality (Sewerage and Industrial Effluents) Regulations 1979 and Environmental Quality (Scheduled Wastes) Regulations 1989, which regulate, inter-alia, industrial effluents and water discharge from factories resulting from the manufacturing process.

Our Board is of the opinion that the existing operations of our Company are in compliance with the present environmental laws and regulations. In the event these laws and regulations are amended or changed in the future, our Board believes that we are well equipped to modify our manufacturing processes and facilities to continue to be in compliance with these laws and regulations.

3.2 Risks Relating to KFB Shares

(i) No Prior Market for KFB Shares and Possible Volatility of Share Price

There has been no prior public market for KFB Shares. The IPO Price was determined based upon several factors and may not be an indication of the market price of KFB Shares after the Listing. Refer to Section 2.5 on the basis for the determination of the IPO Price.

A variety of factors may cause the price of KFB Shares to fluctuate, including (without limitation), sales of substantial amounts of KFB Shares in the public market in the immediate future, announcements of developments relating to our Group's business, fluctuations in our Group's operating results and sales levels, general industry conditions or the world-wide economy, announcements of new products or product enhancements by our Group and/or of our competitors and developments in copyright or other intellectual property rights.

(ii) Control by Certain Shareholders

We are controlled by the Promoters, who may be deemed to control 74.10% of our issued and paid-up share capital after the Listing. Consequently, the aforesaid shareholders, if acting in concert, may be able to influence the outcome of certain matters such as the appointment of directors and the approval of business and investments requiring the vote of our shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

Nonetheless, the existence of the Audit Committee, which includes the appointment of two (2) independent non-executive Directors, should effectively help to promote good corporate governance and therefore, represent the interest of the minority shareholders and general public at large.

(iii) Delay in, or Failure of, Listing

The success of the Listing is also exposed to the risk of delay or failure in the event any of the following events occur:

(a) the Underwriting Agreement is terminated based on its terms;

(b) the Underwriter fails to honour its obligations under the Underwriting Agreement; and

(c) we are unable to meet public spread requirements, that is, at least 25% of the total number of shares for which listing is sought must be in the hands of a minimum of 1,000 "public" shareholders holding not less than 100 KFB Shares each.

In the event of the failure of the proposed Listing, we shall reimburse your application monies without interest.

3.3 Other Risks

(i) Political and Economic Conditions

We expect our Group's performance to closely link to the future economic conditions and development in the countries in which we operate and sell our products which in turn, may be affected by local, regional or global political and economic uncertainties, including but not limited to the risks of war, changes in political leadership, changes in interest and foreign exchange rates and method of taxation.

Whilst our Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect our Group.

(ii) Changes to General Economic, Political, Legislative, Business and/or Credit Conditions

As with any other business, our Group's business is subject to the overall economic, political, legislative, business and/or credit condition both domestically and internationally.

Our Group is subject to government rules and regulations, especially those relating to the sale of food and food hygiene. In Malaysia for instance, our Group's operations would need to be consistent with the Food Act 1983, the Consumer Protection Act 1999, the Occupational Safety and Health Act 1994 and other legislation as may be applicable. Any changes in such government regulations may have a negative impact on our Group's business.

Although our Group is currently in compliance with the licensing requirements, our Directors will ensure that our Group will continue to keep abreast with developments in the political, economic, legislative and business environments in order to ensure that these governmental licences, permits and approvals, including food hygiene licences, will be maintained and renewed accordingly. See Section 6.12 of this Prospectus for further details of our Group's licences.

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(iii) Risks in New Geographical Markets

If we are not successful in penetrating new geographical markets, it may lead to an increase in operating costs. Substantial management resources would have been devoted to launch our products and grow our operations in targeted markets. We cannot guarantee that these sales and marketing efforts will be successful or generate significant revenue. Our Group will be subject to further risks when we operate in foreign countries that could affect our financial conditions and operating results, including:

(a) local regulatory requirements;
(b) costs and risks in selling and distributing frozen foods for foreign markets;
(c) fluctuations in currency exchange rates;
(d) an imposition of currency exchange controls;
(e) unexpected change in regulatory requirements; and
(f) poor market acceptance.

Prior to making these decisions, detailed analyses of new target markets will be conducted and evaluated.

(iv) Difficulty in Managing Future Growth

Our Group may expand locally and in the foreign market through direct investments, joint ventures or other corporate exercises. Our Group may require implementation of additional management information systems to further develop our operating, administrative, financial and accounting systems and controls, and maintain close coordination among accounting, finance, marketing, sales, distribution and operations.

As such, our Directors are of the opinion that when necessary, our Group shall develop and enhance the infrastructure necessary to run our Group's operations and any future growth.

(v) Forward-Looking Statements

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The words, such as "believes", "plans", "expects" and similar expressions, are used to identify such forward-looking statements. Our Group believes that the forward-looking statements are reasonable at this point in time.

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