

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold all your ordinary shares in **KNUSFORD BERHAD**, you should at once hand this Circular to the agent through whom the sale was effected for transmission to the purchaser.

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KNUSFORD BERHAD (380100-D)

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

In Relation To

PROPOSED RATIFICATION AND PROPOSED MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Notice of an Extraordinary General Meeting to be held on Wednesday, 30 January 2002 at 11.00 a.m. at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur as set out in this Circular.

A Proxy Form is enclosed which you are urged to complete and return in accordance with the instructions therein as soon as possible so as to arrive at the Registered Office of the Company not later than 48 hours before the time set for holding the meeting. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

This Circular is dated 15 January 2002

KNUSFORD BERHAD

[380100-D]

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Knusford Berhad will be held at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Wednesday, 30 January 2002 at 11.00 a.m. for the purpose of considering and if thought fit, passing the following resolutions:-

ORDINARY RESOLUTION 1:

PROPOSED SHAREHOLDERS' RATIFICATION FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT pursuant to Chapter 10.09 of the Kuala Lumpur Stock Exchange Listing Requirements and Practice Note 12/2001, the Recurrent Related Party Transaction of a revenue or trading nature with the specified classes of Related Parties as stated in paragraph 3.3 of the Circular to Shareholders dated 15 January 2002 which are necessary for the Company and its subsidiaries in their day-to-day operations in the ordinary course of business and made at arms' length basis and on normal commercial terms which are not more favourable than those generally available to the public and are not to the detriment of the minority shareholders from 1 June 2001 to the date of this resolution be and are hereby approved, affirmed and ratified;

AND THAT the Directors of the Company be and are hereby authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary in the interests of the Company or its subsidiaries to give effect to the Proposed Ratification described in the Circular and/or this Resolution."

ORDINARY RESOLUTION 2:

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT authority be and is hereby given pursuant to Chapter 10.09 of the Kuala Lumpur Stock Exchange Listing Requirements for the Company and its subsidiaries to enter into the Recurrent Related Party Transaction of a revenue or trading nature with the related parties as stated in paragraph 3.3 of the Circular to Shareholders dated 15 January 2002 which are necessary for the day-to-day operations, in the ordinary course of business, made on an arms' length basis and on normal commercial terms which are not more favourable than those normally available to the public and are not to the detriment of the minority shareholders;

AND THAT the authority conferred by this Resolution shall commence immediately upon the passing of this resolution and is subject to annual renewal. In this respect the authority shall only continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at that Annual General Meeting;
- (b) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but not extending to such extensions as may be allowed pursuant to section 143(2) of the Companies Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting.”

BY ORDER OF THE BOARD

Lim Thiam Wah, ACIS
Secretary
Kuala Lumpur
15 January 2002

Notes:

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

DEFINITIONS

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

AGM	:	Annual General Meeting
EGM	:	Extraordinary General Meeting
Company	:	Knusford Berhad
Director(s)	:	Director of the Company, including any person who is or was within the preceding 12 months of the date on which the terms of the transaction were agreed upon
Group	:	Knusford Berhad and its subsidiaries
KLSE	:	Kuala Lumpur Stock Exchange
Mandated Related Parties	:	As in paragraph 3.3
Major Shareholder	:	A person who has an interest in one or more voting shares in a company and the nominal amount of that share or the aggregate of the nominal amounts of those shares, is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the company including any person who is or was within the preceding 12 months of the date on which the terms of the transaction were agreed upon, a major shareholder as defined above (or any other company which is its subsidiary or holding company or a subsidiary of its holding company). For the purpose of this definition, “interest in shares” shall have the meaning given in section 6A of the Companies Act 1965.
Proposed RRPT Mandate	:	Proposed mandate for Recurrent Related Party Transactions for the Company and its subsidiaries in its normal course of business, to enter into the transactions set out in paragraph 3.5 below (Recurrent Related Party Transactions) with persons who are considered to be “related parties” as defined in Chapter 10 of the Listing Requirements of the KLSE.
Proposed Ratification	:	The proposed ratification for the Recurrent Related Party Transactions for the Company and its subsidiaries in its normal course of business, entered into from 01 June 2001 to the date of the EGM.
Related Party	:	Director, major shareholder or person connected with such director or major shareholder.
Related Party Transaction	:	A transaction entered into by the Company and its subsidiaries which involves the interest, direct or indirect, of a related party.
RRPT (Recurrent Related Party Transaction)	:	Recurrent transaction of a revenue or trading nature which are necessary for day-to-day operations of the Company and its subsidiaries.

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KNUSFORD BERHAD

[380100-D]

(Incorporated in Malaysia)

Registered Office:

33-35, 2nd Floor, Wisma Ekovest
Jalan Desa Gombak 6, Taman Sri Setapak,
Off Jalan Gombak, 53000 Kuala Lumpur.

15 January 2002

Board of Directors:

**LIM KANG SWEE
ABDUL AZIZ BIN ISMAIL
DATO' LIM KANG HOO
KHOO NANG SENG @ KHOO NAM SENG
AZNAM BIN MANSOR
LIMITS-FEI
DR.WONG KAI FATT**

To: **The Shareholders of Knusford Berhad**

Dear Sir/Madam,

PROPOSED RATIFICATION AND PROPOSED MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Directors propose to seek the approval of Shareholders for a Proposed Ratification and for a Proposed RRPT Mandate for the Company and its subsidiaries in its normal course of business, to enter into transactions set out in paragraphs 3.4 and 3.5 below ("Recurrent Related Party Transactions") with persons who are considered to be "related parties" as defined in Chapter 10 of the Listing Requirements ("Listing Requirements") of the KLSE.

The Company had on 12 December 2001 made the announcement to KLSE pertaining to the above-mentioned Proposed RRPT Mandate.

2. APPROVAL REQUIRED

The purpose of this Circular is to provide Shareholders with details pertaining to the Proposed Ratification and the Proposed RRPT Mandate and to seek shareholders' approval for the resolutions to be tabled at the forthcoming EGM to be convened on Wednesday, 30 January 2002 at 11.00 a.m. at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur.

The Proposed Ratification is sought for all Recurrent Related Party Transactions entered into by the Group with any of the Related Parties from 01 June 2001 until the date of the EGM of the Company.

The Proposed RRPT Mandate will take effect from the date of the passing of the Ordinary Resolution proposed at the EGM of the Company and shall apply in respect of the Recurrent Related Party Transactions entered or to be entered into from and including 30 January 2002 to the next AGM of the Company. Thereafter, approval from Shareholders for a renewal of the Proposed RRPT Mandate will be sought at each subsequent AGM of the Company.

3. DETAILS OF THE PROPOSED RATIFICATION AND THE PROPOSED RRPT MANDATE

3.1 Part E, Chapter 10.09 and 10.08 of the KLSE Listing Requirements

The details of the Recurrent Related Party Transactions of a revenue or trading nature pursuant to Part E, Chapter 10.09, which should be read in conjunction with Chapter 10.08 of the KLSE Listing Requirements to be dealt with at the forthcoming EGM are as follows:

Recurrent Related Party Transactions

Under Part E, Chapter 10.09 of the KLSE Listing Requirements, where related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations such as supplies of materials within group of companies, the listed issuer or its subsidiary(ies) with a related party, the listed issuer may seek a shareholders' mandate in respect of such transactions subject to the following:

- (a) The transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) The shareholders mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders mandate during the financial year;
- (c) Issuing of Circular to shareholders by the listed issuer; and
- (d) The interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolutions approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolutions approving the transactions.

Where the Company has procured shareholders' mandate pursuant to paragraph 10.09(1)(c) of the Listing Requirements of the KLSE, the provisions of paragraph 10.08 of the Listing Requirements shall not apply.

Related Party Transactions

Under Part E, Chapter 10.08 (1) – (4) of the KLSE Listing Requirements, where transactions entered into by the listed issuer or its subsidiary(ies) with a related party, the listed issuer must make an immediate announcements to the KLSE in respect of such transactions and compliance in accordance with the following categories of transactions:

- (a) For a related party transaction where any one of the percentage ratios is equal to or exceeds 5%, the following must be complied with by the listed issuer:
 - (i) Issuing of circular to shareholders;
 - (ii) Obtaining shareholders' approval in general meeting; and
 - (iii) Appointment of independent adviser or expert who is independent of the management and board of directors of the listed issuer which appoints it and free from any business or other relationship which could interfere with the exercise of independent judgment by such adviser or expert.

The independent adviser referred to in (iii) above must be appointed by the listed issuer before terms of the transaction are agreed upon, and it shall be the duty and responsibility of the independent adviser to comment as to whether the transaction is fair and reasonable so far as the shareholders are concerned and whether the transaction is to the detriment of minority shareholders and, such opinion must set out the reasons for, the key assumptions made, and the factors taken into consideration in forming that opinion.

- (b) For a related party transaction where any one of the percentage ratios is equal to or exceeds 25%, the following must be complied with by the listed issuer:
 - (i) A main adviser, which shall be a merchant bank or a member company approved by the Securities Commission to act as an adviser in the same manner as advisers under the Securities Commission's Policies and Guidelines on Issue/Offer of Securities, must be appointed by the listed issuer before terms of transaction are agreed upon, and it shall be the duty and responsibility of the main adviser to:
 - (aa) ensure that such transaction is carried out on fair and reasonable terms and conditions, and not to the detriment of minority shareholders of the listed issuer;
 - (bb) ensure that such transaction complies with the relevant laws/regulations/guidelines, where applicable;
 - (cc) ensure full disclosure of all information required to be disclosed in the announcement and circular; and
 - (dd) confirm to the KLSE and the Securities Commission, after the transaction has been completed and all the necessary approvals have been obtained, that it has discharged its responsibility with due care in regard to the transaction.

- (ii) An independent adviser, which shall be a merchant bank or a member company approved by the Securities Commission to act as an adviser in the same manner as advisers under the Securities Commission's Policies and Guidelines on Issue/Offer of Securities, must be appointed by the listed issuer before terms of the transaction are agreed upon, and it shall be the duty and responsibility of the independent adviser to:
 - (aa) comment as to whether the transaction is fair and reasonable so far as the shareholders are concerned and whether the transaction is to the detriment of minority shareholders and such opinion must set out the reasons for, the key assumptions made and factors taken into consideration in forming that opinion; and
 - (bb) confirm to the KLSE and the Securities Commission of its eligibility to act as an independent adviser within a period of 2 weeks after the announcement of the transaction.

Principal Business

The principal activities of the Company and its subsidiaries are the reconditioning, sale and rental of machinery and equipment and trading in building materials.

3.2 Shareholders' Mandate for Recurrent Related Party Transactions

The Directors are seeking approval from Shareholders for the Proposed RRPT Mandate which will allow the Company and its subsidiaries, in its normal course of business, to enter into the categories of Recurrent Related Party Transaction referred to in paragraph 3.5 below, with the classes of Related Parties set out in paragraph 3.3 below, provided that such transactions, if any, are made at arms' length, on the Company's and its subsidiaries normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public.

The Proposed RRPT Mandate will, if approved by the Shareholders at the EGM, take effect from the date of the EGM until the next Annual General Meeting of the Company and shall apply in respect of the Recurrent Related Party Transactions entered or to be entered into as stipulated in paragraph 3.5 below from and including 30 January 2002 until the next AGM of the Company. Thereafter, approval from Shareholders for a renewal of the Proposed RRPT Mandate will be sought at each subsequent AGM of the Company.

3.3 Classes of Related Parties

The Proposed Ratification and Proposed RRPT Mandate will apply to the following classes of Related Parties:

	Mandated Related Party	Place of Incorporation	Principal Activity
i.	Ekovest Berhad	Malaysia	Investment holding and civil engineering and building works
ii.	Felda Ekovest Sdn Bhd	Malaysia	Civil engineering and building works and trade of quarry stones
iii.	Binawani Sdn Bhd	Malaysia	Civil engineering and building works
iv.	Cekap Anika Sdn Bhd	Malaysia	Civil engineering and building works
v.	Promijaya Sdn Bhd	Malaysia	General contractor
vi.	Pestarena Industri Sdn Bhd	Malaysia	Property investment

3.4 Nature and Extent of the Recurrent Related Party Transactions to be covered by the Proposed Ratification

The Proposed Ratification will cover the Recurrent Related Party Transactions entered into by the Company and its subsidiaries from 01 June 2001 to the date of the EGM. For the information of the shareholders, the amounts in the table below are based on recurrent related party transactions for a period of 6 months from 01 June 2001 to 30 November 2001.

	Types of Transactions	Related Party	Interested Director, Major Shareholder and Person Connected	Value (RM)	
				Charged by Related Party	Charged to Related Party
i.	Sale & rental of machinery & equipment and sale of building materials	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	3,336,015.88	
ii.	Rental of premises	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	57,000.00	
iii.	Sale & rental of machinery & equipment	Binawani Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam bin Mansor	37,499.19	
iv.	Rental of premises	Pestarena Industri Sdn Bhd	Dato' Lim Kang Hoo Lim Kang Swee	156,816.00	
v.	Sale & rental of machinery & equipment and sale of building materials	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor		4,147,611.52
vi.	Sale & rental of machinery & equipment; transportation charges and sale of building material	Felda Ekovest Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor		4,341,955.09
vii.	Sale & rental of machinery & equipment	Cekap Anika Sdn Bhd	Lim Kang Swee		21,920.00
viii.	Sale & rental of machinery & equipment	Promijaya Sdn Bhd	Lim Kang Swee Abdul Aziz Bin Ismail		343.62

3.5 Nature of Recurrent Related Party Transactions to be covered by the Proposed RRPT Mandate and estimated annual value

The type of recurrent Related Party Transactions to be covered by the Proposed RRPT Mandate relates principally to the following and such transactions are necessary for the day-to-day operations and are in the ordinary course of the business of Knusford Berhad and its subsidiaries:

	Types of Transactions	Related Party	Interested Director, Major Shareholder and Person Connected	Estimated Annual Value (RM)	
				Charged by Related Party	Charged to Related Party
i.	Sale & rental of machinery & equipment and sale of building materials	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	5,000,000	
ii.	Rental of premises (a)	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	114,000	
iii.	Sale & rental of machinery & equipment	Binawani Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam bin Mansor	100,000	
iv.	Rental of premises (b)	Pestarena Industri Sdn Bhd	Dato' Lim Kang Hoo Lim Kang Swee	314,000	
v.	Sale & rental of machinery & equipment and sale of building materials	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor		7,500,000
vi.	Sale & rental of machinery & equipment; transportation charges and sale of building material	Felda Ekovest Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor		10,000,000
Vii.	Sale & rental of machinery & equipment	Binawani Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam bin Mansor		50,000
Viii.	Sale & rental of machinery & equipment	Cekap Anika Sdn Bhd	Lim Kang Swee		50,000
ix.	Sale & rental of machinery & equipment	Promijaya Sdn Bhd	Lim Kang Swee Abdul Aziz Bin Ismail		10,000

Note:

*The estimated transaction values are based on the information available at the point of estimation based on projection of the business to be conducted in the coming year after taking into consideration the prevailing market rates. Due to the nature of the transactions, the actual value of the transaction may vary from the estimated value disclosed above. The frequency of the transactions cannot be detailed as the transactions are ongoing and numerous.

- (a) Please refer to Appendix 1, paragraphs 3 (d), (g) and (h) for details.
- (b) Please refer to Appendix 1, paragraphs 3 (f) for details.

3.6 Nature and Extent of Interest

The nature and extent of the interest of the Interested Directors, Major Shareholders and Persons Connected as at 22 December 2001 and as stated in the preceding table are as follows :-

- a. Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng are directors in Ekovest Berhad.
- b. Dato Lim Kang Hoo has a 0.5% direct shareholding in Ekovest Berhad, and has a 35.6% indirect shareholding in Ekovest Berhad through Ekovest Holdings Sdn Bhd.
- c. Khoo Nang Seng @ Khoo Nam Seng has a 4.8% direct shareholding in Ekovest Berhad.
- d. Aznam bin Mansor has a 35.6% indirect shareholding in Ekovest Berhad through Ekovest Holdings Sdn Bhd.
- e. Dato' Lim Kang Hoo is a director of, and major shareholder holding 50.0% of the shares in Pestarena Industri Sdn Bhd.
- f. Lim Kang Swee is a director of, and major shareholder holding 50.0% of the shares in Pestarena Industri Sdn Bhd. He is also a director of, and a major shareholder holding 75.0% of the shares in Cekap Anika Sdn Bhd. He is also a major shareholder holding 29.0% of the shares in Promijaya Sdn Bhd.
- g. Abdul Aziz Bin Ismail is a major shareholder holding 25.5% of the shares in Promijaya Sdn Bhd
- h. Binawani Sdn Bhd is a wholly owned subsidiary of Ekovest Berhad.
- i. Felda Ekovest Sdn Bhd is a subsidiary of Ekovest Berhad.

3.7 Rationale for, and the benefit to, the Group for transacting with Mandated Related Parties

The Company and its subsidiaries relationship with the Mandated Related Parties

The Company and its subsidiaries have a long-standing business relationship of more than 5 years with the Mandated Related Parties. The Mandated Related Parties are both good customers of the Company and its subsidiaries as well as reliable suppliers of raw materials and goods and services required by the Company and its subsidiaries. The raw materials and goods provided by the Mandated Related Parties are priced competitively and all transactions between the Company and its subsidiaries and the Mandated Related Parties are carried out on an arms' length basis and on terms not more favourable to the related parties than those generally available to the public. The raw materials and goods can also be obtained from the Mandated Related Parties even when short notice is given to them, in order to meet the tight deadlines of the Company's business and of its subsidiaries. Although the Company also sources similar raw materials and goods from third parties, the Company would like to seek approval for the Proposed Ratification and Proposed RRPT Mandate as the close co-operation between the Company and the Mandated Related Parties has reaped mutual benefits and has been and is expected to continue to be of benefit to the business of the Company and its subsidiaries. Further, the Company and its subsidiaries can enjoy the lowest cost through bulk purchase arrangement.

The benefit of the Proposed RRPT Mandate

The obtaining of the proposed RRPT Mandate and the renewal of the Proposed RRPT Mandate on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when the potential Recurrent Related Party Transactions with a Mandated Related Party arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and/or adversely affecting the business opportunities available to the Company and its subsidiaries.

The Proposed RRPT Mandate is intended to facilitate transactions in the normal course of business of the Company and its subsidiaries which are transacted from time to time with the Mandated Related Parties, provided that they are carried out at arms' length and on the Company and its subsidiaries' normal commercial terms and are not prejudicial to Shareholders and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

Disclosure will be made in the annual report of the Company including a breakdown of the aggregate value of Recurrent Related Party Transactions conducted pursuant to the Proposed Ratification and Proposed RRPT Mandate during the current financial year, and in the annual reports of the subsequent financial years during which a shareholders' mandate is in force. The annual report will contain the following types of information:

- (a) the type of the Recurrent Related Party Transactions conducted; and
- (b) the names of the Related Parties involved in each type of the Recurrent Related Party Transactions conducted and their relationship with the listed issuer.

3.8 Review Methods or Procedures for Recurrent Related Party Transactions

There are procedures established by the Company and its subsidiaries to ensure that Related Party Transactions are undertaken on an arms' length basis and on the Company's and its subsidiaries normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public, consistent with the Company's and its subsidiaries usual business practices and policies, which are generally no more favourable to the Mandated Related Parties than those extended to unrelated third parties and are not to the detriment of the minority shareholders.

The Company will implement the following procedures to supplement existing internal procedures for general transactions to ensure that the Recurrent Related Party Transactions are undertaken on an arms' length basis and on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public.

- (i) A list of the Mandated Related Parties will be circulated to the Company's subsidiaries to notify them that all Recurrent Related Party Transactions are required to be undertaken on an arms' length basis and on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public;
- (ii) All Recurrent Related Party Transactions will be reviewed by a management committee comprising at least one (1) executive director and one (1) senior management staff;
- (iii) The annual internal audit plan shall incorporate a review of all Recurrent Related Party Transactions entered into pursuant to the Proposed RRPT Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;
- (iv) The Board and the Audit Committee have reviewed the procedures and shall continue to review the procedures as and when required, with the authority to sub delegate to individuals or committees within the Company as they deem appropriate.
- (v) Quotations will be taken to gather information to compare the price quote by third parties and Related Parties for the purpose of determining the competitive market price of materials and goods. It is our policy to purchase material or goods from related parties when the prices are competitive with prices obtained from third parties. Other factors such as reliability of supply, delivery, services and quality of materials or goods will also be taken into consideration for evaluation purposes.

3.9 Audit Committee's Statements

The Audit Committee will review the relevant Recurrent Related Party Transactions and also review the established guidelines and procedures to ascertain that they have been complied with. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are not sufficient to ensure that the Recurrent Related Party Transactions will be done on the Company's and its subsidiaries normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and will be prejudicial to the Shareholders, the Company will revert to the Shareholders for a fresh mandate based on new guidelines and procedures immediately, and in any case before the next transaction is entered into.

The Audit Committee (comprising Lim Ts-Fei, Abdul Aziz Bin Ismail, Dr. Wong Kai Fatt) has reviewed the terms of the Proposed RRPT Mandate, and is satisfied that the review procedures for Recurrent Related Party Transactions, as well as the periodic reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that the Recurrent Related Party Transactions will be made with the relevant classes of Related Party in accordance with the Company's and its subsidiaries' normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and hence, not prejudicial to the Shareholders, nor disadvantageous to the Company and its subsidiaries and are not to the detriment of the minority shareholders.

4. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

The following are Directors' Shareholdings and Major Shareholders' Shareholdings in the Company as at 22 December 2001.

4.1 DIRECTORS' SHAREHOLDINGS

	Name	Direct Shareholdings	%	Indirect Shareholdings*	%
1.	Lim Kang Swee	10,004,000	13.52	-	-
2.	Abdul Aziz Bin Ismail	10,000	0.01	41,910,000	56.60
3.	Dato' Lim Kang Hoo	465,749	0.63	41,910,000	56.60
4.	Khoo Nang Seng @ Khoo Nam Seng	4,485,000	6.06	-	-
5.	Aznam Bin Mansor	8,000	0.01	41,910,000	56.60
6.	Lim Ts-Fei	10,000	0.01	-	-
7.	Dr. Wong Kai Fatt	10,000	0.01	-	-
	TOTAL	14,992,749	20.25		

4.2 MAJOR SHAREHOLDERS' SHAREHOLDINGS

	Name	Direct Shareholdings	%	Indirect Shareholdings*	%
1.	Kinston Park Sdn Bhd	25,142,438	33.96	-	-
2.	Alliance Merchant Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Kinston Park Sdn Bhd	16,767,562	22.65	-	-
3.	Lim Kang Swee	6,404,348	8.65	-	-
4.	Alliance Merchant Nominees (Tempatan) Sdn Bhd – Pledged Securities A/c for Lim Kang Swee	3,599,652	4.86	-	-
5.	Khoo Nang Seng @ Khoo Nam Seng	2,694,724	3.64	-	-
6.	Alliance Merchant Nominees (Tempatan) Sdn Bhd – Pledged Securities A/c for Khoo Nang Seng @ Khoo Nam Seng	1,790,276	2.42	-	-
7.	Maybank Securities Nominees (Tempatan) Sdn Bhd – Pledged Securities A/c for Dato' Lim Kang Hoo	455,749	0.62	-	-
8.	Abdul Aziz Bin Ismai	10,000	0.01	41,910,000	56.60
9.	Aznam Bin Mansor	8,000	0.01	41,910,000	56.60
10.	Dato' Lim Kang Hoo	10,000	0.01	41,910,000	56.60
11.	Dato' Haji Mohamed Moiz Bin J. M. Ali Moiz	10,000	0.01	41,910,000	56.60
	TOTAL	56,892,749	76.84		

* Deemed interest by virtue of their shareholding in Kinston Park Sdn Bhd.

4.3 Statements in relation to Interested Parties

- (a) The following interested directors (by virtue of their direct and indirect interest) have abstained and will abstain at all board meetings from all deliberations and voting on the Proposed Ratification and Proposed RRPT Mandate:
- i. Lim Kang Swee
 - ii. Abdul Aziz Bin Ismail
 - iii. Dato' Lim Kang Hoo
 - iv. Khoo Nang Seng @ Khoo Nam Seng
 - v. Aznam Bin Mansor

The aforesaid interested directors shall accordingly also abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution vis-à-vis the Proposed Ratification and Proposed RRPT Mandate to be tabled at the forthcoming EGM.

- (b) The following interested major shareholders and interested persons connected to a director or major shareholder will abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution vis-à-vis the Proposed Ratification and Proposed RRPT Mandate to be tabled at the forthcoming EGM:
- i. Lim Kang Swee
 - ii. Abdul Aziz Bin Ismail
 - iii. Dato' Lim Kang Hoo
 - iv. Khoo Nang Seng @ Khoo Nam Seng
 - v. Aznam Bin Mansor
 - vi. Dato' Haji Mohamed Moiz Bin J. M. Ali Moiz
 - vii. Kinston Park Sdn Bhd
- (c) Further the said directors and major shareholders have undertaken that persons connected with them will abstain from voting on the resolution pertaining to the Proposed Ratification and Proposed RRPT Mandate at the EGM.

5. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Ratification and Proposed RRPT Mandate, are of the opinion that they are in the best interest of the Company and accordingly, the Directors save and except for Lim Kang Swee, Abdul Aziz Bin Ismail, Dato' Lim Kang Hoo, Khoo Nang Seng @ Khoo Nam Seng, and Aznam Bin Mansor, who are deemed interested in the Proposed Ratification and Proposed RRPT Mandate recommend that you vote in favour of the resolutions pertaining to the Proposed Ratification and Proposed RRPT Mandate to be tabled at the forthcoming EGM.

6. EXTRAORDINARY GENERAL MEETING

The EGM, the notice of which is enclosed in this Circular will be held on Wednesday, 30 January 2002 at 11.00 a.m. at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur for the purpose of considering and, if thought fit, passing the resolution so as to give effect to the Proposed RRPT Mandate.

If you are unable to attend and vote in person at the EGM, you are requested to complete and return the Proxy Form in accordance with the instructions therein as soon as possible so as to arrive at the Registered Office of the Company not less than forty-eight (48) hours before the time set for the EGM. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

7. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendice contained in this Circular for further information.

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

LIM TS-FEI

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. MATERIAL LITIGATION

Neither the Company nor its subsidiaries is engaged in any material litigation claims or arbitration, either as a plaintiff or defendant, and the Directors are not aware of any proceedings, pending or threatened against the Company and its subsidiaries or any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company and its subsidiaries.

3. MATERIAL CONTRACTS

Save as disclosed below, the Company and its subsidiaries have not entered into any contract which is material, during the two (2) years preceding the date of this Circular other than contracts entered into in the ordinary course of business.

- (a) Conditional Underwriting Agreement dated 13 February 2001 between the Company and Alliance Merchant Bank Berhad, BBMB Securities Sdn Bhd, Maybank Securities Sdn Bhd, K & N Kenanga Berhad and MIDF Consultancy and Corporate Services Sendirian Berhad for the underwriting of 9,539,000 Public Issue Shares which are available for application by the Malaysian public. Alliance Merchant Bank Berhad as the Managing Underwriter has further conditionally agreed to underwrite the Public Issue Shares made available for application by the eligible directors and employees of the Group but which are not taken up. Underwriting commission is payable at the rate of 1.25% of the Issue Price of RM1.60 per Public Issue Share;
- (b) Shares Acquisition Agreement dated 27 November 2000 between the Company and the shareholders of Wengcon Holdings Sdn Bhd for the acquisition by the Company of the entire issued and paid-up share capital of Wengcon Holdings Sdn Bhd comprising 5,800,000 ordinary shares of RM1.00 each for a total consideration of RM28,721,314 fully satisfied by the issue of 24,975,055 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.15 per share;
- (c) Shares Acquisition Agreement dated 27 November 2000 between the Company and the shareholders of Wengcon Equipment Sdn Bhd for the acquisition by the Company of the entire issued and paid-up share capital of Wengcon Equipment Sdn Bhd comprising 500,000 ordinary shares of RM1.00 each for a total consideration of RM29,171,068 fully satisfied by the issue of 25,366,146 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.15 per share;
- (d) Tenancy Agreement between Ekovest Berhad (Landlord) and Wengcon Holdings Sdn Bhd (Tenant) dated 1 December 1999 for No. 33-35 (front portion of 1st Floor), Wisma Ekovest, Jalan 6/50A, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur at rental of RM5,000 per month for one (1) year from 20 November 1999 to 19 November 2000. The tenancy period was mutually agreed by both parties on 17 November 2000 to be extended for a further period of one (1) year on the same terms and conditions;
- (e) Tenancy Agreement between Wengcon Holdings Sdn Bhd (Landlord) and Kejuruteraan Sahabatjaya Sdn Bhd (Tenant) dated 1 December 1999 for Lot 3658, Jalan Air Jerneh, Setapak, 53300 Kuala Lumpur at rental RM23,500 per month for one (1) year from 1 December 1999 to 30 November 2000. The tenancy period was mutually agreed by both parties on 17 November 2000 to be extended for a further period of one (1) year on the same terms and conditions;

- (f) Tenancy Agreement between Pestarena Industri Sdn Bhd (Landlord) and Wengcon Holdings Sdn Bhd (Tenant) dated 1 December 1999 for No. 8, Jalan Kecapi 33/2, Seksyen 33, Shah Alam, Selangor Darul Ehsan held under Lot 13, Grant 36008, Lot 57664 Mukim and District of Kelang, Selangor Darul Ehsan at rental RM26,136 per month for one (1) year from 1 December 1999 to 30 November 2000. The tenancy period was mutually agreed by both parties on 17 November 2000 to be extended for a further period of one (1) year on the same terms and conditions;
- (g) Tenancy Agreement between Ekovest Berhad (Landlord) and Wengcon Marketing Sdn Bhd (Tenant) dated 15 November 2000 for the premises bearing the address of No. 33-35, 1st Floor, Wisma Ekovest, Jalan 6/50A, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur (back portion of the 1st Floor) at rental of RM3,000 per month for one year from 15 November 2000 to 14 November 2001;
- (h) Tenancy Agreement between Ekovest Berhad (Landlord) and Wengcon Equipment Sdn Bhd (Tenant) dated 15 November 2000 for the premises bearing the address of MDLD 1448, Blok D, Hope Lay Industrial Building, Jalan Dam, 91100 Lahad Datu, Sabah at rental of RM1,500 per month for two (2) years from 15 November 2000 to 14 November 2002;
- (i) Contract Agreement dated 7 February 1990 between Felda Engineering Services Sdn Bhd and Wengcon Equipment Sdn Bhd for the supply and rental of equipment, provision of labour and transportation services for a period of three (3) years with an option to extend for another two (2) years. This agreement has been further extended for a period of three (3) years to 6 February 1998 (with an option to extend up to 6 February 2000). There is a further extension for a period of three (3) years from 7 February 2000 to 6 February 2003 together with an option to extend for another two (2) years (subject to a review of the existing terms);
- (j) Settlement Agreement dated 1 November 2001 between Knusford Berhad and Pembinaan Sahabatjaya Sdn Bhd (219325 V) wherein it was agreed that an amount of RM17,600,000-00 being part of an amount of more than RM20,000,000-00 owed by Pembinaan Sahabatjaya Sdn Bhd to Knusford Berhad's Group of Companies be settled through the sale of a piece of freehold land belonging to D-Hill Sdn Bhd (353024 U), a wholly owned subsidiary of Pembinaan Sahabatjaya Sdn Bhd; and
- (k) Pursuant to the Settlement Agreement referred to in (j) above, Knusford Berhad nominated its wholly owned subsidiary, Wengcon Equipment Sdn Bhd to enter into a Sale and Purchase Agreement dated 1 November 2001 with D-Hill Sdn Bhd for the acquisition of a piece of freehold land held under Geran No. Hakmilik 44582 Lot 2259 Mukim Semenyih Daerah Ulu Langat in the state of Selangor measuring approximately 37.537 hectares, free from encumbrances and restrictions, for a consideration of RM17,600,000-00 and is to be satisfied in full by way of contra against part of the debt owing by Pembinaan Sahabatjaya Sdn Bhd to Knusford Berhad's Group of Companies.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at 33-35, 2nd Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM.

- i. The Memorandum and Articles of Association of the Company.
- ii. The Audited Accounts of Knusford Berhad for the two (2) years ended 31 December 2000
- iii. The material contracts referred to above
- iv. The latest unaudited quarterly result as at 30 September 2001.

KNUSFORD BERHAD

[380100-D]

(Incorporated in Malaysia)

PROXY FORM

Number of Shares Held	
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I/We _____
(Please use Block Letter)

of _____

being a member of Knusford Berhad, hereby appoints _____

of _____

as my/our proxy to attend and vote on my/our behalf at the Extraordinary General Meeting to be held on Wednesday, 30 January 2002 at 11.00 a.m. at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur or at any adjournment thereof.

(Please indicate with an "X" in the appropriate spaces provided below how you wish your vote to be cast. If you do not do so, your proxy shall vote as he thinks fit, or at his discretion, abstain from voting)

ORDINARY RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1: PROPOSED SHAREHOLDERS' RATIFICATION FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE		
Ordinary Resolution 2: PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE		

Dated this _____ day of _____ 2002

Signature of Member / Seal

Notes:

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

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AFFIX
30 sen
STAMP

The Company Secretary

KNUSFORD BERHAD [380100-D]

33-35, 2nd Floor, Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur.

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