

**This Circular contains important information for your immediate attention.**

If you are in any doubt as to what action you should take, please consult an appropriate independent professional adviser. If you have sold or transferred all or any of your ordinary shares in **KNUSFORD BERHAD** (KB or Company), you should send this Circular to the stockbroker, or whoever that arranged for the sale or transfer, for transmission to the purchaser or transferee.

The approval of the Securities Commission (SC) should not be taken to indicate that the SC recommends the Proposals as set out in this Circular. Shareholders should rely on their own evaluation to assess the merits and demerits of the Proposals.

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## **KNUSFORD BERHAD**

(Company No.: 380100-D)

(Incorporated in Malaysia under the Companies Act, 1965)

### **CIRCULAR TO SHAREHOLDERS**

**in relation to the**

- **Proposed private placement of up to 22,212,000 new ordinary shares of RM1.00 each in Knusford Berhad (KB) representing approximately 30% of the existing issued and paid-up share capital of KB; and**
- **Proposed employees' share option scheme**

**and**

**Notice of Extraordinary General Meeting**

**Adviser**



**SOUTHERN  
Investment Bank**

**Southern Investment Bank Berhad** (169955-T)

The Notice convening the Extraordinary General Meeting (EGM) of the Company to be held at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Wednesday, 29 January 2003 at 2.30 p.m. together with the Proxy Form are enclosed herein.

As a shareholder, you can appoint a proxy or proxies to attend and vote on your behalf. You must complete and deposit the Proxy Form at the Registered Office of the Company at **33-35, 2<sup>nd</sup> Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur** on or before the date and time indicated below. You are not precluded from attending and voting in person at the EGM should you wish to do so subsequent to the lodging of the Proxy Form.

Last day and time for lodging the Proxy Form	: Monday, 27 January 2003 at 2.30 p.m.
Date and time of the EGM	: Wednesday, 29 January 2003 at 2.30 p.m.

This Circular is dated 15 January 2003

## **Abbreviations**

In this Circular, the words and phrases below, unless the context otherwise requires, shall bear the meanings assigned next to them:

<b>Abbreviations</b>	<b>Meanings</b>
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### **Companies / Persons**

Board	:	Board of Directors
HPDSB	:	Hi-Plus Development Sdn Bhd
KB or the Company	:	Knusford Berhad
KB Group or the Group	:	KB and its subsidiaries, collectively
MCD	:	Malaysian Central Depository Sdn Bhd
SIBB	:	Southern Investment Bank Berhad
STSB	:	Segi Tiara Sdn Bhd
WEQSB	:	Wengcon Equipment Sdn Bhd
WHSB	:	Wengcon Holdings Sdn Bhd
WMCSB	:	Wengcon Machinery Sdn Bhd
WMKSB	:	Wengcon Marketing Sdn Bhd

### **Proposals**

Bye-Laws	:	The Bye-Laws of the Scheme, as amended from time to time
Eligible Employee	:	An employee or Executive Director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 of the Bye-Laws
ESOS	:	Employees' share option scheme
Executive Director	:	A Director of KB or any of its subsidiaries (other than a subsidiary which is dormant) who is on the payroll and who is involved in the day-to-day management of any company which is not dormant in the KB Group
Offer	:	An offer made in writing by the Options Committee to an Eligible Employee to subscribe for new KB Shares in the manner indicated in Clause 5 of the Bye-Laws
Option	:	The right of an Option Holder to subscribe for new KB Shares pursuant to a contract constituted by the acceptance of an Offer by an Eligible Employee, in the manner indicated in Clause 8 of the Bye-Laws
Options Committee	:	The committee duly appointed and authorised by the KB Board to administer the Scheme
Option Holder	:	An Eligible Employee who has accepted an Offer or any part thereof in the manner provided in Clause 8 of the Bye Laws
Option Period	:	The period commencing on the Offer Date and expiring at the end of the period provided for in Clause 19 of the Bye-Laws or in event of a termination of the Scheme, the date of termination of the Scheme
Proposals	:	Proposed Private Placement and Proposed ESOS, collectively

**Abbreviations****Meanings**

Proposed ESOS or Scheme	:	Proposed ESOS of up to ten percent (10%) of the issued and paid-up share capital of KB for the Eligible Employees and Executive Directors of the KB Group (other than a subsidiary which is dormant)
Proposed Private Placement	:	The proposed private placement of up to 22,212,000 new KB Shares representing approximately 30% of the existing issued and paid-up share capital of KB
Subscription Price	:	The price at which an Option Holder shall be entitled to subscribe for new KB Shares as set out in Clause 7 of the Bye-Laws

**Securities**

Placement Shares	:	Up to 22,212,000 new KB Shares to be issued pursuant to the Proposed Private Placement
KB Share(s) or Share(s)	:	Ordinary share(s) of RM1.00 each in KB

**Relevant Dates**

Entitlement Date	:	The date as at the close of business on which the shareholders must be registered in order to be entitled to any dividends, rights, allotments and/or other distributions
Offer Date	:	The date on which an Offer (including any subsequent Offer) is made by the Options Committee to an Eligible Employee to participate in the Scheme

**Authorities / Regulations**

Act	:	Companies Act, 1965 as amended from time to time and any re-enactment thereof
FIC	:	Foreign Investment Committee
KLSE	:	Kuala Lumpur Stock Exchange
MITI	:	Ministry of International Trade and Industry
SC	:	Securities Commission
SC Guidelines	:	SC's Policies and Guidelines on Issue/Offer of Securities

**Financial Term**

NTA	:	Net tangible assets
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**Others**

CDS	:	Central Depository System
EGM	:	Extraordinary General Meeting
Market day	:	Any day between Monday and Friday (inclusive) which is not a public holiday and on which the KLSE is open for trading in securities
Record of Depositors	:	A record provided by MCD to the Company under Chapter 24.0 of its rules including any amendments thereof issued by MCD
RM and sen	:	Ringgit Malaysia and sen, respectively

We have inserted headings and sub-headings in this Circular for convenience of reference only.

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# **KNUSFORD BERHAD**

## **KNUSFORD BERHAD**

(Company No.: 380100-D)

(Incorporated in Malaysia under the Companies Act, 1965)

### **Registered Office:**

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

15 January 2003

### **Board of Directors:**

Lim Kang Swee (*Managing Director*)  
Abdul Aziz Bin Ismail (*Executive Director*)  
Dato' Lim Kang Hoo (*Executive Director*)  
Khoo Nang Seng @ Khoo Nam Seng (*Executive Director*)  
Aznam Bin Mansor (*Non-Executive Director*)  
Lim Ts-Fei (*Independent and Non-Executive Director*)  
Dr Wong Kai Fatt (*Independent and Non-Executive Director*)  
Chan Seng Chow (*Independent and Non-Executive Director*)

**To: The Shareholders of Knusford Berhad**

Dear Sir / Madam

- **Proposed private placement of up to 22,212,000 new ordinary shares of RM1.00 each in Knusford Berhad (KB) representing approximately 30% of the existing issued and paid-up share capital of KB; and**
- **Proposed employees' share option scheme**

### **1. Introduction**

On 7 June 2002, SIBB had on behalf of the KB Board announced the following proposals:

- (i) Proposed private placement of 22,212,000 new KB Shares representing approximately 30% of the existing issued and paid-up share capital of KB; and
- (ii) Proposed establishment of an employees' share option scheme of up to ten percent (10%) of the issued and paid-up share capital of KB for the eligible employees and executive directors of the KB Group (other than a subsidiary which is dormant).

The purpose of this Circular is to provide you with the relevant information on the Proposals, to set out your Board's recommendation on the Proposals and to seek your approval for the resolutions to be tabled at the forthcoming EGM to be convened at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur, on Wednesday, 29 January 2003, at 2.30 p.m. The Notice of EGM together with the Proxy Form is enclosed in this Circular.

The MITI had, on 23 October 2002, approved the Proposed Private Placement, subject to the approvals being obtained from the FIC and SC.

On 15 November 2002, the FIC had approved the Proposed Private Placement, subject to at least 30% of the Placement Shares is to be placed out to Bumiputera investors and for the FIC to be informed of the names of such Bumiputera investors and the number of Placement Shares placed out to them.

The SC had, vide its letter dated 3 December 2002, approved the following proposals:

- (i) Proposed Private Placement;
- (ii) Proposed ESOS; and
- (iii) Listing of and quotation for the new KB Shares to be issued pursuant to the Proposals on the KLSE.

The approval of the SC is conditional upon the following conditions:

- (i) SIBB/Independent placement agent is required to submit to the SC the final list of placees and written confirmation that the Proposed Private Placement has been implemented in compliance with the revised SC Guidelines on private placement issued on 3 September 2001;
- (ii) SIBB/KB is required to inform the SC on the actual total number of KB Shares issued pursuant to the Proposed Private Placement, the issue price of the Placement Shares and the actual proceeds raised;
- (iii) SIBB/KB is required to fully comply with the relevant requirements of the SC Guidelines on the utilisation of proceeds arising from the Proposed Private Placement, including the requirement for the placees to give their undertaking that they would not dispose of their Placement Shares for a period of six (6) months after the date of listing of their Placement Shares, if the issue price of the Placement Shares is fixed at a discount of not more than ten percent (10%) from the five (5)-day weighted average market price of KB Shares prior to the price-fixing date;
- (iv) KB is required to provide an undertaking that no new Options will be granted should the Company undertakes a proposed share buy-back that results in the total Options being granted under the Proposed ESOS exceeds the maximum of ten percent (10%) of the issued and paid-up share capital of KB; and
- (v) The following is required to be submitted to the SC in relation to the Proposed ESOS of KB:
  - (a) Final copy of the Bye-Laws;
  - (b) A confirmation letter from SIBB stating that:
    - All conditions of the SC's approval have been fulfilled and that the Bye-Laws is not contravening the SC Guidelines on ESOS; and
    - The said ESOS has been approved by all relevant authorities and has complied with the conditions imposed, if any.

## **2. The Proposals**

### **2.1 Proposed Private Placement**

The Proposed Private Placement will involve the allotment and issuance of up to 22,212,000 new KB Shares representing approximately 30% of the existing issued and paid-up share capital of KB based on the following salient terms as set out below:

#### **(i) Placees**

At present, the Company is still in the midst of identifying potential placees to subscribe for the Placement Shares and KB will appoint an independent placement agent for the Proposed Private Placement.

The KLSE has already prescribed KB Shares, which are listed on the Official List of the Main Board of the KLSE, to be deposited with the MCD. Accordingly, any dealings in the new KB Shares arising from the Proposed Private Placement which are prescribed securities under the CDS will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of the MCD. The KB Shares to be issued pursuant to the Proposed Private Placement will be credited directly into the respective CDS accounts of the placees and notice of allotment will be despatched to the placees. No physical certificate will be issued.

#### **(ii) Pricing of Placement Shares**

As the Proposed Private Placement exceeds ten percent (10%) of the existing issued and paid-up share capital of KB, the Company will seek to ensure that:

- (a) the Placement Shares are not placed out to non-independent directors or substantial shareholders of the Company, or to any person connected with the non-independent directors or substantial shareholders of the Company; and
- (b) the placees give an undertaking to the SC that they would not dispose of their Placement Shares for a period of up to six (6) months after the listing of their Placement Shares,

to enable the Company to fix the issue price for the Placement Shares at a discount of not more than ten percent (10%) from the five (5)-day weighted average market price of KB Shares prior to the price-fixing date in accordance with the SC Guidelines.

#### **(iii) Ranking of the Placement Shares**

The Placement Shares, shall upon, allotment and issue, rank *pari passu* in all respects with the existing KB Shares except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared or paid prior to the date of allotment of the Placement Shares.

## **2.2 Proposed ESOS**

The principal features of the Proposed ESOS, which are set out in the Bye-Laws as enclosed in Appendix II of this Circular, are as follows:

### **(i) Total number of new KB Shares available under the Scheme**

The total number of new KB Shares which may be made available under the Scheme shall not exceed ten percent (10%) (or such other higher percentage as may be permitted by the relevant regulatory authorities) of the total issued and paid-up share capital of the Company at any time during the existence of the Scheme as referred to in Clause 3 of the Bye-Laws.

### **(ii) Eligibility and allocation criteria**

The Options Committee has the discretion to determine the allocation criteria of the new KB Shares to any employee (including the Executive Directors) of the Group in respect of their participation in the Scheme.

Any employee (including Executive Directors) of the KB Group shall be eligible to participate in the Scheme, if as at the Offer Date, the employee:

- (a) has attained the age of eighteen (18) years; and
- (b) is employed full time by and on the payroll of a company within the KB Group.

In the case of the Executive Directors of KB, their specific entitlements under the Scheme shall be approved by the shareholders of the Company in a general meeting.

Eligibility, however, does not confer on an Eligible Employee a claim or right to participate in the Scheme unless an Offer has been made in writing by the Options Committee to the Eligible Employee in the manner as set out in Clause 5 of the Bye-Laws.

In the event that any Eligible Employee holds more than one position with the Group, and by reason of the holding of such position is an Eligible Employee in more than one category, the Options Committee shall be entitled at its discretion to determine the applicable category.

### **(iii) Offer by the Options Committee**

The Options Committee shall, within the duration of the Scheme as set out in Clause 19 of the Bye-Laws, make Offers to any Eligible Employees whom the Options Committee may in its discretion select to subscribe for new KB Shares.

The actual number of KB Shares which may be offered to an Eligible Employee under an Option shall be at the discretion of the Options Committee and, subject to any adjustments that may be made under Clause 15 of the Bye-Laws, shall not be less than one thousand (1,000) KB Shares and shall always be in multiples of one thousand (1,000) KB Shares.

Subject always to Clause 3 of the Bye-Laws, nothing herein shall prevent the Options Committee from making more than one Offer to any Eligible Employee provided always that the total aggregate number of KB Shares to be so offered to any Eligible Employees (inclusive of KB Shares previously offered under the Scheme, if any) shall not exceed the maximum entitlement of the Eligible Employees as set out in Clause 6 of the Bye-Laws.



The Offer shall automatically lapse and be null and void in the event of the death of the Eligible Employee or the Eligible Employee ceasing to be employed by the KB Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 8 of the Bye-Laws.

Each Offer shall be made in writing and is personal to the Eligible Employee and is non-assignable.

**(iv) Subscription Price**

The price at which the Option Holder is entitled to subscribe for each new KB Share may be at a discount of not more than ten percent (10%) (if deemed appropriate by the Options Committee) from the five (5)-day weighted average market price of KB Shares as at the Offer Date subject to such adjustments in accordance with Clause 15 of the Bye-Laws, provided that the Subscription Price shall in no event be less than the par value of the KB Shares.

**(v) Acceptance of the Offer**

Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) only or such other amount as may be determined at the discretion of the Options Committee as non-refundable consideration for the Option.

**(vi) Exercise of Options**

Subject to Clause 9 of the Bye-Laws, an Option can be exercised by the Option Holder by notice in writing to the Company during the Option Period in respect of all or any part of the KB Shares comprised in the Option, such part being in multiples of one thousand (1,000) KB Shares. Such partial exercise of an Option shall not preclude the Option Holder from exercising the Option in respect of the balance of the KB Shares comprised in the Option within the Option Period.

**(vii) Rights attaching to the new KB Shares**

The new KB Shares to be allotted upon any exercise of the Options shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of RM1.00 each of the Company and subject to all the provisions in the Articles of Association of the Company save and except that the new KB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions declared or paid to shareholders prior to the date of allotment of the new KB Shares.

**(viii) Duration and conditions of the Scheme**

The Scheme shall be in force for a period of five (5) years commencing from the date of the confirmation letter submitted by KB's adviser for the Scheme to the SC that the Company has:

- (a) fulfilled the SC's conditions of approval for the Scheme and that the Bye-Laws do not contravene the guidelines on ESOS as stipulated under the SC Guidelines; and
- (b) obtained other relevant approvals for the Scheme and has fulfilled any conditions imposed therein.

The Options Committee may recommend to the KB Board who shall have the power at any time prior to the expiry of the existing Scheme to extend the ESOS for a further period of up to five (5) years. The extension period shall commence on the day following the expiry of the existing Scheme. Such extension of the Scheme shall be at the sole discretion of the KB Board and the renewed Scheme shall be valid and binding without further obtaining the approvals of the shareholders of the Company in a general meeting and the authorities mentioned in Bye-Law 19.1 Provided Always that the Company shall notify the Option Holder and/or make necessary announcements to any and/or all the relevant authorities of such extension within thirty (30) days prior to the expiry of the existing Scheme.

**(ix) Maximum entitlement**

Subject to any adjustments which may be made under Clause 15 of the Bye-Laws, the maximum number of new KB Shares that may be offered to an Eligible Employee shall be determined at the discretion of the Options Committee after taking into consideration the performance, seniority and length of service of the Eligible Employees, subject to the following:

- (a) not more than fifty percent (50%) of the new KB Shares available under the Scheme should be allocated, in aggregate, to the Executive Directors and senior management of the KB Group; and
- (b) not more than ten percent (10%) of the new KB Shares available under the Scheme should be allocated to any Eligible Employee, who either singly or collectively through his or her associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company.

**(x) Termination of the Options in the event of liquidation**

In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse.

**(xi) Retention Period**

An Option Holder may deal with the new KB Shares allotted and issued to him in any way he pleases without any retention period or restriction of transfer. However, Option Holders are encouraged to hold the new KB Shares as investments rather than to realise immediate gain from their disposal.

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### 3. Utilisation of Proceeds

#### 3.1 Proposed Private Placement

Assuming an issue price of RM1.61 per share for the Proposed Private Placement, which is at a discount of ten percent (10%) from the five (5)-day weighted average market price of KB Shares up to 6 June 2002, being the last trading day prior to the date of announcement of the Proposals on 7 June 2002, of RM1.79, the minimum amount expected to be raised through the Proposed Private Placement (assuming none of the Options are exercised under the Proposed ESOS) is RM35,761,320. The expenses and fees incidental to the Proposals are estimated at RM720,000. As a result, the net proceeds of the Proposed Private Placement accruing to KB is estimated at RM35,041,320.

The proposed utilisation of the gross proceeds arising from the Proposed Private Placement is as follows:

	RM
Acquisition of machinery and equipment for reconditioning, sale and rental purposes *	25,000,000
Working capital	10,041,320
Estimated expenses	720,000
Total (up to)	<b>35,761,320</b>

Note:

\* The Group intends to allocate RM25 million to purchase heavy machinery and equipment, such as backhoe, backpusher, bulldozer, excavator, dump truck, mixer truck, motor grader, road paver, tower crane, tandem roller, tyre roller, vibrator roller, and wheel loader, for the purpose of reconditioning, sale and rental.

The Company proposes to utilise the proceeds arising from the Proposed Private Placement within twelve (12) months from the date of listing of the Placement Shares.

#### 3.2 Proposed ESOS

Utilisation of proceeds arising from the Proposed ESOS has yet to be determined by the KB Board in view that it is dependent upon the quantum raised from the exercise of Options, which in turn is dependent upon the actual number of Options granted and exercised at any point in time as well as the price payable upon the exercise of the Options.

### 4. Rationale for the Proposals

#### 4.1 Proposed Private Placement

The KB Group is involved in the reconditioning business where the Group undertakes the reconditioning of light, medium and heavy machinery and equipment for the purposes of subsequent sale and rental. The KB Group's clientele is based in the construction, agriculture, oil and gas and industrial sectors.

Pursuant to the Proposed Private Placement, the Group is proposing to raise funds to acquire additional machinery and equipment for reconditioning, sales and rental, and for working capital purposes. The KB Board has assessed the operating environment of the KB Group and is confident of the long term prospects of the Group in view of the expected gradual recovery of the Malaysian economy which is backed by a series of fiscal and monetary measures introduced by the Government, such as the two (2) fiscal stimulus packages with a total value of RM7.3 billion to help boost the economy (*Source: 2002 Budget*).

In line with the expected recovery, the demand for machinery and equipment is expected to rise in tandem with the growth of the various sectors in which the KB Group is involved. The proposed acquisition of machinery and equipment would enable the KB Group to position itself to benefit from the anticipated increase in demand for machinery and equipment in the future. Hence, the Proposed Private Placement represents a strategic effort of the Group to strengthen its stream of income and hence, maintain its position in the reconditioning industry in Malaysia.

#### **4.2 Proposed ESOS**

The Proposed ESOS is intended to reward and retain the employees of the KB Group whose services are vital to the Group's operations, continued growth and future expansion. It is also meant to instil a sense of loyalty and dedication amongst the KB Group's employees and to motivate the employees towards better productivity and performance.

The employees of the KB Group would also be able to participate directly in the equity of KB through the Proposed ESOS.

### **5. Effects of the Proposals**

#### **5.1 Share Capital**

The issued and paid-up share capital of KB would increase from RM74,042,002 to RM105,879,002 after the Proposals as set out below:

	<b>No. of KB Shares</b>
Existing as at 31 December 2002	74,042,002
To be issued pursuant to the Proposed Private Placement	22,212,000
	96,254,002
To be issued pursuant to the Proposed ESOS *	9,625,000
Enlarged share capital	105,879,002

Note:

\* Assuming full exercise of the Options based on the maximum number of new KB Shares to be issued of ten percent (10%) of the enlarged issued and paid-up share capital of KB after the Proposed Private Placement.

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## 5.2 NTA

The proforma effects of the Proposals on the proforma consolidated NTA of KB based on the audited consolidated accounts of KB as at 31 December 2001 assuming the Proposals were implemented on that date are set out as follows:

	(I)	(II)	(III)
	Audited as at 31 December 2001	After (I) and Proposed Private Placement	After (II) and Proposed ESOS
	RM'000	RM'000	RM'000
Share capital	74,042	96,254	105,879
Reserves	28,540	<sup>(1)</sup> 41,369	<sup>(2)</sup> 47,240
Negative goodwill	20,685	20,685	20,685
Shareholders' Funds	123,267	158,308	173,804
Less: Intangible Assets	-	-	-
NTA	123,267	158,308	173,804
NTA per KB Share (RM)	1.66	1.64	1.64

Notes:

- (1) After deducting estimated expenses of RM720,000 and taking into account the share premium of approximately RM13.549 million assuming the Placement Shares are issued at a placement price of RM1.61 per KB Share which is based at the discount of ten percent (10%) from the five (5)-day weighted average market price of KB Shares up to 6 June 2002, being the last trading day prior to the date of announcement of the Proposals on 7 June 2002, of RM1.79; and
- (2) Assuming all the Options have been granted and exercised at an issue price RM1.61 per KB Share which is based at the discount of ten percent (10%) from the five (5)-day weighted average market price of KB Shares up to 6 June 2002, being the last trading day prior to the date of announcement of the Proposals on 7 June 2002, of RM1.79.

The Proposed ESOS is not expected to have any immediate effect on the consolidated NTA of KB. Any potential effect of the Proposed ESOS on the consolidated NTA of KB in the future will depend on the number of Options exercised at any point in time as well as the price payable upon the exercise of the Options.

## 5.3 Earnings

The Proposed Private Placement is not expected to have an immediate effect on the earnings of the Group but is expected to contribute positively to the earnings of the Group in the future in view that the Proposed Private Placement is undertaken to raise funds to acquire additional machinery and equipment for reconditioning, sale and rental, and represents a strategic effort of the Group to strengthen its stream of income.

The Proposed ESOS is not expected to have any immediate effect on the earnings of the Group. Any potential effect of the Proposed ESOS on the earnings of the Group in the future will depend on the number of Options exercised at any point in time as well as the price payable upon the exercise of the Options and the utilisation of the proceeds arising therefrom. Hence, no assumption is made in respect of the effect of the Proposed ESOS on earnings.

## 5.4 Dividend

KB had paid a first and final dividend of 10% less tax for the financial year ended 31 December 2001. The KB Board expects that the Company will be in a position to declare a dividend of 1% less tax for the financial year ended 31 December 2002.

## 5.5 Shareholding Structure

The effects of the Proposals on the shareholdings of the major shareholders (holding five percent (5%) or more) of KB are as follows:

Name	(i) Existing as at 31 December 2002			(ii) After (i) and Proposed Private Placement			(iii) After (ii) and Proposed ESOS		
	No. of KB Shares	%	Indirect No. of KB Shares	Direct No. of KB Shares	%	Indirect No. of KB Shares	Direct No. of KB Shares	%	Indirect No. of KB Shares
<b>Eligible Directors</b>									
Lim Kang Swee	8,004,000	10.81	<sup>(2)</sup> 439,000	8,004,000	8.32	<sup>(2)</sup> 439,000	<sup>(4)</sup> 8,966,000	8.47	<sup>(2)</sup> 439,000
Khoo Nang Seng @ Khoo Nam Seng	7,824,122	10.57	-	7,824,122	8.13	-	<sup>(4)</sup> 8,786,122	8.30	-
Abdul Aziz Bin Ismail	10,000	*	<sup>(3)</sup> 32,410,000	10,000	*	<sup>(3)</sup> 32,410,000	<sup>(4)</sup> 972,000	0.92	<sup>(3)</sup> 32,410,000
Dato' Lim Kang Hoo	465,749	0.63	<sup>(3)</sup> 32,410,000	465,749	0.48	<sup>(3)</sup> 32,410,000	<sup>(4)</sup> 1,427,749	1.35	<sup>(3)</sup> 32,410,000
<b>Others</b>									
Aznam Bin Mansor	8,000	*	<sup>(3)</sup> 32,410,000	8,000	*	<sup>(3)</sup> 32,410,000	8,000	0.01	<sup>(3)</sup> 32,410,000
Kinston Park Sdn Bhd	32,410,000	43.77	-	32,410,000	33.67	-	32,410,000	30.61	-
Placees (to be identified later)	-	-	-	22,212,000	23.08	-	22,212,000	20.98	-

Notes:

- (1) Based on the Register of Substantial Shareholders
- (2) Deemed interest by virtue of a 99.17% shareholding in Bidarcita Sdn Bhd
- (3) Deemed interest by virtue of their major shareholdings in Kinston Park Sdn Bhd as follows:
  - Dato' Lim Kang Hoo has 39.25% direct shareholding in Kinston Park Sdn Bhd;
  - Abdul Aziz Bin Ismail has 26% direct shareholding in Kinston Park Sdn Bhd; and
  - Aznam Bin Mansor has 26% direct shareholding in Kinston Park Sdn Bhd.
- (4) After taking into account of the maximum allowable allotment of 962,000 KB Shares, which represents approximately ten percent (10%) of the new KB Shares available under the Scheme
- Negligible

## **6. Conditions of the Proposals**

The Proposals are subject to approvals being obtained from the following:

- (i) The SC for the Proposals and for the listing of and quotation for the new KB Shares to be issued pursuant to the Proposals, which was approved on 3 December 2002;
- (ii) The FIC for the Proposed Private Placement, which was approved on 15 November 2002;
- (iii) The MITI for the Proposed Private Placement, which was approved on 23 October 2002;
- (iv) The KLSE for the listing of and quotation for the new KB Shares to be issued pursuant to the Proposals; and
- (v) The shareholders of KB at an EGM to be convened.

The Proposals are not inter-conditional with one another.

## **7. Directors' and Major Shareholders' Interests**

### **7.1 Directors**

#### **Proposed Private Placement**

None of the directors and/or persons connected to the directors of KB have any interest, direct or indirect, in the Proposed Private Placement.

#### **Proposed ESOS**

Lim Kang Swee, Abdul Aziz Bin Ismail, Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng being the full-time Executive Directors of KB will be eligible to participate in the Proposed ESOS and are therefore, deemed interested in their respective entitlements under the Proposed ESOS. Accordingly, they have abstained and will continue to abstain from all Board deliberations and voting on their respective entitlements under the Proposed ESOS and will abstain from voting in respect of their direct and/or indirect shareholdings pertaining to their respective entitlements under the Proposed ESOS at the forthcoming EGM.

The aforementioned Executive Directors have also undertaken to ensure that persons connected to them, namely Bidarcita Sdn Bhd, Kinston Park Sdn Bhd (Kinston) and Aznam Bin Mansor, will abstain from voting in respect of their direct and/or indirect shareholdings in KB at the forthcoming EGM.

Based on the Register of Substantial Shareholders as at 31 December 2002, Bidarcita Sdn Bhd, in which Lim Kang Swee owns 99.17% equity interest, holds 439,000 KB Shares or 0.59% equity interest in KB. Kinston is a major shareholder of KB, holding 32,410,000 KB Shares representing approximately 43.77% equity interest in KB. Kinston's major shareholders consist of, amongst others, Dato' Lim Kang Hoo, Abdul Aziz Bin Ismail and Aznam Bin Mansor. Aznam Bin Mansor is therefore deemed a person connected to Kinston by virtue of his major shareholdings of 26% in Kinston as at 31 December 2002. Aznam Bin Mansor owns 8,000 KB Shares in KB as at 31 December 2002.

Accordingly, Bidarcita Sdn Bhd, Kinston and Aznam Bin Mansor will abstain from voting in respect of their direct and/or indirect shareholdings in KB at the forthcoming EGM. Aznam Bin Mansor, a Director of KB, has abstained and will continue to abstain from all Board deliberations and voting on the Proposed ESOS.

The interests of the aforementioned Directors in KB based on the Register of Directors' Shareholdings as at 31 December 2002 are set out below:

Name	Direct		Indirect		<sup>(1)</sup> Maximum Allowable Allotment
	No. of KB Shares	% held	No. of KB Shares	% held	No. of KB Shares
Lim Kang Swee	8,004,000	10.81	<sup>(2)</sup> 439,000	0.59	962,000
Khoo Nang Seng @ Khoo Nam Seng	7,824,122	10.57	-	-	962,000
Abdul Aziz Bin Ismail	10,000	*	<sup>(3)</sup> 32,410,000	43.77	962,000
Dato' Lim Kang Hoo	465,749	0.63	<sup>(3)</sup> 32,410,000	43.77	962,000
Aznam Bin Mansor	8,000	*	<sup>(3)</sup> 32,410,000	43.77	Not applicable

Notes:

- (1) The maximum allowable allotment is subject to the following:
- (a) not more than fifty percent (50%) of the new KB Shares available under the Scheme should be allocated, in aggregate, to the Executive Directors and senior management of the KB Group; and
  - (b) not more than ten percent (10%) of the new KB Shares available under the Scheme should be allocated to any Eligible Employee, who either singly or collectively through his or her associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company.
- (2) Deemed interest by virtue of a 99.17% shareholding in Bidarcita Sdn Bhd
- (3) Deemed interest by virtue of their major shareholdings in Kinston as follows:
- Dato' Lim Kang Hoo has 39.25% direct shareholding in Kinston;
  - Abdul Aziz Bin Ismail has 26% direct shareholding in Kinston; and
  - Aznam Bin Mansor has 26% direct shareholding in Kinston.
- \* Negligible

Save for the above, none of the other directors and/or persons connected to the directors of KB have any interest, direct and/or indirect, in the Proposed ESOS.

## 7.2 Major Shareholders

### Proposed Private Placement

None of the major shareholders and/or persons connected to the major shareholders of KB have any interest, direct or indirect, in the Proposed Private Placement.

### Proposed ESOS

Kinston is deemed interested in the Proposed ESOS and will abstain from voting in respect of its direct and/or indirect shareholdings in KB at the forthcoming EGM. Kinston's major shareholders consist of, amongst others, Dato' Lim Kang Hoo, Abdul Aziz Bin Ismail and Aznam Bin Mansor, who are Directors of KB. Lim Kang Swee, who is the brother of Dato' Lim Kang Hoo, is deemed a person connected to Kinston. Kinston has also undertaken to ensure that persons connected to the company, namely Dato' Lim Kang Hoo, Abdul Aziz Bin Ismail, Aznam Bin Mansor and Lim Kang Swee, will abstain from voting in respect of their direct and/or indirect shareholdings in KB at the forthcoming EGM.

Save as disclosed above, none of the other major shareholders and/or persons connected to the major shareholders have any interest, direct and/or indirect, in the Proposed ESOS.



**8. Directors' Recommendation**

**8.1 Proposed Private Placement**

Having considered the rationale for the Proposed Private Placement, the KB Board is of the opinion that the Proposed Private Placement is in the best interest of the Company.

Accordingly, your Directors recommend that you VOTE IN FAVOUR of the ordinary resolution pertaining to the Proposed Private Placement to be tabled at the forthcoming EGM.

**8.2 Proposed ESOS**

Having considered the rationale for the Proposed ESOS, the KB Board is of the opinion that the Proposed ESOS is in the best interest of the Company.

Accordingly, your Directors (with the exception of 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 ESOS) recommend that you VOTE IN FAVOUR of the ordinary resolution pertaining to the Proposed ESOS to be tabled at the forthcoming EGM.

**9. EGM**

The EGM, the Notice of which is enclosed in this Circular, will be held at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Wednesday, 29 January 2003 at 2.30 p.m. for the purpose of considering and, if thought fit, passing the ordinary resolutions pertaining to the Proposals.

If you are unable to attend or vote in person at the EGM, you may appoint a proxy by executing the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible to be deposited at the Registered Office of the Company at 33-35, 2<sup>nd</sup> Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur, not later than forty-eight (48) hours before the time fixed for the meeting. The completion and lodgement of the Proxy Form does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

**10. Further Information**

We advise the shareholders to refer to the appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**KNUSFORD BERHAD**

**Lim Ts-Fei**  
Independent Non-Executive Director

## Information on KB

### 1. History and Business

The Company was incorporated on 18 March 1996 in Malaysia under the Act under the name Wengcon Corporation Berhad. The Company assumed its present name, Knusford Berhad, on 25 April 2000.

KB was listed on the Main Board of the KLSE on 23 May 2001. KB is principally an investment holding company. The Company commenced its investment activities on 6 December 2000. The main activities of KB's subsidiaries are set out in section 5 of this appendix.

### 2. Share Capital

#### 2.1 Authorised, Issued and Paid-up Share Capital

The authorised, issued and paid-up share capital of KB as at 31 December 2002 is as follows:

	No. of KB Shares	Par Value RM	Amount RM
<b>Authorised</b>	200,000,000	1.00	200,000,000
<b>Issued and paid-up</b>	74,042,002	1.00	74,042,002

#### 2.2 Changes in the Issued and Paid-up Share Capital

Changes in the issued and paid-up share capital of the Company since its date of incorporation up to 31 December 2002 are as follows:

Date of allotment	No. of KB Shares	Consideration	Par value RM	Total RM
18.03.1996	2	Cash	1.00	2
06.12.2000	24,975,055	Consideration for the acquisition of WHSB at RM1.15 per KB Share	1.00	24,975,057
06.12.2000	25,366,146	Consideration for the acquisition of WEQSB at RM1.15 per KB Share	1.00	50,341,203
07.03.2001	12,591,799	Rights issue of 1.0005: 4 at RM1.15 per KB Share	1.00	62,933,002
14.05.2001	11,109,000	Public issue at an issue price of RM1.60 per KB Share	1.00	74,042,002

### 3. Major Shareholders

The major shareholders of the Company and their shareholdings based on the Register of Substantial Shareholders as at 31 December 2002 are as follows:

Shareholder	Direct		Indirect		Nationality/ Country of Incorporation
	No. of KB Shares	% held	No. of KB Shares	% held	
Kinston Park Sdn Bhd	32,410,000	43.77	-	-	Malaysia
Lim Kang Swee	8,004,000	10.81	<sup>(1)</sup> 439,000	0.59	Malaysian
Khoo Nang Seng @ Khoo Nam Seng	7,824,122	10.57	-	-	Malaysian
Dato' Lim Kang Hoo	465,749	0.63	<sup>(2)</sup> 32,410,000	43.77	Malaysian
Abdul Aziz Bin Ismail	10,000	*	<sup>(2)</sup> 32,410,000	43.77	Malaysian
Aznam Bin Mansor	8,000	*	<sup>(2)</sup> 32,410,000	43.77	Malaysian

Notes:

(1) Deemed interest by virtue of his shareholdings in Bidarcita Sdn Bhd

(2) Deemed interest by virtue of their major shareholdings in Kinston Park Sdn Bhd

\* Negligible

### 4. Directors

The particulars of the directors of the Company and their shareholdings based on the Register of Directors' Shareholdings as at 31 December 2002 are as follows:

Name	Direct		Indirect		Nationality
	No. of KB Shares	% held	No. of KB Shares	% held	
Lim Kang Swee	8,004,000	10.81	<sup>(1)</sup> 439,000	0.59	Malaysian
Abdul Aziz Bin Ismail	10,000	*	<sup>(2)</sup> 32,410,000	43.77	Malaysian
Dato' Lim Kang Hoo	465,749	0.63	<sup>(2)</sup> 32,410,000	43.77	Malaysian
Khoo Nang Seng @ Khoo Nam Seng	7,824,122	10.57	-	-	Malaysian
Aznam Bin Mansor	8,000	*	<sup>(2)</sup> 32,410,000	43.77	Malaysian
Lim Ts-Fei	10,000	*	-	-	Malaysian
Dr Wong Kai Fatt	-	-	-	-	Malaysian
Chan Seng Chow	-	-	-	-	Malaysian

Notes:

(1) Deemed interest by virtue of his shareholdings in Bidarcita Sdn Bhd

(2) Deemed interest by virtue of their major shareholdings in Kinston Park Sdn Bhd

\* Negligible

**5. Subsidiaries and Associated Companies as at 31 December 2002**

Name	Date & place of incorporation	% of effective interest held	Principal activities
WHSB	9 August 1990, Malaysia	100	Reconditioning, sales and rental of heavy machinery and equipment
WEQSB	4 November 1989, Malaysia	100	Rental of machinery and equipment and provision of transportation services
STSB	8 May 2002, Malaysia	100	Dormant
<b>Subsidiaries of WHSB</b>			
WMCSB	3 May 1993, Malaysia	100	Reconditioning, sales and rental of light and medium machinery and equipment
WMKSB	16 July 1994, Malaysia	100	Trading in building materials
HPDSB	29 October 1992, Malaysia	51	Rental of machinery and equipment

As at 31 December 2002, the Company does not have any associated company.

**6. Historical Share Price**

The following table sets out the monthly high and low market price of KB Shares on the KLSE for the past twelve (12) months from January 2002 to December 2002:

	High RM	Low RM
January	3.20	2.32
February	2.52	2.09
March	3.06	2.29
April	2.59	1.86
May	2.03	1.78
June	1.83	1.60
July	1.94	1.78
August	1.89	1.65
September	1.68	1.42
October	1.64	1.50
November	1.60	1.46
December	1.49	1.40

The last transacted market price on 6 June 2002, being the last trading day prior to the date of the announcement of the Proposals on 7 June 2002

RM1.80

The last transacted market price on 13 January 2003, being the latest practicable date prior to the printing of this Circular

RM1.45

(Source: Bloomberg)

**Bye-Laws of the Proposed ESOS****1. Definitions**

1.1 In this ESOS Bye-Laws, the following words shall, unless the context otherwise requires, bear the following meanings:

Associates	: Has the same meaning as given in the Companies Act, 1965, as amended from time to time and any re-enactment thereof
Board	: The Board of Directors of KB for the time being
CDS Account	: A Central Depository System account established by the Malaysian Central Depository Sdn Bhd for the recording of dealing in securities by a depositor
Eligible Employee	: An employee or Executive Director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 hereof
ESOS	: Employees' Share Option Scheme
ESOS Bye-Laws	: The bye-laws stated herein presently regulating the ESOS for KB, as may be amended from time to time
Executive Director	: A Director of KB or any of its subsidiaries (other than a subsidiary which is dormant) who is on the payroll and who is involved in the day-to-day management of any company in the KB Group
KB or the Company	: Knusford Berhad
KB Group or Group	: KB and its subsidiaries as defined in Section 5 of the Companies Act, 1965 (save for any company which is dormant)
KB Shares	: Ordinary shares of RM1.00 each in the Company
KLSE	: Kuala Lumpur Stock Exchange
Market Day	: Any day between Monday and Friday (inclusive) which is not a public holiday and on which the KLSE is open for trading of securities
Offer	: An offer made in writing by the Options Committee to an Eligible Employee to subscribe for new KB Shares in the manner indicated in Clause 5 hereof
Offer Date	: The date on which an Offer (including any subsequent Offer) is made by the Options Committee to an Eligible Employee to participate in the Scheme

Option	: The right of an Option Holder to subscribe for new KB Shares pursuant to a contract constituted by the acceptance of an Offer by an Eligible Employee, in the manner indicated in Clause 8 hereof
Options Committee	: The committee duly appointed and authorised by the Board to administer the Scheme
Option Holder	: An Eligible Employee who has accepted an Offer or any part thereof in the manner indicated in Clause 8 hereof
Option Period	: The period commencing on the Offer Date and expiring at the end of the period provided for in Clause 19 hereof or in event of a termination of the Scheme, the date of termination of the Scheme
SC	: Securities Commission
Scheme	: The scheme for the grant of Options to Eligible Employees to subscribe for new KB Shares on the terms as set out herein
Subscription Price	: The price at which an Option Holder shall be entitled to subscribe for new KB Shares as set out in Clause 7 hereof

## 1.2 In this ESOS Bye-Laws

- (i) any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of KLSE and/or SC respectively in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by KLSE and/or SC;
- (ii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of this ESOS Bye-Laws so far as such modification or re-enactment applies or is capable of applying to any Option offered and accepted within the duration of the Scheme as stated in Clause 19 hereof and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced; and
- (iii) words denoting the singular shall include the plural and references to gender shall include both genders and the neuter.

## 2. Name of the Scheme

This Scheme will be called the "KB Employees' Share Option Scheme".

## 3. Total Number of KB Shares

The total number of new KB Shares which may be made available under the Scheme shall not exceed ten percent (10%) (or such other higher percentage as may be permitted by the relevant regulatory authorities) of the total issued and paid-up share capital of the Company at any time during the existence of the Scheme as referred to in Clause 19 hereof.

#### **4. Eligibility and Allocation Criteria**

- 4.1 The Options Committee has the discretion to determine the allocation criteria of the new KB Shares to any employee (including the Executive Directors) of the Group in respect of their participation in the Scheme.
- 4.2 Any employee (including Executive Directors) of the KB Group shall be eligible to participate in the Scheme, if as at the Offer Date, the employee:
- (a) has attained the age of eighteen (18) years; and
  - (b) is employed full time by and on the payroll of a company within the KB Group.

In the case of the Executive Directors of KB, their specific entitlement under the Scheme shall be approved by the shareholders of the Company in a general meeting.

- 4.3 Eligibility, however, does not confer on an Eligible Employee a claim or right to participate in the Scheme unless an Offer has been made in writing by the Options Committee to the Eligible Employee in the manner as set out in Clause 5 hereof.
- 4.4 In the event that any Eligible Employee holds more than one position within the Group, and by reason of the holding of such position is an Eligible Employee in more than one category, the Options Committee shall be entitled at its absolute discretion to determine the applicable category.

#### **5. Offer**

- 5.1 The Options Committee shall, within the duration of the Scheme as set out in Clause 19 hereof, make Offers to any Eligible Employees whom the Options Committee may in its discretion select to subscribe for new KB Shares.
- 5.2 The actual number of KB Shares which may be offered to an Eligible Employee under an Option shall be at the discretion of the Options Committee and, subject to any adjustments that may be made under Clause 15 hereof, shall not be less than one thousand (1,000) KB Shares and shall always be in multiples of one thousand (1,000) KB Shares.
- 5.3 Subject always to Clause 3 hereof, nothing herein shall prevent the Options Committee from making more than one Offer to any Eligible Employee provided always that the total aggregate number of KB Shares to be so offered to any Eligible Employees (inclusive of KB Shares previously offered under the Scheme, if any) shall not exceed the maximum entitlement of the Eligible Employees as set out in Clause 6 hereof.
- 5.4 The Offer shall automatically lapse and be null and void in the event of the death of the Eligible Employee or the Eligible Employee ceasing to be employed by the KB Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 8 hereof.
- 5.5 Each Offer shall be made in writing and is personal to the Eligible Employee and is non assignable.

## **6. Maximum Entitlement**

Subject to any adjustments which may be made under Clause 15 hereof, the maximum number of new KB Shares that may be offered to an Eligible Employee shall be determined at the discretion of the Options Committee after taking into consideration the performance, seniority and length of service of the Eligible Employees, subject to the following:

- (a) not more than fifty percent (50%) of the new KB Shares available under the Scheme should be allocated, in aggregate, to the Executive Directors and senior management of the KB Group; and
- (b) not more than ten percent (10%) of the new KB Shares available under the Scheme should be allocated to any Eligible Employee, who either singly or collectively through his or her Associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company.

## **7. Subscription Price**

The price at which the Option Holder is entitled to subscribe for each new KB Share may be at a discount of not more than ten percent (10%) (if deemed appropriate by the Options Committee) from the five (5)-day weighted average market price of KB Shares as at the Offer Date subject to such adjustments in accordance with Clause 15 hereof, provided that the Subscription Price shall in no event be less than the par value of the KB Shares.

## **8. Acceptance of the Offer**

- 8.1 The Offer to participate in the Scheme shall be valid for thirty (30) days from the Offer Date or such longer period as may be determined by the Options Committee on a case to case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to whom the Offer is made to the Options Committee in the form prescribed by the Options Committee. In the event that the Eligible Employee fails to accept the Offer within the prescribed period, the Offer shall be deemed rejected by the Eligible Employee and shall be null and void, and of no effect, and the KB Shares comprised in such Options may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) only or such other amount as may be determined at the discretion of the Options Committee as non-refundable consideration for the Option.
- 8.3 Within thirty (30) days after the due acceptance of the Offer in accordance with the provisions of this Clause, the Options Committee shall issue to the Option Holder a certificate of Option in such form as may be determined by the Options Committee.

## **9. Exercise of Options**

- 9.1 Subject to Sub-Clause 9.2 hereof, an Option can be exercised by the Option Holder by notice in writing to the Company during the Option Period in respect of all or any part of the KB Shares comprised in the Option, such part being in multiples of one thousand (1,000) KB Shares. Such partial exercise of an Option shall not preclude the Option Holder from exercising the Option in respect of the balance of the KB Shares comprised in the Option within the Option Period.



- 9.2 Subject to Clause 15 hereof, the Options Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of shares and/or such percentage of the total KB Shares comprised in the Option during the Option Period and impose any other terms and/or conditions deemed appropriate by the Options Committee in its discretion including amending/varying any terms and conditions imposed earlier.
- 9.3 Every such notice referred to in Sub-Clause 9.1 hereof must be in the form prescribed by the Options Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new KB Shares in respect of which the notice is given. Within twenty (20) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Option Holder, the Company shall endeavour to allot such KB Shares, despatch such notices of allotment to the Option Holder accordingly, subject to the provisions in the Articles of Association of the Company and make an application for the quotation for the new KB Shares pursuant to Clause 16 herein.
- 9.4 An Option Holder who exercises his Option shall provide the Options Committee with his CDS Account number in the notice referred to in Sub-Clause 9.3. The new KB Shares to be issued pursuant to the exercise of an Option will be credited directly into the CDS account of the Option Holder and no physical certificate will be issued.
- 9.5 All Options to the extent unexercised on the expiry of the Option Period applicable thereto shall lapse.
- 9.6 The Company will undertake to keep available sufficient unissued KB Shares in its authorised share capital to satisfy all outstanding Options, which may be exercisable from time to time during the existence of the Scheme.
- 9.7 In the event that an Option Holder is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Options Committee shall have the right, at its discretion, to suspend the Option pending the outcome of such disciplinary proceedings. The Options Committee may impose such terms and conditions as the Options Committee shall deem appropriate having regard to the nature of the charges made or brought against the Option Holder PROVIDED ALWAYS THAT in the event that such Option Holder shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Options Committee shall reinstate the rights of such Option Holder to exercise his Option.
- 9.8 The Options Committee, Board and Company shall not, under any circumstances be held liable for any costs, expenses, charges and damages whatsoever and howsoever arising in any event relating to the delay on the part of KB in allotting and issuing the new KB Shares or in procuring the approval of the KLSE to list the new KB Shares.

## **10. Rights Attaching to the New KB Shares**

The new KB Shares to be allotted upon any exercise of the Options shall, upon allotment and issue, rank *pari passu* in all respects with the existing issued and fully paid-up ordinary shares of RM1.00 each of the Company and subject to all the provisions in the Articles of Association of the Company save and except that the new KB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions declared or paid to shareholders prior to the date of allotment of the new KB Shares. For the purpose hereof, Entitlement Date means the date at the close of business on which shareholders must be registered in order to participate in any dividends, rights, allotments and/or other distributions.

## **11. Termination of the Option**

11.1 In the event of the cessation of employment of an Option Holder with the KB Group for whatever reason prior to the full exercise of an Option, such Option or the balance thereof, as the case may be, shall forthwith cease to be valid without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Options Committee in its discretion, if such cessation occurs by reason of:

- (a) retirement on attaining the retirement age under the Group's retirement policy;
- (b) retirement before attaining the normal retirement age but with the consent of the Options Committee;
- (c) ill health, injury, physical or mental disability; or
- (d) any other circumstances which are acceptable to the Options Committee;

such Option shall remain exercisable during the Option Period.

11.2 An Option shall lapse forthwith upon the resignation of the Option Holder from his employment with the KB Group and the KB Shares comprised in such Option or the balance thereof not subscribed for may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.

11.3 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse.

11.4 In the event that any subsidiaries shall cease to be a subsidiary of KB, all unexercised or partially exercised Options of Option Holders employed under the said subsidiary shall automatically lapse and be null and void and of no further force and effect and that the KB Shares comprised in such Options or the balance thereof not subscribed for may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.

11.5 Where an Option Holder dies (except in the case of suicide) before the expiry of the Option Period, the whole or any part of an Option held by the Option Holder that is unexercised may be exercised by the legal representatives of the Option Holder PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

## **12. Takeover**

Notwithstanding Clause 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

12.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the general offer (Offeror) or any persons acting in concert with the Offeror) an Option Holder will be entitled within three (3) months of such general offer being made, to exercise all or any part of his Options. Any unexercised or partially exercised Options shall automatically lapse and be null and void after the expiry of the said period; and

- 12.2 the Offeror becoming entitled or bound to exercise the right of compulsory acquisitions of KB Shares under the provisions of the Securities Commissions Act, 1993 (as may be amended from time to time and any re-enactment thereof) or Companies Act, 1965 (as may be amended from time to time and any re-enactment thereof) and gives notice to the Company that it intends to exercise such right on a specific date, an Option Holder will be entitled to exercise all or any part of his Option from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisitions is exercised. Any unexercised or partially exercised Options shall automatically lapse and be null and void after the expiry of the said period;

PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

**13. Scheme of Arrangement, Amalgamation, Reconstruction, etc.**

Notwithstanding Clause 9 hereof and subject to the discretion of the Options Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Companies Act, 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act, 1965, an Option Holder may be entitled to exercise all or any part of his Option at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

**14. Retention Period**

An Option Holder may deal with the new KB Shares allotted and issued to him in any way he pleases without any retention period or restriction of transfer. However, Option Holders are encouraged to hold the new KB Shares as investments rather than to realise immediate gain from their disposal.

**15. Alteration of Share Capital during the Option Period**

In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, reduction, subdivisions or consolidations of capital or otherwise howsoever taking place:

- (i) the Subscription Price;
- (ii) the number of KB Shares comprised in the Option so far as unexercised; and/or
- (iii) the maximum number of shares and/or percentage of the total KB Shares comprised in the Option that may be exercised in a particular year;

may be adjusted at the discretion of the Board in accordance with the ESOS guidelines issued by the SC. Any adjustments pursuant to the alteration in the capital structure of the Company during the Option Period may be made PROVIDED ALWAYS THAT:

- (a) no adjustment to the Subscription Price shall be made which would result in the KB Shares to be issued on the exercise of the Option at a discount to the par value, and if such an adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the KB Shares;

- (b) upon any adjustment being made pursuant to this Clause, the Options Committee shall notify the Option Holder (or his legal representatives where applicable) in writing of the adjusted Subscription Price, the adjusted number of KB Shares comprised in the Option and/or the revised maximum number of KB Shares and/or percentage of the total KB Shares comprised in the Option that may be exercised in a particular year;
- (c) such adjustments would give the Option Holder the same proportion of the issued ordinary share capital of the Company as that to which he was entitled prior to such alterations;
- (d) any adjustment to the Subscription Price shall be rounded up to the nearest one (1) sen and in no event shall the Subscription Price be reduced to an amount which is below the par value of the KB Shares; and
- (e) in determining an Option Holder's entitlement to subscribe for KB Shares, any fractional entitlements will be disregarded.

The adjustment pursuant to this Clause shall be made on the day immediately following the books closure date for the event giving rise to the adjustment.

The provisions of this Clause shall not apply where the alterations in the capital structure of the Company arises from:

- (a) the issue of securities as consideration for an acquisition of any assets by the Company; or
- (b) a special issue of new KB Shares to Bumiputera parties required by any relevant authority to comply with any Government policy; or
- (c) the issue of new KB Shares pursuant to the exercise of warrants and conversion of convertible securities; or
- (d) a private placement/restricted issue of new KB Shares; or
- (e) a reduction of the share capital of the Company as a result of the Company purchasing its own shares pursuant to Section 67A of the Companies Act, 1965; or
- (f) the issue of new KB Shares pursuant to the Scheme.

In the event that the Company carries out a buy-back of its own shares, any unexercised or partially exercised Options shall remain valid and exercisable until the expiry of the Option Period notwithstanding that the number of new KB Shares to be issued pursuant to the exercise of such Options may exceed ten percent (10%) of the issued and paid-up share capital of the Company at the time of the exercise of the Options.

## **16. Listing and Quotation of KB Shares**

The Company will use its best endeavours to obtain permission from the KLSE for the listing of and quotation for all the new KB Shares to be allotted pursuant to the Scheme.

**17. Administration**

The Scheme shall be administered by the Board or the Options Committee consisting of such persons as shall be appointed by the Board from time to time. The Board or the Options Committee shall so administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Board or the Options Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the Scheme, as the Board or the Options Committee may in its discretion deem fit. The Board shall have the power from time to time to rescind the appointment of any person to the Options Committee as it deems fit.

**18. Amendment and/or Modification to the Scheme**

The Board or the Options Committee shall have the power at any time and from time to time by resolution to amend all or any of the provisions of the Scheme provided that no such amendment shall be made which would either prejudice the rights then accrued to any Option Holder without the consent or sanction of that Option Holder as if the provisions of the variation of class rights contained in the Articles of Association of the Company for the time being were applicable mutatis mutandis to the Options Holder, or alter to the advantage of any Option Holder in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting. Each time an amendment and/or modification are made to the Scheme, the Company is required to submit to the SC a confirmation letter that the amendment and/or modification do not contravene any of the provision of the ESOS guidelines issued by the SC.

**19. Duration and Conditions of the Scheme**

19.1 The Scheme shall be in force for a period of five (5) years commencing from the date of the confirmation letter submitted by KB's adviser for the Scheme to the SC that the Company has:

- (i) fulfilled the SC's conditions of approval for the Scheme and that the ESOS Bye-Laws do not contravene the guidelines on employees' share option schemes as stipulated under the SC's Policies and Guidelines on Issue/Offer of Securities; and
- (ii) obtained other relevant approvals for the Scheme and has fulfilled any conditions imposed therein;

together with a final copy of the ESOS Bye-Laws being submitted to the SC and after having obtained the following approvals:

- (i) the SC;
- (ii) the KLSE; and
- (iii) the shareholders of the Company in a general meeting.

19.2 No further Options will be granted thereafter unless the Board resolves to approve the extension of the Scheme with or without variations.

- 19.3 The Options Committee may recommend to the Board who shall have the power at any time prior to the expiry of the existing Scheme to extend the ESOS for a further period of up to five (5) years. The extension period shall commence on the day following the expiry of the existing Scheme. Such extension of the Scheme shall be at the sole discretion of the Board and the renewed Scheme shall be valid and binding without further obtaining the approvals of the shareholders of the Company in a general meeting and the authorities mentioned in Bye-Law 19.1 Provided Always that the Company shall notify the Option Holder and/or make necessary announcements to any and/or all the relevant authorities of such extension within thirty (30) days prior to the expiry of the existing Scheme.

## **20. Termination of the Scheme**

- 20.1 Notwithstanding Clause 19 hereof, the Scheme may be terminated before the expiration of the five (5)-year period stated in Clause 19 provided always that:

- (i) the approval of the SC is obtained for such termination;
- (ii) the approval of at least a majority of the shareholders of the Company present in a general meeting; and
- (iii) the written consent of all Option Holders who have not exercised their Options (either in part or in whole).

- 20.2 In the event of mid-stream termination of the Scheme in accordance with Bye-Laws 20.1 is in effect, the following provisions shall apply:

- (i) no further Offers shall be made by the Options Committee;
- (ii) all Offers which have yet to be accepted shall automatically lapse; and
- (iii) all outstanding Options shall be automatically terminated;

on the date of obtaining the approvals/consent required in Bye-Law 20.1, whichever is earlier.

## **21. Non-Transferability of the Option**

The Option granted is personal to the Eligible Employee and is not transferable, chargeable and disposable in any manner whatsoever without express consent in writing obtained from the Options Committee. Any such transfer, assignment, disposition or creation of encumbrance shall result in the automatic cancellation of the Option.

## **22. Subsequent ESOS**

The Company may establish a ESOS after the expiry of this Scheme or upon the termination of the Scheme pursuant to Clause 20 hereof.

## **23. Disputes**

In the event of any dispute or difference between the Options Committee and an Eligible Employee or Option Holder, as to any matter or thing of any nature arising hereunder, the Options Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Employee or Option Holder, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Option Holder, as the case may be, shall dispute the same by written notice to the Options Committee within fourteen (14) calendar days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of a dispute or difference, it shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall then be final and binding in all respects.

## **24. Compensation**

- 24.1 An Eligible Employee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 24.2 No Eligible Employee or Option Holder or legal representatives shall bring any claim, action or proceeding against the Company or the Options Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of the Clauses herein, as may be amended from time to time in accordance with Clause 18 hereof.

## **25. Inspection of Audited Accounts**

All Option Holders are entitled to inspect the latest audited accounts of the Company during normal office hours on any Market Day at the registered office of the Company.

## **26. Costs and Expenses**

Subject to Sub-Clause 9.8 hereof, the Company will bear all costs of and incidental to the setting-up and administration of the Scheme.

## **27. Not A Term of Employment**

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee.

## **28. Articles of Association**

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall prevail at all times.

**29. Taxes**

All taxes (including income tax) if any arising from the exercise of any Option under the Scheme shall be borne by the Option Holder.

**30. Transfer from Other Companies to the Group**

In the event:

- (a) an employee who was employed in a company which is related to the Company pursuant to Section 6 (c) of the Companies Act, 1965 (that is to say, a company which does not fall within the definition of the "Group") and is subsequently transferred from such company to any company within the Group; or
- (b) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in sub-clause (a) above;

(the first mentioned company in sub-clause (a) and (b) above are hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the Affected Employee) will, if the Affected Employee satisfies all the conditions of these Bye-Laws, be eligible to participate in the Scheme Provided That the Affected Employee:

- (i) shall be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the employees' share option scheme (if any) which he was participating (the "Previous ESOS") in accordance with Clause 9 whilst the Affected Employee was in the employment of the Previous Company in accordance with the Bye-Laws of such Previous ESOS but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further Options of such Previous ESOS.
- (ii) will only be eligible to participate in the Scheme for its remaining duration thereof; and
- (iii) if the Affected Employee has participated in a Previous ESOS, the number of new KB Shares to be Offered to such Affected Employee under the Scheme shall be that number of KB Shares as shall be equivalent to the difference between the Affected Employee's total shares entitlement under the Scheme and the total number of Options which were offered to the Affected Employee under the Previous ESOS.

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## General Information

### 1. Directors' Responsibility Statement

The KB Board has seen and approved the contents of this Circular. The KB Board collectively and individually accepts full responsibility for the accuracy of the information given and confirms that, after having made all reasonable enquiries and to the best of the Board's knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

### 2. Material Litigation

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

### 3. Material Contracts

Save as disclosed below, there are no other material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries within the two (2) years immediately preceding the date of this Circular:

- (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) Settlement Agreement dated 1 November 2001 between KB and Pembinaan Sahabatjaya Sdn Bhd 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 the KB Group be settled through the sale of a piece of freehold land belonging to D-Hill Sdn Bhd, a wholly-owned subsidiary of Pembinaan Sahabatjaya Sdn Bhd.
- (c) Pursuant to the Settlement Agreement referred to in (b) above, KB nominated its wholly-owned subsidiary, WEQSB 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 and is to be satisfied in full by way of contra against part of the debt owing by Pembinaan Sahabatjaya Sdn Bhd to the KB Group.

### 4. Consent

SIBB has given and has not subsequently withdrawn its written consent for the inclusion of its name in this Circular in the form and context in which it appears.

## 5. Service Contracts

None of the directors of KB has any existing or proposed service contracts with the Company or any of its subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year.

## 6. Other Corporate Exercise

Save as disclosed below and for the Proposals as set out in this Circular, the Company does not have any other outstanding proposal announced but pending implementation:

On 23 May 2001, the Company was listed on the Main Board of the KLSE. However, the utilisation of proceeds is pending implementation given that the Company has not fully utilised the following proceeds raised from the listing exercise for the following purposes:

	Approved utilisation by the SC	Amount utilised		Balance yet to be utilised as at 31 December 2002
	RM'000	RM'000	Note	RM'000
Purchase of freehold land and building	12,300	-	*	12,300
Purchase of plant and equipment to facilitate the reconditioning business	5,000	-	*	5,000
Total	17,300	-		17,300

Note:

- \* The Company has not utilised the proceeds raised from the listing exercise for the purchase of freehold land and building and purchase of plant and equipment as the Certificate of Fitness for Occupation (CF) on the building has not been obtained. It was one of the SC's condition on the listing exercise that proceeds amounting to RM12.3 million allocated for the purchase of the freehold land and building may only be utilised after the CF on the building and approval from the SC are obtained.

## 7. Documents Available For Inspection

Copies of the following documents are made available for inspection at the Registered Office of the Company at 33-35, 2<sup>nd</sup> Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur, during normal business hours from Monday to Friday (except for public holidays) from the date of this Circular up to and including the date of the EGM:

- (i) Memorandum and Articles of Association of KB;
- (ii) Audited accounts of KB for the two (2) financial years ended 31 December 2000 to 2001 and the unaudited results for the third quarter ended 30 September 2002;
- (iii) Material contracts referred to in paragraph 3 above;
- (iv) Letter of consent referred to in paragraph 4 above; and
- (v) Bye-Laws of the Scheme.



# **KNUSFORD BERHAD**

## **KNUSFORD BERHAD**

(Company No.: 380100-D)

(Incorporated in Malaysia under the Companies Act, 1965)

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Knusford Berhad (KB or the Company) will be held at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Wednesday, 29 January 2003, at 2.30 p.m. and to consider, if thought fit, to pass the following resolutions:

#### **ORDINARY RESOLUTION 1 – PROPOSED PRIVATE PLACEMENT**

THAT subject to the approvals of the relevant authorities and the approval-in-principle of the Kuala Lumpur Stock Exchange (KLSE) for the listing of and quotation for the new ordinary shares to be issued hereunder, the Directors be and are hereby authorised to the following:

- (a) the issuance and allotment by the Company by way of private placement of up to 22,212,000 new ordinary shares of RM1.00 each (Placement Shares) representing approximately 30% of the existing issued and paid-up share capital of the Company (Proposed Private Placement) to places to be identified by the Directors at the close of business on a date to be determined by the Directors of KB and that the issue price for the Placement Shares shall be fixed at a discount of not more than ten percent (10%) from the five (5)-day weighted average market price of ordinary shares of RM1.00 each in KB (KB Shares) prior to the price-fixing date and on such terms as the Directors may decide;
- (b) the Directors shall be authorised to take all such steps and to enter into the placement agreements and all other agreements with such parties in the absolute discretion of the Directors as they deem fit to give effect to the placement agreements and all other agreements;
- (c) the Placement Shares, shall upon, allotment and issue, rank *pari passu* in all respects with the existing KB Shares except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared or paid prior to the date of allotment of the Placement Shares; and
- (d) the Directors be and are hereby authorised to give effect to the Proposed Private Placement with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities and to take all steps as they may consider necessary in order to implement, finalise and give full effect to the Proposed Private Placement.

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## **ORDINARY RESOLUTION 2 – PROPOSED EMPLOYEES' SHARE OPTION SCHEME**

THAT subject to the approvals of the relevant authorities and the approval-in-principle of the KLSE for the listing of and quotation for the new ordinary shares to be issued hereunder, the Directors be and are hereby authorised to:

- (a) establish and administer an employees' share option scheme for a period of five (5) years for the benefit of the eligible employees and Executive Directors of the Company and its subsidiaries, to be known as "KB EMPLOYEES' SHARE OPTION SCHEME" (hereinafter referred to as the "Proposed ESOS" or Scheme) which is to be administered in accordance with the Bye-Laws set out in the Circular to shareholders dated 15 January 2003 and to give effect to the Proposed ESOS with full powers to assent to any modifications and/or amendments as may be required by the relevant authorities;
- (b) make the necessary applications to the KLSE and do all things necessary at the appropriate time or times for the listing of and quotation for the new KB Shares which may from time to time be allotted and issued pursuant to the Proposed ESOS;
- (c) allot and issue new KB Shares from time to time during the duration of the Proposed ESOS to eligible employees and Executive Directors pursuant to their exercise of the options under the Proposed ESOS while this approval is in force provided that the total number of shares to be issued under the Proposed ESOS shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point in time during the duration of the Proposed ESOS and such new KB Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and fully paid-up KB Shares and subject to all the provisions in the Articles of Association of the Company save and except that the new KB Shares shall not be entitled to any dividends, rights, allotments and/or other distributions declared or paid to shareholders prior to the date of allotment of the new KB Shares. For the purpose hereof, Entitlement Date means the date at the close of business on which shareholders must be registered in order to participate in any dividends, rights, allotments and/or other distributions;
- (d) modify and/or amend the Proposed ESOS from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Bye-Laws of the Proposed ESOS and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give effect to the Proposed ESOS; and
- (e) extend the Proposed ESOS, if the Board of Directors of KB and/or the options committee administering the Scheme deem fit, for a further period of up to five (5) years (Proposed ESOS Extension) without further obtaining the approvals of the shareholders of the Company in a general meeting and the authorities and that the Board of Directors of KB be and are hereby authorised to implement the Proposed ESOS Extension and to give full effect to the various arrangements and/or transactions relating to the Proposed ESOS Extension with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities.

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### **ORDINARY RESOLUTION 3 – PROPOSED ESOS OPTIONS TO LIM KANG SWEE**

THAT, conditional upon the passing of Ordinary Resolution 2 above, and the approvals of the relevant authorities, the Company be and are hereby authorised specifically to offer and to grant to Lim Kang Swee, an Executive Director of the Company, options to subscribe for up to a maximum of 962,000 new KB Shares available under the Proposed ESOS and to allot and issue from time to time new KB Shares pursuant to the acceptance of the offer and to the exercise of such options, subject always to:

- (i) not more than fifty percent (50%) of the new KB Shares available under the Scheme should be allocated, in aggregate, to the Executive Directors and senior management of the Company and its subsidiaries (which are not dormant); and
- (ii) not more than ten percent (10%) of the new KB Shares available under the Scheme should be allocated to any eligible employee and Executive Director, who either singly or collectively through his or her associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company,

subject to any adjustments which may be made in accordance with the Bye-Laws governing and constituting the Proposed ESOS.

### **ORDINARY RESOLUTION 4 – PROPOSED ESOS OPTIONS TO ABDUL AZIZ BIN ISMAIL**

THAT, conditional upon the passing of Ordinary Resolution 2 above, and the approvals of the relevant authorities, the Company be and are hereby authorised specifically to offer and to grant to Abdul Aziz Bin Ismail, an Executive Director of the Company, options to subscribe for up to a maximum of 962,000 new KB Shares available under the Proposed ESOS and to allot and issue from time to time new KB Shares pursuant to the acceptance of the offer and to the exercise of such options, subject always to:

- (i) not more than fifty percent (50%) of the new KB Shares available under the Scheme should be allocated, in aggregate, to the Executive Directors and senior management of the Company and its subsidiaries (which are not dormant); and
- (ii) not more than ten percent (10%) of the new KB Shares available under the Scheme should be allocated to any eligible employee and Executive Director, who either singly or collectively through his or her associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company,

subject to any adjustments which may be made in accordance with the Bye-Laws governing and constituting the Proposed ESOS.

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#### **ORDINARY RESOLUTION 5 – PROPOSED ESOS OPTIONS TO DATO' LIM KANG HOO**

THAT, conditional upon the passing of Ordinary Resolution 2 above, and the approvals of the relevant authorities, the Company be and are hereby authorised specifically to offer and to grant to Dato' Lim Kang Hoo, an Executive Director of the Company, options to subscribe for up to a maximum of 962,000 new KB Shares available under the Proposed ESOS and to allot and issue from time to time new KB Shares pursuant to the acceptance of the offer and to the exercise of such options, subject always to:

- (i) not more than fifty percent (50%) of the new KB Shares available under the Scheme should be allocated, in aggregate, to the Executive Directors and senior management of the Company and its subsidiaries (which are not dormant); and
- (ii) not more than ten percent (10%) of the new KB Shares available under the Scheme should be allocated to any eligible employee and Executive Director, who either singly or collectively through his or her associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company,

subject to any adjustments which may be made in accordance with the Bye-Laws governing and constituting the Proposed ESOS.

#### **ORDINARY RESOLUTION 6 – PROPOSED ESOS OPTIONS TO KHOO NANG SENG @ KHOO NAM SENG**

THAT, conditional upon the passing of Ordinary Resolution 2 above, and the approvals of the relevant authorities, the Company be and are hereby authorised specifically to offer and to grant to Khoo Nang Seng @ Khoo Nam Seng, an Executive Director of the Company, options to subscribe for up to a maximum of 962,000 new KB Shares available under the Proposed ESOS and to allot and issue from time to time new KB Shares pursuant to the acceptance of the offer and to the exercise of such options, subject always to:

- (i) not more than fifty percent (50%) of the new KB Shares available under the Scheme should be allocated, in aggregate, to the Executive Directors and senior management of the Company and its subsidiaries (which are not dormant); and
- (ii) not more than ten percent (10%) of the new KB Shares available under the Scheme should be allocated to any eligible employee and Executive Director, who either singly or collectively through his or her associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company,

subject to any adjustments which may be made in accordance with the Bye-Laws governing and constituting the Proposed ESOS.

By order of the Board

**Lim Thiam Wah, ACIS**  
Company Secretary

Kuala Lumpur  
15 January 2003

Notes:

1. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions 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 authorised.
4. To be valid, this form, duly completed must be deposited at the Registered Office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.



# KNUSFORD BERHAD

## KNUSFORFD BERHAD

(Company No.: 380100-D)

(Incorporated in Malaysia under the Companies Act, 1965)

### PROXY FORM

No. of shares held

I/We.....

of being a member of Knusford Berhad, hereby appoint .....

of.....

or failing him/her .....

of.....

or **THE CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the EGM to be held at Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur on Wednesday, 29 January 2003 at 2.30 p.m.

My/Our proxy is to vote on a show of hands or on a poll as indicated below with an "X":

	FOR	AGAINST
ORDINARY RESOLUTION 1 – PROPOSED PRIVATE PLACEMENT		
ORDINARY RESOLUTION 2 – PROPOSED EMPLOYEES' SHARE OPTION SCHEME		
ORDINARY RESOLUTION 3 – PROPOSED ESOS OPTIONS TO LIM KANG SWEE		
ORDINARY RESOLUTION 4 – PROPOSED ESOS OPTIONS TO ABDUL AZIZ BIN ISMAIL		
ORDINARY RESOLUTION 5 – PROPOSED ESOS OPTIONS TO DATO' LIM KANG HOO		
ORDINARY RESOLUTION 6 – PROPOSED ESOS OPTIONS TO KHOO NANG SENG @ KHOO NAM SENG		

(Please indicate with an "X", in the space provided, how you wish to cast your vote. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

Dated this..... day of .....2003

Signature

Notes:

1. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions 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 authorised.
4. To be valid, this form, duly completed must be deposited at the Registered Office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.



*Fold this flap for sealing*

*Then fold here*

AFFIX  
STAMP

The Company Secretary  
**Knusford Berhad**  
33-35, 2<sup>nd</sup> Floor  
Wisma Ekovest  
Jalan Desa Gombak 6  
Taman Sri Setapak  
Off Jalan Gombak  
53000 Kuala Lumpur

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