

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

*Kuala Lumpur Stock Exchange takes no responsibility for the contents of this Circular; makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.*



## KNUSFORD BERHAD

(380100-D)

(Incorporated in Malaysia)

### CIRCULAR TO SHAREHOLDERS

In Relation To

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

*The Notice of the Annual General Meeting and the Form of Proxy is enclosed in the 2002 Annual Report. The Annual General Meeting is to be held on Monday, 30 June 2003 at 11.00 a. m. at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur.*

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

*This Circular is dated 6 June 2003*

B H LAWRENCE & CO  
Advocates & Solicitors

## DEFINITIONS

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

AGM	:	Annual General Meeting
Company	:	Knusford Berhad
Director(s)	:	Shall have the meaning given in Section 4 of the Companies Act 1965 and includes any person who is or was within the preceding 12 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer (or any company which is a subsidiary or holding company or a subsidiary of its holding company)
Group	:	Knusford Berhad and its subsidiaries
KLSE	:	Kuala Lumpur Stock Exchange
Mandated Related Parties	:	As in paragraph 3.3
Major Shareholder	:	A person who has an interest in one or more voting shares in a company and the nominal amount of that share or the aggregate of the nominal amounts of those shares, is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the company including any person who is or was within the preceding 12 months of the date on which the terms of the transaction were agreed upon, a major shareholder as defined above (or any other company which is its subsidiary or holding company or a subsidiary of its holding company). For the purpose of this definition, "interest in shares" shall have the meaning given in section 6A of the Companies Act 1965.
Proposed Mandate	:	Proposed Renewal of Shareholders' Mandate and Additional Shareholders' Mandate for Recurrent Related Party Transactions for the Company and its subsidiaries in its normal course of business, to enter into the transactions set out in paragraph 3.4 below (Recurrent Related Party Transactions) with persons who are considered to be "related parties" as defined in Chapter 10 of the Listing Requirements of the KLSE.
Related Party	:	Director, major shareholder or person connected with such director or major shareholder.
Related Party Transaction	:	A transaction entered into by the Company and/or its subsidiaries which involves the interest, direct or indirect, of a related party.
RRPT (Recurrent Related Party Transaction)	:	Recurrent transaction of a revenue or trading nature which are necessary for day-to-day operations of the Company and its subsidiaries.
Recurrent Related Party Transaction Mandate	:	Shareholders' mandate for the Company and its subsidiaries to enter into Recurrent Related Party Transactions.

## CONTENTS

### DIRECTORS' LETTER TO THE SHAREHOLDERS CONTAINING:

1.	INTRODUCTION	1
2.	APPROVAL REQUIRED	1 - 2
3.	DETAILS OF PROPOSED MANDATE	2 - 9
	3.1 Part E, Paragraph 10.09 and 10.08 of the KLSE Listing Requirements	
	3.2 Shareholders' Mandate for Recurrent Related Party Transactions	
	3.3 Classes of Related Parties	
	3.4 Nature of Recurrent Related Party Transactions and estimated annual value	
	3.5 Nature and extent of interest	
	3.6 Rationale for, and the benefit to, the Group for transacting with the Mandated Related Parties	
	3.7 Review methods or procedures for Recurrent Related Party Transactions	
	3.8 Audit Committee's statements	
4.	INTERESTED DIRECTORS AND MAJOR SHAREHOLDERS	9 - 11
	4.1 Interested Directors' shareholdings	
	4.2 Interested major shareholders	
	4.3 Statements in relation to interested parties	
5.	DIRECTORS' RECOMMENDATION	11
6.	ANNUAL GENERAL MEETING	11 - 12
7.	FURTHER INFORMATION	12

### APPENDIX

1.	Appendix I – Further Information.	13 -15
----	-----------------------------------	--------

# KNUSFORD BERHAD

[380100-D]

(Incorporated in Malaysia)

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

Board of Directors:

LIM KANG SWEE  
ABDUL AZIZ BIN ISMAIL  
Y. BHG. DATO' LIM KANG HOO  
KHOO NANG SENG @ KHOO NAM SENG  
AZNAM BIN MANSOR  
LIM TS-FEI  
DR. WONG KAI FATT  
CHAN SENG CHOW

To: The Shareholders of Knusford Berhad

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

## 1. INTRODUCTION

On 28 June 2002 the Company obtained shareholders' approval for a general mandate for the Company and its subsidiaries to enter into Recurrent Related Party Transactions in the ordinary course of business of a revenue or trading nature which are necessary for day-to-day operations of the Company and its subsidiaries based on commercial terms which are not more favourable to the Related Parties than those generally available to the public.

The said existing mandate for Recurrent Related Party Transactions shall lapse at the conclusion of the forthcoming AGM unless its renewal is obtained from the shareholders at the AGM.

The Company had on 21 April 2003 made an announcement to the KLSE pertaining to the above-mentioned Proposed Mandate.

The Board proposes to seek the approval of shareholders for a Proposed Mandate for the Company and its subsidiaries in its normal course of business, to enter into transactions set out in paragraph 3.4 below with persons who are considered to be "related parties" as defined in Chapter 10 of the Listing Requirements ("Listing Requirements") of the KLSE.

## 2. APPROVAL REQUIRED

The purpose of this Circular is to provide shareholders with details pertaining to the Proposed Mandate and to seek shareholders' approval for the resolutions to be tabled at the forthcoming AGM to be convened on Monday, 30 June 2003 at 11.00 a.m. at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur.

The Mandate is subject to annual renewal. In this respect, any authority conferred by a Mandate shall only continue to be in force until:-

- (a) the conclusion of the first annual general meeting of the listed issuer following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

Thereafter, approval from shareholders for any subsequent renewals of the RRPT Mandate will be sought at each subsequent AGM of the Company.

### 3. DETAILS OF THE PROPOSED MANDATE

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

The details of the recurrent related party transactions of a revenue or trading nature pursuant to Part E, Paragraph 10.09, which should be read in conjunction with Paragraph 10.08 of the KLSE Listing Requirements to be dealt with at the forthcoming AGM are as follows:

##### Recurrent Related Party Transactions

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

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

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

### Related Party Transactions

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

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

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

- (b) For a related party transaction where any one of the percentage ratios is equal to or exceeds 25%, the following must be complied with by the listed issuer:
  - (i) A main adviser, which shall be a merchant bank or a member company approved by the Securities Commission to act as an adviser in the same manner as advisers under the Securities Commission's Policies and Guidelines on Issue/Offer of Securities, must be appointed by the listed issuer before terms of transaction are agreed upon, and it shall be the duty and responsibility of the main adviser to:
    - (aa) ensure that such transaction is carried out on fair and reasonable terms and conditions, and not to the detriment of minority shareholders of the listed issuer;
    - (bb) ensure that such transaction complies with the relevant laws/regulations/guidelines, where applicable;
    - (cc) ensure full disclosure of all information required to be disclosed in the announcement and circular; and
    - (dd) confirm to the KLSE and the Securities Commission, after the transaction has been completed and all the necessary approvals have been obtained, that it has discharged its responsibility with due care in regard to the transaction.
  - (ii) An independent adviser, which shall be a merchant bank or a member company approved by the Securities Commission to act as an adviser in the same manner as advisers under the Securities Commission's Policies and Guidelines on Issue/Offer of Securities, must be appointed by the listed issuer before terms of the transaction are agreed upon, and it shall be the duty and responsibility of the independent adviser to:
    - (aa) comment as to whether the transaction is fair and reasonable so far as the shareholders are concerned and whether the transaction is to the detriment of minority shareholders and such opinion must set out the reasons for, the key assumptions made and factors taken into consideration in forming that opinion; and
    - (bb) confirm to the KLSE and the Securities Commission of its eligibility to act as an independent adviser within a period of 2 weeks after the announcement of the transaction.

### Principal Business

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

### 3.2 Shareholders' Mandate for Recurrent Related Party Transactions

The Board is seeking approval from shareholders for the Proposed Mandate which will allow the Company and its subsidiaries, in its normal course of business, to enter into the categories of Recurrent Related Party Transaction referred to in paragraph 3.4 below, with the classes of Related Parties set out in paragraph 3.3 below, provided that such transactions, if any, are made at arm's length, on the Company's and its subsidiaries' normal commercial terms and on terms not more favourable to the related parties than those generally available to the public.

The Mandate is subject to annual renewal. In this respect, any authority conferred by a Mandate shall only continue to be in force until:-

- (a) the conclusion of the first annual general meeting of the listed issuer following the general meeting at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA);  
or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

Thereafter, approval from shareholders for a renewal of the Proposed Mandate will be sought at each subsequent AGM of the Company

### 3.3 Classes of Related Parties

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

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

\* Additional new Related Party

Please refer to paragraph 3.5 below for details of the nature and extent of the interest.

### 3.4 Nature of Recurrent Related Party Transactions and estimated annual value

The Recurrent Related Party Transactions to be covered by the Proposed Mandate are as follows and such transactions are necessary for the day to day operations and are in the ordinary course of the business of Knusford Berhad and its subsidiaries:

	Types of transactions	Related Party	Interested Director and Major Shareholder (c)	Estimated value (RM) (from coming AGM to the next AGM expected to be held in June 2004)
				Sold to Related Party
i.	Sale & rental of machinery & equipment and sale of building materials	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	5,000,000
ii.	Sale & rental of machinery & equipment; transportation charges and sale of building material	Felda Ekovest Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	2,000,000
iii.	Sale & rental of machinery & equipment	Binawani Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	50,000
iv.	Sale & rental of machinery & equipment and sale of building materials	Ekovest Construction Sdn Bhd *	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	3,000,000
v.	Sale & rental of machinery & equipment	Cekap Anika Sdn Bhd	Lim Kang Swee	50,000
vi.	Sale & rental of machinery & equipment	Promijaya Sdn Bhd	Lim Kang Swee Abdul Aziz Bin Ismail	50,000
				Total Sold To Related Party RM10,150,000
				Bought from Related Party
vii.	Sale & rental of machinery & equipment and sale of building materials	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	5,000,000
viii.	Sale & rental of machinery & equipment	Binawani Sdn Bhd	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	100,000
				Total Bought From Related Party RM5,100,000



	Types of transactions	Related Party	Interested Director and Major Shareholder (c)	Estimated value (RM) (from coming AGM to the next AGM expected to be held in June 2004)
				Rental
ix.	Rental of Premises (a)	Ekovest Berhad	Dato' Lim Kang Hoo Khoo Nang Seng @ Khoo Nam Seng Aznam Bin Mansor	114,000
x.	Rental of Premises (b)	Pestarena Industri Sdn Bhd	Dato' Lim Kang Hoo Lim Kang Swee	1,110,158
				Total Rental of Premises RM1,224,158

\* Additional new Related Party

Note:

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

(a) Please refer to Appendix 1, paragraphs 3(a), (d) and (e) for details.

(b) Please refer to Appendix 1, paragraph 3(c) for details.

(c) Dato' Lim Kang Hoo, Khoo Nang Seng @ Khoo Nam Seng, Aznam Bin Mansor, Lim Kang Swee and Abdul Aziz Bin Ismail are all Directors and major shareholders of Knusford Berhad.

### 3.5 Nature and extent of interest

The nature and extent of the interest of the Interested directors and major shareholders as stated in the preceding table are as follows :-

- a. Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng are directors in Ekovest Berhad.
- b. Dato' Lim Kang Hoo has a 0.35% direct shareholding in Ekovest Berhad, and has a 9.18% indirect shareholding in Ekovest Berhad through a 46.0% direct shareholding in Ekovest Holdings Sdn Bhd.
- c. Khoo Nang Seng @ Khoo Nam Seng has a 10.35% direct shareholding in Ekovest Berhad.
- d. Aznam bin Mansor has a 9.18% indirect shareholding in Ekovest Berhad through a 23.0% direct shareholding in Ekovest Holdings Sdn Bhd.
- e. Dato' Lim Kang Hoo is a director of, and major shareholder holding 50.0% of the shares, in Pestarena Industri Sdn Bhd.
- f. Lim Kang Swee is a director of, and major shareholder holding 50.0% of the shares, in Pestarena Industri Sdn Bhd. He is also a director of, and a major shareholder holding 75.0% of the shares in Cekap Anika Sdn Bhd. He is also a major shareholder holding 29.0% of the shares in Promijaya Sdn Bhd.

- g. Abdul Aziz Bin Ismail is a major shareholder holding 25.5% of the shares in Promijaya Sdn Bhd
- h. Binawani Sdn Bhd is a wholly owned subsidiary of Ekovest Berhad.
- i. Ekovest Construction Sdn Bhd is a wholly owned subsidiary of Ekovest Berhad.
- j. Felda Ekovest Sdn Bhd is a 50.0% subsidiary of Ekovest Berhad.
- k. Ekovest Berhad does not hold any shares in Knusford Berhad.
- l. Ekovest Berhad does not hold any shares in Cekap Anika Sdn Bhd, Promijaya Sdn Bhd and Pestarena Industri Sdn Bhd.
- m. Ekovest Holdings Sdn Bhd holds 9.18% of the shares in Ekovest Berhad.

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

#### *The Company and its subsidiaries relationship with the Mandated Related Parties*

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

#### *The benefit of the proposed RRPT Mandate*

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

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

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

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

Shareholders are advised to refer to the disclosed aggregate value of the Recurrent Related Party Transactions in the Annual Report for the financial year ended 31 December 2002.

### 3.7 Review methods or procedures for Recurrent Related Party Transactions

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

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

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

### 3.8 Audit Committee's statements

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

The Audit Committee has reviewed the terms of the Proposed Mandate, and is satisfied that the review procedures for Recurrent Related Party Transactions, as well as the periodic reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that the Recurrent Related Party Transactions will be made with the relevant classes of Related Party in accordance with the Company's and its subsidiaries' normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public, and hence, not prejudicial to the shareholders, nor disadvantageous to the Company and its subsidiaries and are not to the detriment of the minority shareholders.

## 4. INTERESTED DIRECTORS AND MAJOR SHAREHOLDERS

The following are Directors' shareholdings and major shareholders in the Company as at 8 May 2003

### 4.1 Interested Directors' shareholdings

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1.	Lim Kang Swee	8,004,000	10.81	439,000#	0.59
2.	Abdul Aziz Bin Ismail	10,000	0.01	32,410,000*	43.77
3.	Dato' Lim Kang Hoo	465,749	0.63	32,410,000*	43.77
4.	Khoo Nang Seng @ Khoo Nam Seng	7,824,122	10.57	-	-
5.	Aznam Bin Mansor	8,000	0.01	32,410,000*	43.77
	TOTAL	16,311,871	22.03		

#### 4.2 Interested major shareholders

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1.	Kinston Park Sdn Bhd	32,410,000	43.77	-	-
2.	Lim Kang Swee	8,004,000	10.81	439,000#	0.59
3.	Khoo Nang Seng @ Khoo Nam Seng	7,824,122	10.57	-	-
4.	Abdul Aziz Bin Ismail	10,000	0.01	32,410,000*	43.77
5.	Aznam Bin Mansor	8,000	0.01	32,410,000*	43.77
6	Dato' Lim Kang Hoo	465,749	0.63	32,410,000*	43.77
	TOTAL	48,721,871	65.80		

\* Deemed interest by virtue of their shareholding in Kinston Park Sdn Bhd as follows:

- a. Dato' Lim Kang Hoo has a 39.25% direct shareholding in Kinston Park Sdn Bhd
- b. Abdul Aziz Bin Ismail has a 26.0% direct shareholding in Kinston Park Sdn Bhd
- c. Aznam Bin Mansor has a 26.0% direct shareholding in Kinston Park Sdn Bhd

# Deemed interest by virtue of his 99.17% shareholding in Bidarcita Sdn Bhd

#### 4.3 Statements in relation to interested parties

- (a) The following interested directors (by virtue of their direct and indirect interest) have abstained and will abstain at all board meetings from all deliberations and voting on the Proposed Mandate:

- i. Lim Kang Swee
- ii. Abdul Aziz Bin Ismail
- iii. Dato' Lim Kang Hoo
- iv. Khoo Nang Seng @ Khoo Nam Seng
- v. Aznam Bin Mansor

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

- (b) The following interested major shareholders will abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution vis-à-vis the Proposed Mandate to be tabled at the forthcoming AGM:

- i. Lim Kang Swee
- ii. Abdul Aziz Bin Ismail
- iii. Dato' Lim Kang Hoo
- iv. Khoo Nang Seng @ Khoo Nam Seng
- v. Aznam Bin Mansor
- vi. Kinston Park Sdn Bhd

- (c) Further the said interested directors and interested major shareholders (being Lim Kang Swee, Abdul Aziz Bin Ismail, Dato' Lim Kang Hoo, Khoo Nang Seng @ Khoo Nam Seng, Aznam Bin Mansor and Kinston Park Sdn Bhd) have undertaken that they will ensure the persons connected with them will abstain from voting on the resolution pertaining to the Proposed Mandate at the AGM. These persons connected and their relationship with interested directors and interested major shareholders, and their respective shareholding as at 8 May 2003 are as stated in the table below.

The following connected persons will abstain from voting in respect of their direct shareholdings on the ordinary resolution vis-à-vis the Proposed Mandate to be tabled at the forthcoming AGM.

Persons Connected	Number of shares in Company	Relationship
Datin Loo Geik Lan	5,000	Spouse of Dato' Lim Kang Hoo
Dr. Koh Chaw Huah	2,000	Brother-in-law of Khoo Nang Seng @ Khoo Nam Seng
Khoo Chang Chiang	10,000	Son of Khoo Nang Seng @ Khoo Nam Seng
Khoo Kuo Seng	1,000	Sister of Khoo Nang Seng @ Khoo Nam Seng
Khoo Kwan Seng	1,000	Brother of Khoo Nang Seng @ Khoo Nam Seng
Lam Mee Ling	308,000	Sister-in-law of Lim Kang Swee and Dato' Lim Kang Hoo
Lee Hup Seng @ Lee Heap Seng	4,000	Brother-in-law of Lim Kang Swee and Dato' Lim Kang Hoo
Lim Ah Ya	87,000	Sister of Lim Kang Swee and Dato' Lim Kang Hoo
Lim Chui Hew	49,000	Sister of Lim Kang Swee and Dato' Lim Kang Hoo
Lim Hai	70,000	Sister of Lim Kang Swee and Dato' Lim Kang Hoo
Lim Hoe	200,000	Sister of Lim Kang Swee & Dato' Lim Kang Hoo
Lim Sew Hua	436,000	Sister of Lim Kang Swee and Dato' Lim Kang Hoo
Ngai Leong	5,000	Brother-in-law of Lim Kang Swee and Dato' Lim Kang Hoo
Ng Sok Meng	1,000	Sister-in-law of Khoo Nang Seng @ Khoo Nam Seng
Sum Kwai Sang	15,000	Brother-in-law of Lim Kang Swee and Dato' Lim Kang Hoo
Tiong Seng Yoke	93,000	Brother-in-law of Lim Kang Swee and Dato' Lim Kang Hoo
Wong Chooi Fah	142,000	Sister-in-law of Lim Kang Swee and Dato' Lim Kang Hoo
Yap Sim	50,000	Mother of Lim Kang Swee and Dato' Lim Kang Hoo

The above persons connected all hold shares directly in the Company.

Save as disclosed above none of the directors, major shareholders and/or persons connected with them have any interest direct or indirect in the Proposed Mandate.

#### 5. DIRECTORS' RECOMMENDATION

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

#### 6. ANNUAL GENERAL MEETING

The AGM, the notice of which is enclosed in the Annual Report 2002, will be held on Monday, 30 June 2003 at 11.00 a.m. at the Grand Seasons Hotel, 72 Jalan Pahang, 53000 Kuala Lumpur for the purpose of considering and, if thought fit, passing the resolution so as to give effect to the Proposed Mandate.

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

7. FURTHER INFORMATION

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

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

LIM TS-FEI

## FURTHER INFORMATION

### 1. RESPONSIBILITY STATEMENT

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

### 2. MATERIAL LITIGATION

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

### 3. MATERIAL CONTRACTS

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

- (a) Tenancy Agreement between Ekovest Berhad (Landlord) and Wengcon Holdings Sdn Bhd (Tenant), a wholly owned subsidiary of the Company, dated 1 December 1999 for No. 33-35 (front portion of 1<sup>st</sup> Floor), Wisma Ekovest, Jalan 6/50A, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur for approximately 3,125 sq. feet at rental of RM5,000.00 per month for one (1) year from 20 November 1999 to 19 November 2000. By mutual agreement of the parties, the tenancy period had previously been extended on the same terms and conditions for further period(s) of one (1) year; and most recently extended on the same terms and conditions until 19 November 2003.
- (b) Tenancy Agreement between Wengcon Holdings Sdn Bhd (Landlord) a wholly owned subsidiary of the Company, and KSJ Engineering Sdn Bhd (Tenant), dated 1 December 1999 for Lot 3658, Jalan Air Jerneh, Setapak, 53300 Kuala Lumpur at rental RM23,500.00 per month for one (1) year from 1 December 1999 to 30 November 2000. By mutual agreement of the parties, the tenancy period had previously been extended on the same terms and conditions for further period(s) of one (1) year; and most recently extended on the same terms and conditions until 30 November 2003.
- (c) Tenancy Agreement between Pestarena Industri Sdn Bhd (Landlord) and Wengcon Holdings Sdn Bhd (Tenant), a wholly owned subsidiary of the Company, dated 1 December 1999 for No. 8, Jalan Kecapi 33/2, Seksyen 33, Shah Alam, Selangor Darul Ehsan held under Lot 13, Grant 36008, Lot 57664 Mukim and District of Kelang, Selangor Darul Ehsan at rental RM26,136.00 per month based on 130,680 sq. feet at RM0.20 per sq. feet for one (1) year from 1 December 1999 to 30 November 2000. By mutual agreement of the parties, the tenancy period had previously been extended on the same terms and conditions for further period(s) of one (1) year; and most recently extended on the same terms and conditions until 30 November 2003.

Effective 1 January 2002 the term of the rental was revised to RM66,377.20 to include rental of buildings as follows: Land of 122,794 sq. feet @ RM0.20 per sq. feet for RM24,558.80; and Building of 32,168 sq. feet @ RM1.30 per sq. feet for RM41,818.40.

Effective 1 April 2002 the rental was revised to RM92,513.20 to include the whole land and building as follows: Land area of 253,474 sq. feet @ RM0.20 per sq. feet for RM50,694.80; and Building of 32,168 sq. feet @ RM1.30 per sq. feet for RM41,818.40.



- (d) Tenancy Agreement between Ekovest Berhad (Landlord) and Wengcon Marketing Sdn Bhd (Tenant), a wholly owned subsidiary of the Company, dated 15 November 2000 for the premises bearing the address of No. 33-35, 1<sup>st</sup> Floor, Wisma Ekovest, Jalan 6/50A, Taman Sri Setapak, Off Jalan Gombak, 53000 Kuala Lumpur (back portion of the 1<sup>st</sup> Floor) for approximately 1,875 sq. feet at rental of RM3,000.00 per month for one year from 15 November 2000 to 14 November 2001. By mutual agreement of the parties, the tenancy period had previously been extended on the same terms and conditions for further period(s) of one (1) year; and most recently extended on the same terms and conditions until 19 November 2003.
- (e) Tenancy Agreement between Ekovest Berhad (Landlord) and Wengcon Equipment Sdn Bhd (Tenant), a wholly owned subsidiary of the Company, dated 15 November 2000 for the premises bearing the address of MDLD 1448, Blok D, Hope Lay Industrial Building, Jalan Dam, 91100 Lahad Datu, Sabah for approximately 1,200 sq. feet at rental of RM1,500.00 per month for two (2) years from 15 November 2000 to 14 November 2002. The tenancy has been further extended for another (one) 1 year ending 14 November 2003 on the same terms and conditions
- (f) Contract Agreement dated 7 February 1990 between Felda Engineering Services Sdn Bhd and Wengcon Equipment Sdn Bhd, a wholly owned subsidiary of the Company, for the supply and rental of equipment, provision of labour and transportation services for a period of three (3) years with an option to extend for another two (2) years. This agreement has been further extended for a period of three (3) years to 6 February 1998 (with an option to extend up to 6 February 2000). There is a further extension for a period of three (3) years from 7 February 2000 to 6 February 2003 together with an option to extend for another two (2) years (subject to a review of the existing terms).
- (g) Settlement Agreement dated 1 November 2001 between Knusford Berhad 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 Knusford Berhad's Group of Companies be settled through the sale of a piece of freehold land belonging to D-Hill Sdn Bhd, a then wholly owned subsidiary of Pembinaan Sahabatjaya Sdn Bhd (D-Hill Sdn Bhd is now a wholly owned subsidiary of the Company).
- (h) Pursuant to the Settlement Agreement referred to in (g) above, Knusford Berhad nominated its wholly owned subsidiary, Wengcon Equipment Sdn Bhd to enter into a Sale and Purchase Agreement dated 1 November 2001 with D-Hill Sdn Bhd for the acquisition of a piece of freehold land held under Geran No. Hakmilik 44582 Lot 2259 Mukim Semenyih Daerah Ulu Langat in the state of Selangor measuring approximately 37.537 hectares, free from encumbrances and restrictions, for a consideration of RM17,600,000.00 and is to be satisfied in full by way of contra against part of the debt owing by Pembinaan Sahabatjaya Sdn Bhd to Knusford Berhad's Group of Companies.
- (i) Tenancy Agreement between Wengcon Holdings Sdn Bhd (Landlord), a wholly owned subsidiary of the Company, and Bank Kerjasama Rakyat Malaysia Berhad (Tenant), dated 1 December 2001 for Lot D-8-G & 1<sup>st</sup> Floor (Lot D-8-1S) No. 1, Jalan 2/50, Diamond Square, Off Jalan Gombak, Kuala Lumpur at rental of RM8,000.00 per month for three (3) years from 1 December 2001 to 30 November 2004, with an option to renew for a further three (3) years.
- (j) Share Sale and Purchase Agreement between Pembinaan Sahabatjaya Sdn. Bhd (as Vendor) and the Company (as Purchaser) dated 30 January 2003 for the purchase of 250,000 ordinary shares of RM1.00 each, being all the issued and paid up capital in D-Hill Sdn Bhd, for a total consideration sum of RM8,000,000.00. The purchase consideration is based on a willing buyer and willing seller taking into account indicative valuation of the property owned by the Vendor.

#### 4. DOCUMENTS FOR INSPECTION

Copies of the following documents are 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 office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the AGM.

- i. The Memorandum and Articles of Association of the Company.
- ii. The Audited Accounts of Knusford Berhad for the two (2) years ended 31 December 2001 and 31 December 2002, together with the Quarterly Results for three (3) months ended 31 March 2003.
- iii. The material contracts referred to above.
- iv. Letter of consent from Messrs B H Lawrence, Advocates & Solicitors.