

P R O S P E C T U S



KARYON INDUSTRIES BERHAD

(Company No: 612797-T)
(Incorporated in Malaysia under the Companies Act, 1965)

ISSUE OF 30,000,000 NEW ORDINARY SHARES OF RM0.10 EACH AT AN ISSUE PRICE OF RM0.18 PER ORDINARY SHARE COMPRISING:

- 20,000,000 NEW ORDINARY SHARES OF RM0.10 EACH BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;
- 5,000,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
- 5,000,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY ELIGIBLE DIRECTORS, EMPLOYEES, SUPPLIERS, CUSTOMERS AND BUSINESS ASSOCIATES OF KARYON INDUSTRIES BERHAD AND ITS SUBSIDIARY COMPANIES

IN CONJUNCTION WITH ITS LISTING ON THE MESDAQ MARKET OF BURSA MALAYSIA SECURITIES BERHAD

Adviser, Sponsor, Underwriter and Placement Agent



FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 4 COMMENCING ON PAGE 35 HEREIN

This Prospectus is dated 23 August 2004

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THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF KARYON INDUSTRIES BERHAD ("KIB" OR "COMPANY") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

PUBLIC MERCHANT BANK BERHAD (14328-V), BEING THE ADVISER, UNDERWRITER, SPONSOR AND PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE.

THE SECURITIES COMMISSION ("SC") AND BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") HAVE APPROVED THE PUBLIC ISSUE AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SC AND BURSA SECURITIES RECOMMENDS THE PUBLIC ISSUE.

BURSA SECURITIES AND THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, 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 PROSPECTUS. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS CORRECTNESS 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 PROSPECTUS. ADMISSION TO THE OFFICIAL LIST IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION COMPANY OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

CHARACTERISTICS OF THE MESDAQ MARKET OF BURSA SECURITIES: -

INVESTORS SHOULD BE AWARE THAT MESDAQ IS A DISTINCT MARKET FROM THE MAIN AND SECOND BOARDS IN MANY RESPECTS. IN PARTICULAR, COMPANIES LISTED ON MESDAQ ARE SUBJECT TO DIFFERENT QUANTITATIVE AND QUALITATIVE REQUIREMENTS, WHICH HAVE BEEN PRIMARILY DESIGNED TO ACCOMMODATE HIGH-GROWTH AND/OR TECHNOLOGY COMPANIES. COMPANIES THAT ARE LISTED ON MESDAQ MAY NOT HAVE AN OPERATING HISTORY OR ANY PROFIT TRACK RECORD PRIOR TO LISTING. AS SUCH, WHILST POTENTIAL INVESTMENT RETURNS MAY BE RELATIVELY HIGH, COMPANIES LISTED ON MESDAQ MAY BE OF HIGHER INVESTMENT RISK. THE REGULATORY PHILOSOPHY UNDERLYING THE MESDAQ MARKET IS THAT THE MARKET SHOULD BE ALLOWED TO DETERMINE THE MERITS OF THE SECURITIES/INSTRUMENTS IN A PARTICULAR COMPANY. HENCE, AS WITH ALL INVESTMENTS, PROSPECTIVE INVESTORS SHOULD BE AWARE OF ALL POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATION BY REFERRING TO, AMONGST OTHERS, THE PROSPECTUS, LATEST FINANCIAL STATEMENTS AND CORPORATE ANNOUNCEMENTS. IN THIS RESPECT, ADVICE FROM A SECURITIES PROFESSIONAL/ADVISER IS STRONGLY RECOMMENDED.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON THE FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUES FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 45 OF THE SC ACT 1993, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com.

TENTATIVE TIMETABLE

Indicative timing of events leading up to the listing of and quotation for KIB's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below: -

Events	Date
Opening date for the Public Issue	23 August 2004
Closing date for the Public Issue	2 September 2004
Balloting date for application for the Public Issue by the Malaysian public	6 September 2004
Allotment date	13 September 2004
Listing of the Company's entire issued and paid-up share capital on the MESDAQ Market of Bursa Securities	15 September 2004

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application period will remain open until 5.00 p.m. on 2 September 2004 or for such future period or periods as the Directors and Promoters of KIB together with the Underwriter in their absolute discretion may decide. Any changes to the above tentative dates will be published in a widely circulated daily newspaper within Malaysia.

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DEFINITIONS

In this Prospectus, unless otherwise stated, the following abbreviations shall have the following meanings: -

Acquisitions	: HLSB Acquisition, AISB Acquisition and KMSB Acquisition, collectively
Act	: Companies Act, 1965
Acquiree Companies	: HLSB, KMSB and AISB, collectively
ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
AFTA	: ASEAN Free Trade Area
AISB	: Allbright Industries (M) Sdn Bhd (Company No. 457414-W), a wholly-owned subsidiary of KIB
AISB Acquisition	: Acquisition by KIB of 500,000 ordinary shares of RM1.00 each in AISB, representing the entire equity interest therein, for a purchase consideration of RM500,000 satisfied by the issuance of 500,000 new ordinary shares of RM1.00 each in KIB at par
ASEAN	: Association of South-East Asia Nations
ATM	: Automated Teller Machine
Board	: Board of Directors of KIB
Bursa Securities	: Bursa Malaysia Securities Berhad (Company No. 635998-W) <i>(formerly known as Malaysia Securities Exchange Berhad)</i>
CDS	: Central Depository System
Consideration Shares	: 7,254,330 new ordinary shares of RM1.00 each in KIB issued pursuant to the HLSB Acquisition, AISB Acquisition and KMSB Acquisition
Depository	: Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W) <i>(formerly known as Malaysian Central Depository Sdn Bhd)</i>
EBIDTA	: Earnings before interest, depreciation, tax and amortisation
E&E	: Electrical and electronics
Electronic Share Application	: The application for the Public Issue Shares through a Participating Financial Institution's ATM
Eligible Employees	: Any person (including an Executive Director) employed by the Company or subsidiary who is eligible to participate in the Scheme
EPS	: Earnings per share
ESOS Committee	: The committee appointed by the Board to administer the Scheme
ESOS Option(s)	: The right of Eligible Employee(s) to subscribe for new KIB Shares pursuant to the contract constituted by acceptance by the Eligible Employee(s) of an offer made in accordance with the terms of the Scheme
ESOS or Scheme	: The employees share option scheme for the grant of ESOS Option(s) to Eligible Employee(s) to subscribe for new KIB Shares

DEFINITIONS (Cont'd)

Exercise Price	: The exercise price of the ESOS Option(s) which has been set fixed at RM0.18 per share
FIC	: Foreign Investment Committee
Flotation Scheme	: The Acquisitions, the Share Split, the Rights Issue, the Public Issue and the ESOS, collectively
GDP	: Gross domestic product
HLSB	: Hsing Lung Sdn Bhd (Company No. 157460-D), a wholly-owned subsidiary of KIB
HLSB Acquisition	: Acquisition by KIB of 4,733,750 ordinary shares of RM1.00 each in HLSB, representing the entire equity interest therein, for a purchase consideration of RM5,207,125 satisfied by the issuance of 5,207,125 new ordinary shares of RM1.00 each in KIB at par
Issue Price	: RM0.18 for each Public Issue Share
KG	: Kilograms
KIB Group or Group	: KIB and its wholly-owned subsidiary companies, collectively
KIB or Company	: Karyon Industries Berhad (Company No. 612797-T)
KMSB	: Karyon (Malaysia) Sdn Bhd (Company No. 286370-H), a wholly-owned subsidiary of KIB
KMSB Acquisition	: Acquisition by KIB of 1,031,470 ordinary shares of RM1.00 each in KMSB, representing the entire equity interest therein, for a purchase consideration of RM1,547,205 satisfied by the issuance of 1,547,205 new ordinary shares of RM1.00 each in KIB at par
Listing Requirements	: Listing Requirements of Bursa Securities for the MESDAQ Market
MESDAQ Market	: MESDAQ Market of Bursa Securities
MIDFCCS	: MIDF Consultancy and Corporate Services Sendirian Berhad (Company No. 11324-H)
MITI	: Ministry of International Trade and Industry
MNC(s)	: Multi-national corporations
MT	: Metric tonnes
NTA	: Net tangible assets
Participating Financial Institution(s)	: Participating financial institutions for Electronic Share Application as listed in Section 18.5(ii) of this Prospectus
PE Multiple	: Price earnings multiple
PMBB	: Public Merchant Bank Berhad (Company No. 14328-V)
Promoter(s)	: Dr. Chua Kee Lam, Ang Ah Kow @ Ang Cheok Sai, Poon Sau Mui, Teoh Liang Huat @ Teoh Lean Huat, Koay Choo Cheng, Tan Yeow Pong, Wo Ka Seng, Central Equity Sdn Bhd, Chua Ling Hong, Teoh Kooi Kim, Chua Ling Lee, and Wo Chin Yong, collectively

DEFINITIONS (Cont'd)

Public Issue	: Issue of 30,000,000 new ordinary shares of RM0.10 each in KIB at an issue price of RM0.18 per share to public investors by way of public issue and private placement, subject to the terms and conditions of this Prospectus
Public Issue Shares	: The 30,000,000 new ordinary shares of RM0.10 each in KIB, which are the subject of the Public Issue
RAMCS	: RAM Consultancy Services Sdn Bhd (Company No. 515578-M)
R&D	: Research and development
Rights Issue	: Rights issue of 17,456,680 Rights Shares at par on the basis of one (1) new Share for approximately 4.16 existing KIB Shares held, prior to the Public Issue
RM and sen	: Ringgit Malaysia and sen respectively
SC	: Securities Commission
Share(s)/KIB Share(s)	: Ordinary share(s) of RM0.10 each in KIB
Share Split	: The sub-division of every existing one (1) ordinary share of RM1.00 each in KIB into ten (10) new ordinary shares of RM0.10 each
SME(s)	: Small and medium size enterprises
UK	: United Kingdom
US	: United States of America
USD	: US Dollars

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DEFINITIONS (Cont'd)

Technical Definitions

ABS	:	Acrylonitrile butadiene styrene
BKC	:	Bacteria killing chemical
CDE	:	Coconut diethanolamide
CDP	:	Concentrated detergent paste, a non-toxic and biodegradable semi-finished raw materials
DINP	:	Di-isononyl phthalate
DOP	:	Di-octyl phthalate
IC		Integrated circuit
LABS	:	Linear alkyl benzene sulphonic acid
PE	:	Polyethylene
PKDE	:	Palm kernel diethanolamide
PP	:	Polypropylene
PS	:	Polystyrene
PVC	:	Polyvinyl chloride
RBD-PKO	:	Refined, bleached, deodorised palm kernel oil
TPE	:	Thermoplastic elastomer
TPO	:	Thermoplastic polyolefin
XLPE	:	Cross-linked polyethylene

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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