

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF KNM GROUP BERHAD (COMPANY NO: 521348-H) ("KNM") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE CONTENTS 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 STATEMENTS HEREIN FALSE OR MISLEADING. THE DIRECTORS HEREBY ACCEPT FULL RESPONSIBILITY FOR THE PROFIT FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE PROFIT FORECAST HAVE BEEN PREPARED BASED ON ASSUMPTIONS MADE.

ASEAMBANKERS MALAYSIA BERHAD (COMPANY NO: 15938-H) ("ASEAMBANKERS") BEING THE ADVISER, PLACEMENT AGENT AND MANAGING UNDERWRITER 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 OF 6,680,000 NEW ORDINARY SHARES OF RM1.00 EACH IN KNM AT AN ISSUE PRICE OF RM1.48 PER ORDINARY SHARE ("ISSUE") AND PLACEMENT OF 4,400,000 NEW ORDINARY SHARES OF RM1.00 EACH IN KNM AT A PLACEMENT PRICE OF RM1.48 PER ORDINARY SHARE ("PLACEMENT"), THE CORPORATION AND THE GROUP, AND IS SATISFIED THAT THE PROFIT FORECAST (FOR WHICH THE DIRECTORS OF KNM ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THE PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE PUBLIC ISSUE/PLACEMENT AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC OFFERING.

THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE CORPORATION 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.

THE VALUATION OF THE PROPERTIES SUBMITTED TO AND APPROVED BY THE SC SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE CORPORATE PROPOSALS SUBMITTED TO AND APPROVED BY THE SC AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTIES FOR ANY OTHER PURPOSES.

THE KUALA LUMPUR STOCK EXCHANGE SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF KNM AND TAKES NO RESPONSIBILITY FOR THE CONTENTS 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 TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, CORPORATION OF OR 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 CHIEF EXECUTIVE OFFICER OF THE COMPANIES COMMISSION OF MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

INDICATIVE TIMETABLE

MILESTONES		DATE
OPENING OF THE PUBLIC ISSUE	:	27 June 2003
CLOSING OF THE PUBLIC ISSUE	:	11 July 2003
TENTATIVE BALLOTING DATE	:	16 July 2003
TENTATIVE ALLOTMENT DATE	:	7 August 2003
TENTATIVE LISTING DATE	:	13 August 2003

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DEFINITIONS

In this Prospectus, unless otherwise indicated, the following words and abbreviations shall have the following meanings:

“ADA”	:	Authorised Depository Agent
“ADA Code”	:	ADA (Broker) Code
“Acquisition of KNMI”	:	Acquisition of 500,002 ordinary shares of RM1.00 each representing the entire issued and paid up share capital of KNMI by KNM
“Acquisition of KNMPS”	:	Acquisition of 3,100,000 ordinary shares of RM1.00 each representing the entire issued and paid up share capital of KNMPS by KNM
“AFTA”	:	Asean Free Trade Area
“API”	:	American Petroleum Institute
“Aseambankers”	:	Aseambankers Malaysia Berhad (15938-H)
“ASME”	:	American Society of Mechanical Engineers
“ATM”	:	Automated Teller Machine
“BS”	:	British Standards
“Budget 2002”	:	The 2002 Budget Speech by the YAB Dato’ Seri Dr. Mahathir bin Mohamad, Prime Minister and Minister of Finance introducing the supply bill at the Dewan Rakyat on the 19 October 2001
“Budget 2003”	:	The 2003 Budget Speech by the YAB Dato’ Seri Dr. Mahathir bin Mohamad, Prime Minister and Minister of Finance introducing the supply bill at the Dewan Rakyat on the 20 September 2002
“CAD”	:	Canadian dollar
“China”	:	People’s Republic of China
“CCM”	:	Companies Commission of Malaysia
“CDS”	:	Central Depository System
“CORAL”	:	Cost Reduction Alliance
“DE”	:	Duraton Engineering Sdn Bhd (561916-W)
“DIN”	:	Deutsche Industrie Norm (German Industrial Standard)
“Director(s)”	:	Shall have the meaning given in Section 4 of the Companies Act, 1965
“EPCC”	:	Engineering, Procurement, Construction and Commissioning
“EPS”	:	Earnings per share
“ERP”	:	Enterprise Resource Planning
“Exotic Materials”	:	Materials used for very demanding working conditions and are not often used in normal pressure vessels or steel structures

DEFINITIONS (Cont'd)

“FIC”	:	Foreign Investment Committee
“GB”	:	National Standard of People’s Republic of China
“Government”	:	Government of Malaysia, unless specified otherwise
“IMSB”	:	Inter Merger Sdn Bhd (162106-U)
“IPO”	:	Initial Public Offer
“ISO”	:	International Standards Organization
“IT”	:	Information Technology
“JIS”	:	Japan Industrial Standards
“KNM” or “the Company”	:	KNM Group Berhad (521348-H)
“KNMO”	:	KNM OGPET (East Coast) Sdn Bhd (302145-M)
“KNM-DP”	:	KNM-DP Fabricators Sdn Bhd (232935-A)
“KNM-DP HB”	:	KNM-DP Harta Bina Sdn Bhd (317534-P)
“KNM Group” or “the Group”	:	KNM and its subsidiary companies
“KNMPS”	:	KNM Process Systems Sdn Bhd (<i>formerly known as KNM Steel Sdn Bhd</i>) (200140-X)
“KNMI”	:	KNM International Sdn Bhd (579617-A)
“KNMOC”	:	KNM Overseas (China) Sdn Bhd (569335-H)
“KNMSPEC”	:	KNM Special Process Equipment (Changshu) Co. Ltd, a company incorporated in China
“KLSE”	:	Kuala Lumpur Stock Exchange
“Listing”	:	Listing of and quotation for the entire issued and paid-up share capital of the Company comprising 44,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE
“LPG”	:	Liquefied Petroleum Gas
“MCD”	:	Malaysian Central Depository Sdn Bhd (165570-W), a subsidiary of KLSE
“MIDFCCS”	:	MIDF Consultancy and Corporate Services Sdn Bhd (11324-H)
“MITI”	:	Ministry of International Trade and Industry
“MIDA”	:	Malaysian Industrial Development Authority
“NB”	:	The National Board of Boiler and Pressure Vessel Inspectors of the United States of America

DEFINITIONS (Cont'd)

“NTA”	:	Net tangible assets
“PASB”	:	Perwira Awan Sdn Bhd (251130-D)
“PIAMS”	:	Project Information And Management System
“PE Multiple”	:	Price earnings multiple
“Placement”	:	Placement of 4,400,000 new ordinary shares of RM1.00 each in the Company to Placees nominated in consultation with KNM, at an issue price of RM1.48 per new ordinary share payable in full upon application
“Placement Shares”	:	4,400,000 new ordinary shares of RM1.00 each in the Company being the subject of the Placement
“PSSB”	:	Perkasa Sistem Sdn Bhd (233419-D)
“PWHT”	:	Post Weld Heat Treatment
“Public Issue” or “Issue”	:	Public issue of 6,680,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.48 per new ordinary share payable in full upon application, subject to the terms and conditions of this Prospectus
“Public Issue Shares” or “Issue Shares”	:	6,680,000 new ordinary shares of RM1.00 each in the Company being the subject of the Public Issue
“R”	:	Code symbol stamp of NB to do repairs and/or alterations in accordance with the provisions of the National Board
“R&D”	:	Research and Development
“Rights Issue”	:	Rights Issue of 4,666,816 new ordinary shares of RM1.00 each in KNM at par
“RM” and “sen”	:	Malaysian Ringgit and sen respectively
“RMB”	:	Renminbi
“S”	:	Code symbol stamp of ASME to manufacture and assemble power boilers in accordance with the applicable rules of the ASME Boiler and Pressure Vessel Code
“SC”	:	Securities Commission of Malaysia
“sq. ft”	:	Square foot/feet
“TKSB”	:	Tegas Klasik Sdn Bhd (229466-D)
“TOFD”	:	Time of Flight Diffraction
“U”	:	Code symbol stamp of ASME to manufacture pressure vessels in accordance with the applicable rules of the ASME Boiler and Pressure Vessel Code

DEFINITIONS (Cont'd)

“U2”	:	Code symbol stamp of ASME to manufacture pressure vessels in accordance with the applicable rules of the ASME Boiler and Pressure Vessel Code
“Underwriters”	:	Aseambankers, Mayban Securities Sdn Bhd (165630-M), JF Apex Securities Bhd (47680-X), K&N Kenanga Berhad (15678-H), KAF-Seagroatt & Campbell Securities Sdn Bhd (134631-U), MIDF Consultancy & Corporate Services Sdn Bhd (11324-H), OSK Securities Berhad (14152-V), PM Securities Sdn Bhd (66299-A) and SBB Securities Sdn Bhd (100518-M)
“USA”	:	United States of America
“USD”	:	USA Dollar
“Valuers”	:	W.M. Malik & Kamaruzaman Sdn Bhd, a firm of independent professional valuers
“Vital Factor”	:	Vital Factor Consulting Sdn Bhd (266797-T)
“YAB”	:	Yang Amat Berhormat

For information purposes only, the following exchange rates as at 18 June 2003 are approximately:

1 USD : RM3.80

1 RMB : RM0.46

1 CAD : RM2.83

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KNM GROUP BERHAD
(Company No: 521348-H)
(Incorporated in Malaysia under the Companies Act, 1965)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Nationality	Designation	Address	Occupation
Dato' Abdul Rani bin Mohd Razalli	Malaysian	Executive Chairman	Unit 3, Level 8, Tiara Tower, Mont Kiara Astana, Jalan Kiara 2, 50480 Kuala Lumpur	Company Director
Ir. Lee Swee Eng	Malaysian	Managing Director	39, Jalan Awan Cina, Taman Yarl, 58200 Kuala Lumpur	Company Director
Lee Hui Leong	Malaysian	Executive Director	45, Jalan SS20/12, 47400 Petaling Jaya, Selangor Darul Ehsan	Company Director
Sofiyan bin Yahya	Malaysian	Executive Director	No.4, Lorong SS1/22B, 47300 Petaling Jaya, Selangor Darul Ehsan	Company Director
Gan Siew Liat	Malaysian	Executive Director	39, Jalan Awan Cina, Taman Yarl, 58200 Kuala Lumpur	Company Director
Chew Fook Sin	Malaysian	Executive Director	5-10 Fortuna Court, Jalan Awan Cina, 58200 Kuala Lumpur	Company Director
Mohamed Tajudin bin Mohamed Alias	Malaysian	Independent Non-Executive Director	7-G-16, Jalan Nilai, Perdana 11, 71800 Nilai, Negeri Sembilan	Company Director
Dato' Ab. Halim bin Mohyiddin	Malaysian	Independent Non-Executive Director	No.30 Jalan Kelab Golf, 13/6, 40000 Shah Alam, Selangor Darul Ehsan	Company Director
Lim Yu Tey	Malaysian	Independent Non-Executive Director	93, Jalan BU 1/1A Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan	Company Director

AUDIT COMMITTEE

Name	Responsibility	Directorship
Dato' Ab. Halim bin Mohyiddin	Chairman of the Committee	Independent Non-Executive Director
Lim Yu Tey	Member	Independent Non-Executive Director
Ir. Lee Swee Eng	Member	Managing Director

CORPORATE INFORMATION (Cont'd)

- COMPANY SECRETARY** : Chia Kwok Why
(MAICSA 7005833)
75, Jalan SS3/68
47300 Petaling Jaya
Selangor Darul Ehsan
- REGISTERED AND HEAD/MANAGEMENT OFFICE** : 15, Jalan Dagang SB4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Tel: (603) 8943 0788
E-Mail: knm@knm-group.com
Website: www.knm-group.com
- AUDITORS AND REPORTING ACCOUNTANTS** : KPMG (AF0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: (603) 2095 3388
- SOLICITORS FOR THE IPO** : Wong Beh & Toh
Level 12, West Block
Wisma Selangor Dredging
142-C Jalan Ampang
50450 Kuala Lumpur
Tel: (603) 2713 6050
- PROFESSIONAL AND INDEPENDENT VALUERS** : W. M. Malik & Kamaruzaman (V(2) 0001)
Chartered Surveyors & Valuers
3rd Floor, Wisma Yakin
Jalan Melayu
50100 Kuala Lumpur
Tel: (603) 2698 5522
- PRINCIPAL BANKERS** : RHB Bank Berhad (6171-M)
Kuala Lumpur Area Business Centre
Level 2, Tower Two
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel: (603) 9287 8888
- Bumiputra-Commerce Bank Berhad (13491-P)
7th Floor, Wisma Bandar,
18 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel: (603) 2697 9700
- Citibank Berhad (297089-M)
42nd Floor, Menara Citibank, 165 Jalan Ampang
50450 Kuala Lumpur
Tel: (603) 2710 8689

CORPORATE INFORMATION (Cont'd)

- ISSUING HOUSE** : MIDF Consultancy and Corporate Services Sdn Bhd (11324-H)
Bangunan MIDF
195A, Jalan Tun Razak
50450 Kuala Lumpur
Tel: (603) 2161 0066 / 2161 1166
- REGISTRAR** : Malaysian Share Registration Services Sdn Bhd (378993-D)
8th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Tel: (603) 2026 8099
- ADVISER, PLACEMENT AGENT & MANAGING UNDERWRITER** : Aseambankers Malaysia Berhad (15938-H)
33rd Floor Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Tel: (603) 2059 1888
- UNDERWRITERS** : Aseambankers Malaysia Berhad (15938-H)
33rd Floor Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Tel: (603) 2059 1888
- Mayban Securities Sdn Bhd (165630-M)
Level 8, MaybanLife Tower
Dataran Maybank
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
- JF Apex Securities Bhd (47680-X)
6th Floor, Menara Apex
Off Jalan Semenyih
Bukit Mewah
43000 Kajang
Selangor Darul Ehsan
Tel: (603) 8736 1118
- K & N Kenanga Bhd (15678-H)
801, 8th Floor
Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (603) 2164 9080
- KAF-Seagroatt & Campbell Securities Sdn Bhd (134631-U)
30th Floor, Menara Weld
No. 76, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2020 1600
- MIDF Consultancy & Corporate Services Sdn Bhd (11324-H)
12th Floor, Bangunan MIDF
195A Jalan Tun Razak
50400 Kuala Lumpur
Tel: (603) 2161 3355

CORPORATE INFORMATION (Cont'd)

OSK Securities Bhd (14152-V)
19th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel: (603) 2162 4388

PM Securities Sdn Bhd (66299-A)
5th Floor, Mui Plaza
Jalan P. Ramlee
50250 Kuala Lumpur
Tel: (603) 2715 1330

SBB Securities Sdn Bhd (100518-M)
51-53, Persiaran Greenhill
30450 Ipoh
Perak Darul Ridzuan
Tel: (605) 253 0888

**INDEPENDENT BUSINESS AND
MARKET RESEARCH
CONSULTANTS**

: Vital Factor Consulting Sdn Bhd (266797-T)
75C & 77C, Jalan SS 22/19
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7728 0248

LISTING SOUGHT

: Second Board of the Kuala Lumpur Stock Exchange

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1. SUMMARY INFORMATION

The summary information set out below is derived from this Prospectus and should be read in conjunction with the full text of the Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether or not to invest in the shares of the Company.

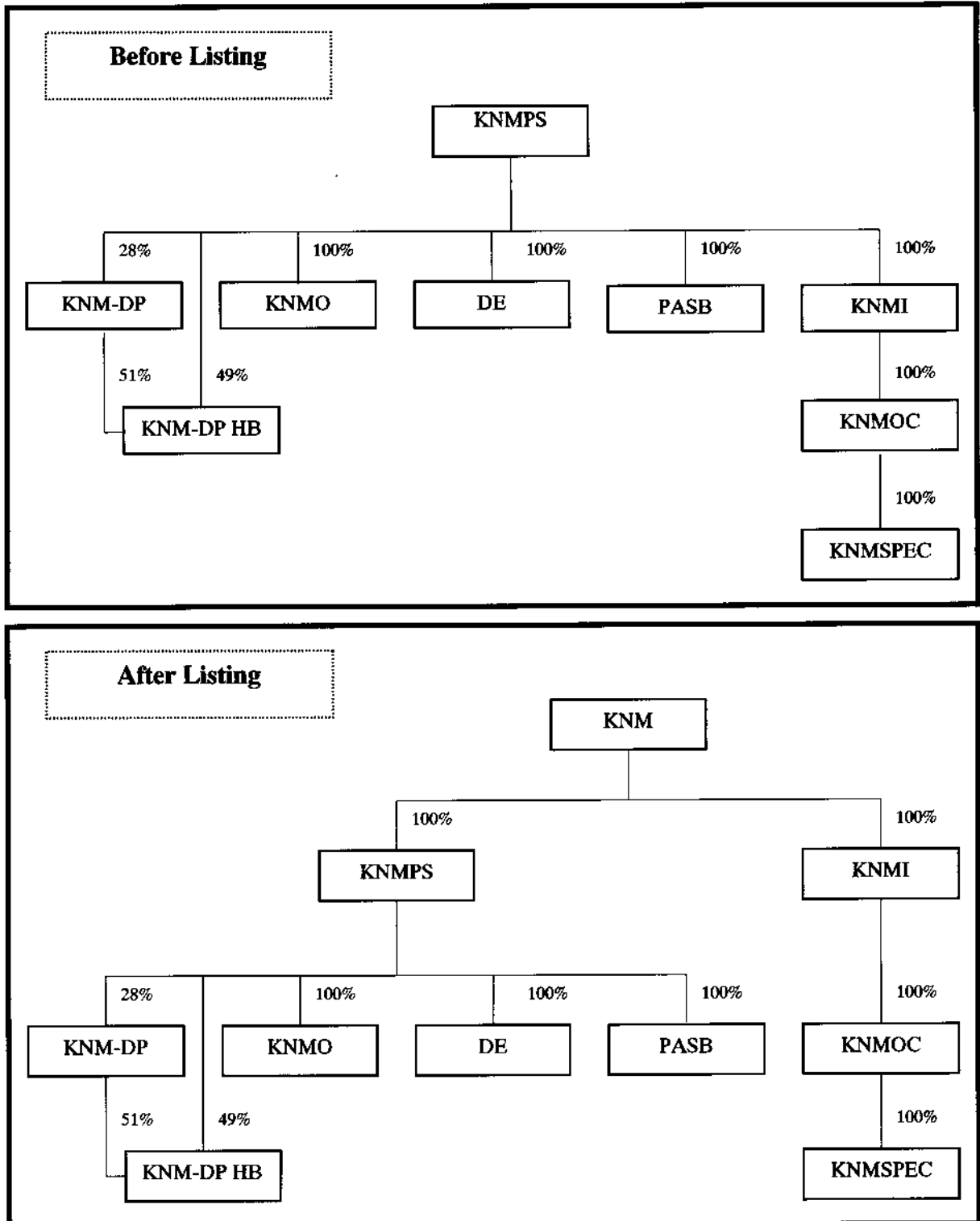
1.1 History And Business

KNM was incorporated in Malaysia under the Companies Act, 1965 on 22 July 2000 as a private limited company and was subsequently converted into a public limited company on 12 September 2000. The Company is principally an investment holding company while the principal activities of its subsidiary and associated companies are as follows:

Name of Company	Equity Interest %	Principal Activities
Subsidiary of KNM		
KNMPS	100	Design, manufacture, assembly, commissioning and maintenance of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries
KNMI	100	Provision of management, technical advisory, licence and trademark services to international related companies and related international investments.
Subsidiary of KNMPS		
KNMO	100	Fabrication and maintenance of oil, gas and petrochemical process equipment, storage tanks, modular assemblies and structural assemblies for oil, gas and petrochemical industries.
PASB	100	Property investment
DE	100	Provision of project manpower, engineering, non-destructive testing and technical consultancy services
Subsidiary of KNMI		
KNMOC	100	Investment holding
Subsidiary of KNMOC		
KNMSPEC	100	Design, manufacture, assembly, commissioning and maintenance of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries within the market in China
Associate Company of KNMPS		
KNM-DP	28	Fabrication and maintenance of process equipment, storage tanks, modular assemblies and steel structural components for oil, gas and petrochemical industries
KNM-DP HB	49	Dormant (intended principal activity is property investment)
Subsidiary of KNM-DP		
KNM-DP HB	51	Dormant (intended principal activity is property investment)

1. SUMMARY INFORMATION (Cont'd)

The structure of KNM before and after the Listing is as follows:



Detailed information on the history and business of KNM is set out in Section 4.4 of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)

1.2 Promoters, Major Shareholders, Directors, Key Management/Technical Personnel

The direct and indirect shareholdings of the promoters, major shareholders, directors, key management/technical personnel of KNM in the Company are as follows:-

Promoters / Major Shareholders

		No. of Shares Held After Public Issue/Placement			
		<----- Direct ----->		<----- Indirect ----->	
Name	Place of Incorporation	No. Of Shares	%	No. Of Shares	%
TKSB	Malaysia	4,247,091	9.65	-	-
IMSB	Malaysia	28,672,909	65.17	4,247,091*	9.65

* Deemed interested by virtue of IMSB's 19.47% direct interest in TKSBB

Directors

		No. of Shares Held After Public Issue/Placement			
		<----- Direct ----->		<----- Indirect ----->	
Name	Designation	No. Of Shares	%	No. Of Shares	%
Dato' Abdul Rani bin Mohd Razalli	Executive Chairman	*30,000	0.07	32,920,000 ⁽¹⁾	74.82
Ir. Lee Swee Eng	Managing Director	*30,000	0.07	32,920,000 ⁽²⁾	74.82
Sofiyani bin Yahya	Executive Director	*30,000	0.07	32,920,000 ⁽¹⁾	74.82
Lee Hui Leong	Executive Director	*30,000	0.07	4,247,091 ⁽³⁾	9.65
Gan Siew Liat	Executive Director	*30,000	0.07	32,920,000 ⁽⁴⁾	74.82
Chew Fook Sin	Executive Director	*30,000	0.07	32,920,000 ⁽⁵⁾	74.82
Mohamed Tajudin bin Mohamed Alias	Independent Non-Executive Director	*30,000	0.07	-	-
Dato' Ab. Halim bin Mohyiddin	Independent Non-Executive Director	*30,000	0.07	-	-
Lim Yu Tey	Independent Non-Executive Director	*30,000	0.07	-	-

* Based on their respective entitlements pursuant to the allocation of shares to eligible directors and employees of KNM Group

Notes:

1. Deemed interested by virtue of their direct and indirect (via IMSB) interest in TKSBB and their indirect interest in IMSB (via PSSB)
2. Deemed interested by virtue of his indirect interest in IMSB (via PSSB) and indirect interest in TKSBB (via IMSB)
3. Deemed interested by virtue of his direct interest in TKSBB
4. Deemed interested by virtue of her spouse, Ir. Lee Swee Eng's indirect interest in IMSB (via PSSB) and indirect interest in TKSBB (via IMSB)
5. Deemed interested by virtue of his direct interest in TKSBB, and by virtue of his sister-in-law, Gan Siew Liat's indirect interest in IMSB and TKSBB

1. SUMMARY INFORMATION (Cont'd)**Key Management Team / Technical Personnel**

		No. of Shares Held After Public Issue/Placement			
		< ----- Direct ----- >		< ----- Indirect ----- >	
Name	Designation	No. Of Shares	%	No. Of Shares	%
Mok Tuang Chiew	Deputy Director (Projects & Engineering)	*23,000	0.05	-	-
Pong Chan Kong	Works Manager	*15,000	0.03	-	-
Ibrahim bin Mohd Said	Group Finance Manager	*15,000	0.03	-	-
Mohd Zaini bin Buang	Design Manager	*15,000	0.03	#	-
Mohd Yusoff bin Kotok	Commercial Manager	*15,000	0.03	-	-
Ramesh Arunasalam	Quality Control and Non-Destruction Testing Manager	*15,000	0.03	-	-
Ir. Yong Moon Kiew	Estimation and Proposal Manager	*15,000	0.03	-	-
Lai Sou Kuien	Communications and Marketing Manager	*15,000	0.03	-	-
Rashdan bin Hj. Yaacob	Human Resource and Administration Manager	*15,000	0.03	-	-

* Based on their respective entitlements pursuant to the allocation of shares to eligible directors and employees of KNM Group

Holds direct equity interest of 0.74% in TKSB and effective equity interest of 0.07% in KNM

Further details are set out in Section 5.2 of this Prospectus.

1.3 Description Of Technology And Innovations Used By KNM Group

The description of the technology used by KNM Group in manufacturing and providing its products and services are summarised as follows:-

(i) Post Weld Heat Treatment ("PWHT")

PWHT is an essential heating process to remove 'stress' created during the manufacturing process of rolling, bending and welding. These stress points, if not removed, could potentially cause metal fatigue over time.

KNM Group is able to provide the traditional PWHT where end-products, for example pressure vessels, are encased in a furnace and heated up for a duration of 48 hours and another 24 hours to cool them down. In addition, KNM Group has also devised a new process that has enabled the Group to undertake PWHT for mega-sized end-products.

1. SUMMARY INFORMATION (Cont'd)

(ii) Time of Flight Diffraction (“TOFD”)

KNM Group uses the internationally accepted TOFD technology to test the integrity of pressure vessels to ensure that there is no leakage, fracture or weaknesses in the welding. The TOFD technique, which is based on ultrasonic waves, is more sensitive in detecting defects as compared to the conventional radiography testing technique. In addition, unlike the conventional radiography testing technique, the TOFD technique enables KNM Group to undertake testing during manufacturing without the need to evacuate personnel and stop work-in-progress which improves production efficiency and safety at work.

(iii) Collift

One of KNM Group’s achievements in erection of storage tanks is the invention of a column lifting system called ‘Collift’. This invention enables KNM Group the ability to complete the construction of roofing structure, for example, cone roof for storage tanks whilst being on the ground. On completion, the roof is then lifted by using the Collift to place it on top of the structure. By completing the roofing structure of larger tanks on the ground, as opposed to high up on top of the project structure, KNM Group is able to achieve safe operation, saves time and costs, and enables faster project delivery. KNMPS has applied for a patent registration of this invention.

(iv) Synchronised Jacking System

KNM Group innovated and developed the Synchronised Jacking System, which mainly utilises the jacking method of lifting, specifically for the lifting of mega-sized finished pressure vessels during manufacturing and onto transporters for delivery. The Synchronised Jacking System is able to handle vessels weighing up to 1,200 metric tonnes and 110 metres long. The traditional overhead cranes or mobile cranes to handle this same capacity are very costly compared to the synchronised Jacking System.

(v) Modular PWHT Furnace

KNM Group innovated and designed the modular PWHT furnace, which is made up of 2 by 2 metre panels. This is used for the external firing of small to average sized pressure vessels. This modular furnace, which has been designed to cater for most lengths of pressure vessels and the re-use of panels, has enabled a faster set-up and tear-down time for the manufacture of pressure vessels at a competitive cost.

(vi) PWHT-On-Sand

KNM Group has perfected the technique of undertaking PWHT-On-Sand for mega-sized projects involving very heavy vessels. Due to logistics constraints, sometimes PWHT process has to be done at the end-user site. By using this technique, KNM Group offers a cost effective and efficient solution to customers.

Source: Vital Factor’s Business Overview Report updated on 30 April 2003

1. SUMMARY INFORMATION *(Cont'd)*

1.4 Table Of Income Statement For The Past Five (5) Years

The following table sets out a summary of the proforma consolidated results of KNM for the past five (5) financial years ended 31 December 2002 and is based on the assumption that the Group has been in existence throughout the period under review.

The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 9 of this Prospectus: -

	<-----Year ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	54,903	65,742	75,595	73,427	107,352
Profit before depreciation and interest	6,416	8,168	11,782	10,080	14,317
Depreciation	(458)	(522)	(921)	(796)	(1,426)
Interest expense [^]	(1,338)	(860)	(966)	(1,681)	(2,364)
Interest income	235	119	153	294	85
Operating profit	4,855	6,905	10,048	7,897	10,612
Exceptional item [#]	-	1,353	69	-	-
Share of results of associated companies	41	198	2	(280)	-
Profit before taxation	4,896	8,456	10,119	7,617	10,612
Taxation	(1,890)	-	(1,614)	(1,212)	(2,341)
Profit after taxation	3,006	8,456	8,505	6,405	8,271
Number of ordinary shares assumed in issue ('000)*	28,253	28,253	28,253	28,253	28,253
Earnings per share (sen):					
- Gross	17.3	29.9	35.8	27.0	37.6
- Net	10.6	29.9	30.1	22.7	29.3

Notes:

[^] *Interest expense excludes bank and bank guarantee charges.*

^{*} *The number of ordinary shares assumed in issue throughout the financial years under review is the number of ordinary shares in issue after acquisition of KNMPS by KNM, i.e. 28,253,182 ordinary shares of RM1.00 each.*

[#] *There were no exceptional or extraordinary items during the financial years under review other than the negative goodwill arising from the acquisition of PASB and DE in 1999 and 2000 respectively.*

Notes to the above proforma consolidated results of the KNM Group are set out in Section 9.1.2 of this Prospectus.

1. SUMMARY INFORMATION *(Cont'd)*

1.5 Proforma Consolidated Balance Sheet As At 31 December 2002 Adjusted For The Financial Effects

	Audited As at 31 December 2002 RM'000	After Proforma I RM'000	After Proforma I & II RM'000
Property, plant and equipment	-	60,346	68,536
Investment in associated companies	-	-	-
Current assets			
Inventories	-	6,929	6,929
Trade and other receivables	-	74,556	74,556
Cash and cash equivalents	-	9,471	9,769
		90,956	91,254
Current liabilities			
Trade and other payables	(8)	(9,910)	(9,910)
Borrowings	-	(76,196)	(65,119)
Taxation	-	(2,238)	(2,238)
	(8)	(88,344)	(77,267)
Net current (liabilities)/assets	(8)	2,612	13,987
	(8)	62,958	82,523
Share capital	⁽¹⁾	28,253	44,000
Share premium	-	5,933	9,751 ⁽²⁾
(Accumulated loss)/Retained Profit	(8)	16,706	16,706
(Deficit)/Surplus in shareholders' funds	(8)	50,892	70,457
Borrowings	-	7,902	7,902
Deferred taxation	-	4,164	4,164
	(8)	62,958	82,523
Net tangible assets per share (RM)	(4,000.00)	1.80	1.60

Notes:

Proforma I : *After Acquisitions of KNMPS and KNMI*

Proforma II : *After Rights Issue, Public Issue and Placement*

(1) *Issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each*

(2) *After deducting RM1,500,000 for listing expenses*

Further details of the proforma balance sheets are disclosed in Section 9.5 of this Prospectus.

I. SUMMARY INFORMATION (Cont'd)

1.6 Audit Qualifications For The Previous Financial Years

The auditors' reports of the companies within the proposed KNM Group for all the relevant financial years/period under review were not subject to any modification or qualification except for the following (*extracted from Section 10 of this Prospectus*):

KNMPS, KNM-DP and KNM-DP HB for the financial year ended 31 December 1998.

The qualification related to the determination of the proper accounting treatment for the payment made by Rich Jupiter Sdn. Bhd. ("RJ") to acquire a piece of land from the state authority.

On 5 June 1997, KNMPS and KNM-DP had entered into a Share Sale Agreement ("SSA") with RJ to dispose of their entire equity interest of 49% and 51% respectively in KNM-DP HB. The completion of the SSA was dependent upon the completion of the acquisition and alienation of a piece of land to KNM-DP HB by the state authority. Pursuant to the SSA, RJ paid directly to the state authority an amount of RM3,981,760 on behalf of KNM-DP HB as part settlement for the said piece of land. In the financial year ended 31 December 1998, both KNMPS and KNM-DP have treated this as part payment for the disposal of the shares and have accordingly reflected their respective share of this payment of RM1,951,062 and RM2,030,698 respectively in their respective financial statements as other payables and a consequent advance to KNM-DP HB.

KPMG were unable to determine whether this was appropriate or whether the payment by RJ should be reflected in the financial statements of KNM-DP HB as other payables instead of amount advanced by KNMPS and KNM-DP.

In 1999, the state authority agreed to the cancellation of the acquisition and alienation of the said piece of land and RJ's advances of RM3,981,760 was refunded to KNM-DP HB by the state authority and thereafter, KNM-DP HB duly returned the same amount to RJ. KNMPS and KNM-DP remained as the shareholders of KNM-DP HB.

KNM-DP and its subsidiary company for the financial years ended 31 December 2001 and 2002

The emphasis of matter relates to the deficit in shareholders' funds of RM1,184,000 and RM1,024,000 in the financial statements of KNM-DP for the financial years ended 2001 and 2002 respectively, and RM1,206,000 and RM1,048,000 in the consolidated financial statements of KNM-DP and its subsidiary company, KNM-DP HB ("KNM-DP Group") for the financial years ended 2001 and 2002 respectively. KNM-DP and KNM-DP Group incurred a loss after tax of RM1,981,000 and RM1,983,000 respectively for the year ended 31 December 2001. KNM-DP and KNM-DP Group also have net current liabilities of RM1,304,000 and RM1,151,000 respectively as at 31 December 2002.

In view of the above, the appropriateness of using the going concern basis for the preparation of the financial statements of KNM-DP is therefore dependent upon future profitable operations and continuing financial support from the shareholders. Without future profitable operations and such financial support, there is doubt that KNM-DP and the KNM-DP Group will be able to continue as a going concern and, therefore, as appropriate, realise their assets and discharge their liabilities in the normal course of business. Consequently, adjustments may be required to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities should KNM-DP and the KNM-DP Group be unable to continue as a going concern.

1. SUMMARY INFORMATION (Cont'd)

Notes:

KNM-DP

KNM-DP is an associate company of KNMPS involved in subcontracting works. The company incurred losses due to the insufficient turnover to cover the high overhead cost. However sales for year the 2002 improved and the company recorded a profit after tax of RM160,000.

The management of the company plans to take the following action to further improve the profitability of the company in the coming years:

- 1) *Reduce the operating cost through production of overheads matched with revenue;*
- 2) *To outsource some works at a lower cost;*
- 3) *To diversify into maintenance works for the Melaka refinery which is in the neighbourhood; and*
- 4) *To obtain the assistance of Perbadanan Kemajuan Ekonomi Negeri Melaka for securing projects from State owned companies.*

KNM-DP HB

KNM-DP HB is an associate company of KNMPS and has not commenced operation. In 2002, the company experienced a loss after tax of RM3,000 due to secretarial, audit and filing fees.

KNM-DP HB was intended for the development of industrial land during the property boom prior to the economic downturn in 1997. However, under the present economic condition, KNM-DP HB does not foresee any activity for the next two years and will remain dormant.

1.7 Principal Statistics Relating To The Public Issue And Placement

(a) Share Capital

	RM
Authorised	
50,000,000 ordinary shares of RM1.00 each	50,000,000
Issued and fully paid-up	
Existing 32,920,000 ordinary shares of RM1.00 each	32,920,000
To be issued pursuant to the:	
Placement – 4,400,000 new ordinary shares of RM1.00 each	4,400,000
Public Issue – 6,680,000 new ordinary shares of RM1.00 each	6,680,000
Enlarged share capital	<u>44,000,000</u>

(b) Issue Price Per Ordinary Share RM1.48

(c) Class Of Shares

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue Shares and Placement Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

1. SUMMARY INFORMATION (Cont'd)

(d) Proforma Consolidated NTA

	RM'000	NTA Per Ordinary Share RM
Audited as at 31 December 2002#	55,684	17.96
Proforma Consolidated NTA of the KNM Group as at 31 December 2002 *	70,457	1.60

Based on the audited accounts of KNMPS and its subsidiaries as at 31 December 2002

* After adjusting for the Acquisition of KNMPS, Acquisition of KNMI, Rights Issue, Placement and Public Issue and after deducting estimated listing expenses of RM 1,500,000

The detailed calculation of the proforma consolidated NTA are set out in Section 9.5 of this Prospectus.

(e) Proforma Consolidated Profit Forecast

Barring unforeseen circumstances, the Directors forecast that the consolidated profit after taxation of the KNM Group for the financial year ending 31 December 2003 will be as follows:

Financial Year Ending 31 December	Forecast 2003 RM'000
Revenue	110,000 ⁽⁴⁾
Consolidated profit before taxation	10,943
Less : Taxation	(2,474)
Consolidated profit after taxation before pre-acquisition profit	8,469
Less : Pre-acquisition profit ⁽¹⁾	(3,292)
Consolidated profit after taxation before negative goodwill	5,177
Add : Negative goodwill	20,006
Consolidated profit after taxation and negative goodwill ⁽³⁾	25,183
Weighted average number of shares in issue ('000)	23,358
Enlarged number of shares in issue ('000)	44,000
Based on consolidated profit after taxation and pre-acquisition profit:	
Net EPS (sen) ⁽⁵⁾	
- before negative goodwill	22.2
- after negative goodwill	107.8

1. SUMMARY INFORMATION (Cont'd)

Financial Year Ending 31 December	Forecast 2003 RM'000
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Fully diluted net EPS (sen) ⁽²⁾	
- before negative goodwill	11.8
- after negative goodwill	57.2
Net PE Multiple based on the issue/placement price of RM1.48 per share (times) ⁽⁵⁾	
- before negative goodwill	6.7
- after negative goodwill	1.4
Fully diluted net PE Multiple based on the issue/placement price of RM1.48 per share (times) ⁽²⁾	
- before negative goodwill	12.5
- after negative goodwill	2.6

Based on consolidated profit after taxation, but before pre-acquisition profit and negative goodwill (for illustration purposes only*):

Consolidated profit before taxation (as above)	10,943
Less : Taxation (as above)	(2,474)
Consolidated profit after taxation (as above)	8,469
Number of shares in issue ('000)	44,000
Gross EPS (sen)	24.9
Net EPS (sen)	19.2
Gross PE Multiple based on the issue/placement price of RM1.48 per share (times)	5.9
Net PE Multiple based on the issue/placement price of RM1.48 per share (times)	7.7

* As the Acquisition of KNMPS is based on the adjusted NTA of KNMPS as at 31 December 1999, it is assumed, for illustration purposes only, that the Acquisitions of KNMPS and KNMI, Rights Issue, Public Issue and Placement, were all completed on 1 January 2000. Hence, there would be no negative goodwill or pre-acquisition profit arising therefrom.

Notes :

- (1) Computed based on pro-rated five (5) months profit up to the date of acquisition on 31 May 2003
- (2) Calculated based on the enlarged issued and paid-up share capital of 44,000,000 ordinary shares of RM1.00 each

1. SUMMARY INFORMATION (Cont'd)

- (3) *As the restructuring exercise of the KNM Group is completed by May 2003, the effects of the pre-acquisition profit that arises when the restructuring exercise is completed as well as the recognition of negative goodwill have been accounted for in the above consolidated profit after taxation for the financial year ending 31 December 2003.*

The KNM Group's accounting policy is to write off goodwill or recognize the negative goodwill to the income statement, and as such the consolidated profit after taxation for the financial year ending 31 December 2003 includes negative goodwill of RM20,006,000.

(4)

As at 31 March 2003	RM'000	% of total revenue for financial year ending 31 December 2003
Revenue to be recognised from secured contracts	67,670	61.5
Revenue to be recognised from unsecured contracts	42,330	38.5
Total revenue	110,000	100.0

- (5) *Calculated based on the weighted average number of shares in issue of approximately 23.358 million ordinary shares of RM1.00 each*

Further notes and assumptions on the above consolidated profit forecast of the KNM Group are set in Section 9.2.1 of this Prospectus.

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1. SUMMARY INFORMATION *(Cont'd)*

(f) Dividend Forecast

Barring unforeseen circumstances, the Directors of KNM intend to declare a tax-exempt dividend of 4% for the financial year ending 31 December 2003 based on the enlarged issued and paid-up share capital of 44,000,000 ordinary shares of RM1.00 each in KNM.

Financial Year Ending 31 December 2003	RM'000
Consolidated profit before taxation	10,943
Less: Taxation	(2,474)
Consolidated profit after taxation before pre-acquisition profit	8,469
Less : Pre-acquisition profit	(3,292)
Consolidated profit after taxation before negative goodwill	5,177
Add : Negative goodwill	20,006
Consolidated profit after taxation and negative goodwill	25,183
Less: Proposed dividend (tax exempt)	(1,760)
Retained profit for the year	23,423
Dividend per ordinary share (sen)	4.00
Dividend yield based on the issue price of RM1.48 per ordinary share (%)	2.70

Based on consolidated profit after taxation and pre-acquisition profit:

Net dividend cover (times)	
- before negative goodwill	2.9
- after negative goodwill	14.3

Based on consolidated profit after taxation, but before pre-acquisition profit and negative goodwill (for illustration purposes only*):

Consolidated profit before taxation (as above)	10,943
Less : Taxation (as above)	(2,474)
Consolidated profit after taxation (as above)	8,469
Less : Proposed dividend (tax exempt)	(1,760)
Retained profit for the year	6,709
Gross dividend cover (times)	6.2
Net dividend cover (times)	4.8

* *As the Acquisition of KNMPS is based on the adjusted NTA of KNMPS as at 31 December 1999, it is assumed, for illustration purposes only, that the Acquisitions of KNMPS and KNMI, Rights Issue, Public Issue and Placement, were all completed on 1 January 2000. Hence, there would be no negative goodwill or pre-acquisition profit arising therefrom.*

Details of the dividend forecast are set out in Section 9.4 of this Prospectus.

1. SUMMARY INFORMATION *(Cont'd)*

1.8 Proposed Utilisation Of Proceeds

The gross proceeds arising from the Rights Issue, Placement and Public Issue which is estimated to be approximately RM21.065 million will be utilised by the Group in the following manner:-

	Time frame for utilization		TOTAL RM'000
	Financial year 2003	Financial year 2004	
	RM '000	RM '000	
Repayment of term loans	11,077	-	11,077
Capital expenditure	5,090	3,100	8,190
Working Capital	298	-	298
Listing Expenses	1,500	-	1,500
Total	17,965	3,100	21,065

The Company shall bear all expenses such as brokerage and underwriting commission, registration and share transfer fee relating to the Public Issue together with all other expenses and fees incidental to the listing of and quotation for the entire issued and paid-up capital of KNM on the Second Board of the KLSE estimated at RM1.5 million.

Further details on the utilisation of proceeds are set out in Section 2.6 of this Prospectus.

1.9 Material Commitments, Contingent Liabilities And Material Litigations

(a) Material Commitments

Save as disclosed below, and as at 3 June 2003, there are no material commitments for capital expenditure incurred or known to be incurred by the KNM Group, which may have a substantial impact on the results or the financial position of the Group:

	Amount RM'000
Property, plant and equipment:	
Approved and contracted for	12,725
Approved but not contracted for	1,185
TOTAL	13,910

(b) Contingent Liabilities

As at 3 June 2003, there are no material contingent liabilities incurred by the Group.

(c) Material Litigations

As at 3 June 2003, the Company and its subsidiaries are presently not engaged in any litigation whether as a plaintiff or defendant which has a material effect on the financial position of the Company or any of its subsidiaries and the Directors do not know of any proceedings whether pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of KNM and its subsidiaries.

1. SUMMARY INFORMATION (Cont'd)**1.10 Material Risk Factors In Relation To The Group And Industry**

An investment in the shares listed/to be listed on the KLSE involves a number of risks, some of which, including market, industry, liquidity, credit, operational, legal and regulatory risks could be substantial and are inherent in the business of the Group.

The investors should rely on their own evaluation and carefully consider the investment consideration before buying any of the Public Issue and Placement Shares, which are the subject of this Prospectus. The investment consideration that should be considered includes, but is not limited to the following:

- i) There is no prior market of KNM's shares which would ensure that the issue price will correspond to the price at which KNM's shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for KNM's shares will develop and continue upon or subsequent to its listing.
- ii) Upon completion of the Rights Issue, Placement Issue and Public Issue, the major shareholders of KNM include, inter-alia, IMSB and TKSB. Collectively, IMSB and TKSB will effectively hold 74.82% of the equity interest in the Company and consequently, it is likely that they will be able to effectively influence the outcome of certain matters requiring the votes of the Company's shareholders.
- iii) The dependence on key personnel, which could affect the Company's continuing ability to compete in the industry.
- iv) Competition from other companies involved in the manufacture of process and storage equipments in the oil, gas and petrochemical industry.
- v) Global oil price fluctuations which could affect the demand for oil, gas and petrochemical products which may in turn affect the demand for KNM's products.
- vi) The demand for oil, gas and petrochemical being replaced by the demand for alternative energy sources, thereby affecting the demand for KNM's products.
- vii) Political and economic considerations such as changes in interest rates, foreign exchange rates, methods of taxation, tariffs and duties.
- viii) Dependence on certain customers and failure of on-going relationships with existing customers.
- ix) Shortage of skilled labour such as welders and machine operators may significantly disrupt the group's business.
- x) Fluctuations in the prices of raw materials, especially steel, may have an impact on the profit margin of manufacturers of process equipments for the oil, gas and petrochemical industries. However, the increases in prices are normally passed onto the customers via a revision in the product prices.
- xi) The process and storage equipment for the oil, gas and petrochemical industry is subjected to fluctuations in foreign exchange rates in terms of import of raw materials as well as undertaking business overseas.
- xii) This Prospectus contains financial forecast for the financial year ending 31 December 2003 that is based on assumptions, which the Directors of KNM deem to be reasonable but nevertheless are subject to uncertainties and contingencies, such as variations in prices and production.

1. SUMMARY INFORMATION (Cont'd)

- xiii) The contract income for the forecast year ending 31 December 2003 has been arrived at mainly based on contracts which have been awarded and some which have not yet been awarded to the Group. As these un-awarded contracts are still in the tendering process, there are significant uncertainties on the above assumption. In the event that certain material projects tendered are not awarded to the Group, the consolidated forecast results and operations of KNM may be adversely affected. However, the management of KNM is confident that these contracts will be awarded to the Group.
- xiv) Emergencies such as fire, flood, electricity black-out, and water shortages may affect KNM Group.
- xv) The effect of the recent war in Iraq may have an adverse impact on the oil, gas and petrochemical industries.
- xvi) The recent outbreak of Severe Acute Respiratory Syndrome ("SARS") may have an adverse impact on potential orders from overseas for the Group.

Please refer to Section 3 for further information concerning the above said investment considerations, which should be considered by prospective investors. Investors are advised to carefully consider the investment considerations, together with information contained in this Prospectus before subscribing to any of the ordinary shares, which are the subject of this prospectus.

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