2. DETAILS OF THE PUBLIC ISSUE

This Prospectus is dated 27 June 2003. A copy of this Prospectus has been registered with the SC and lodged with the Chief Executive Officer of CCM who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, the KLSE has prescribed KNM as a CDS counter. In consequence thereof, the shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An application will be made to the KLSE within three (3) market days from the date of this Prospectus for admission to the Official List and for permission to deal in and for the listing of and quotation for the entire issued and fully paid-up ordinary shares of KNM, including the Public Issue Shares and Placement Shares, which are the subject of this Prospectus, on the Second Board of the KLSE. These ordinary shares will be admitted to the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire issued and fully paid-up ordinary shares of the Company on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the applications will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe. Admission to listing is not being sought on any other stock exchange.

In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS Account, he/she should not complete the preferred ADA Code. In the case of an applicant by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institutions by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation of institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and Placement and if given or made, such information or representation must not be relied upon as having been authorised by KNM. Neither the delivery of this Prospectus nor any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of KNM since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue and Placement Shares in certain other jurisdictions may be restricted by law. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The KLSE assumes no responsibility for the correctness of any of the statement made or opinion or reports expressed in this Prospectus. Admission to the Official List of the Second Board of the KLSE is not to be as an indication of the merits of the Company or its ordinary shares.

If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser.

2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

2.1 Opening And Closing Of Application Lists

The Application Lists will open at **10.00 a.m.** on 11 July 2003 and will remain open **until 8.00 p.m.** on the same day or for such further period or periods as the Directors of the KNM in their absolute discretion may decide.

2.2 Dates Of Special Events

Opening Date Of The Public Issue	:	27 June 2003
Closing Date 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

2.3 Number And Type Of Securities To Be Issued

	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:	
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
	44,000,000

The issue price of RM1.48 per Issue Share is payable in full upon application.

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 Placement and Public Issue Shares will rank pari passu in all respects with the other existing issued 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.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

2.4 Details Of The Public Issue And Placement

The Public Issue shall be subject to the terms and conditions of this Prospectus and upon acceptance, the Public Issue Shares will be allocated in the following manner:

(i) Eligible Customers, Suppliers, Employees And Directors

2,280,000 Public Issue Shares, representing approximately 5.2% of the enlarged share capital of 44,000,000 ordinary shares of RM1.00 each, have been reserved for the 9 Directors, 287 eligible employees, all existing Malaysian customers, sub-contractors and suppliers of the KNM Group. The 1,191,000 Public Issue Shares that have been allocated to eligible employees and Directors is based on the following criteria:

- Minimum allocation of 1,000 shares;
- For eligible employees, must be confirmed as at 30 April 2003.
- Allocation of 30,000 shares for Directors;
- Allocation of 23,000 shares for Deputy Directors;
- Allocation of 15,000 shares for key management staff;
- Confirmed staff that have served the Group for more than one year; and
- Contract workers that have served the Group for more than one year.

The details of the Directors' Public Issue Shares' allocations are as follows:

Name of Director	Designation	Public Issue Shares' Allocation
Dato' Abdul Rani bin Mohd Razalli	Executive Chairman	30,000
Ir. Lee Swee Eng	Managing Director	30,000
Lee Hui Leong	Executive Director	30,000
Sofiyan bin Yahya	Executive Director	30,000
Gan Siew Liat	Executive Director	30,000
Chew Fook Sin	Executive Director	30,000
Mohamed Tajudin bin Mohamed Alias	Independent Non-Executive Director	30,000
Dato' Ab. Halim bin Mohyiddin	Independent Non-Executive Director	30,000
Lim Yu Tey	Independent Non-Executive Director	30,000

The 378,000 Public Issue Shares that have been allocated to all existing Malaysian customers and the 408,000 Public Issue Shares that have been allocated to all existing suppliers of KNM Group is based on their respective contributions to the growth of the Group.

The 303,000 Public Issue Shares that have been allocated to all existing Malaysian sub-contractors of the KNM Group is based on their length of relationship with the Group and performance, which has contributed towards the growth of the KNM Group.

(ii) Malaysian Public

4,400,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

(iii) Nominated Placees For The Placement

4,400,000 Placement Shares will be reserved for selected parties and customers nominated in consultation with the Company.

In the event that any of the Issue and Placement Shares under paragraph (i) and (iii) above are not taken up by the eligible employees, Directors of KNM Group and other persons, and Placees, such Placement Shares and Public Issue Shares will be made available for application by members of the Malaysian investing public.

All the Public Issue Shares under paragraph (i) and (ii) above have been fully underwritten.

2.5 Purposes Of The Public Issue

The purposes of the Public Issue are as follows:

(i) to provide an opportunity for the eligible employees and directors of the KNM Group, other persons and the Malaysian investing public to participate in the continuing growth of the Group;

(ii) to grant KNM Group access to the capital market for funds to finance the future expansion and continued growth of the Group;

(iii) to provide additional funds to meet the present and future working capital requirements of the KNM Group; and

(iv) to obtain a listing of and quotation for the entire issued and paid-up share capital of KNM on the Second Board of the KLSE and also to comply with the listing requirement of the KLSE and SC with regard to the minimum shareholding spread.

2.6 Proposed Utilization Of Proceeds Of The Rights Issue, Public Issue And Placement

The gross proceeds of RM4,666,816 arising from the Rights Issue together with the gross proceeds of RM6,512,000 arising from the Placement and RM9,886,400 arising from the Public Issue shall accrue entirely to KNM. The estimated total expenses and fees amounting to RM1,500,000 incidental to the listing of and the quotation for the entire enlarged issued and paid-up share capital of KNM on the Second Board of the KLSE, including underwriting commission and brokerage for the Issue Shares, will be borne by the Company.

The gross proceeds arising from the Rights Issue, Placement and Public Issue, which are estimated to amount to approximately RM21.065 million would be utilized by KNM in the following manner:

	Time frame for utilization		**TOTAL**
	Financial year 2003	**Financial year 2004**	
	RM '000	**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 net proceeds after deducting estimated listing expenses is RM19,565,216.

Details of the utilization of the proceeds are as follows:

(i) Repayment Of Term Loans

The Directors of the KNM Group intend to repay the following term loans with part of the proceeds from the Rights Issue, Placement and Public Issue. The repayment of the Group's term loans is expected to contribute positively towards reducing the overall interest cost of the Group and thus better earnings in the future. Brief details of the repayment of the Group's term loans are as follows:

Lender	Purpose of term loan	Outstanding principal amount as at 31 March 2003 RM	Estimated amount to be repaid RM	Repayment of principal amount and commencement of repayment date	Interest rate (% per annum)
Citibank Berhad	Financing the upgrading and expansion of the Gebeng fabrication shop	3,933,333	3,933,333	15 August 2003	Year 1: 5.5% (Fixed) Year 2: 0%+ Base Lending Rate ("BLR") Year 3–5: 1.25%+BLR
Bumiputera-Commere Bank Berhad	- Financing the purchase of industrial land in Bintulu.	830,000	830,000	15 August 2003	Cost Of Funds ("COF") +1.5%
	- Financing the construction of a fabrication shop on the Bintulu industrial land	2,500,000	2,500,000	15 August 2003	1.5%+BLR
American Express Bank Ltd	Investment in China amongst others	3,814,190	3,814,190	15 August 2003	0.5%+COF
TOTAL		**11,077,523**	**11,077,523**		

It is the intention of the Group to retire all its term loans. Any difference between the outstanding principal amount (at the time proceeds from the Rights Issue, Placement and Public Issue are received) and the estimated amount to be repaid, will be applied towards the Group's working capital purposes.

(ii) Capital Expenditure

The KNM Group plans to incur capital expenditure of approximately RM8.19 million in years 2003/04. The KNM Group intends to finance part of its committed capital expenditure via its current term loan facilities. Upon receiving the proceeds arising from the Rights Issue, Placement and Public Issue, KNM intends to utilize part of the proceeds to repay these term loans and to finance the remaining of the estimated capital expenses (see (i) above). Brief details on the Group's (proposed) capital expenditure is as follows:

	Particulars	2003 / 2004 (RM'million)
1	Gebeng plant upgrading	0.5
2	Melaka plant expansion	0.5
3	R&D center and equipment	1.0
4.	IT development, ERP/PIAMS	2.0
5.	New plant and office in China	4.19
	TOTAL	**8.19**

The details of the abovementioned capital expenditure are further elaborated below:

(a) Upgrading Of The Gebeng Plant

The Gebeng Plant which was set up in 1999 (in addition to the Melaka plant) is running on full capacity. Besides enjoying the reinvestment allowance, the plant, which had obtained ASME, U, U2 and S, has strengthened KNM's position to undertake higher orders. The plant has an annual capacity of 7,200 tonnes and acts as a catalyst to KNM's future profit contribution.

The management of KNM had undertaken the expansion and upgrading the factory in 2001 to increase its capacity to 10,000 tonnes per annum and diversification to manufacture process equipment using Exotic Materials such as Incolloy, Inconel, Hastelloy, Zirconium and Titanium. KNM foresees the future production of process equipment using Exotic Materials as a way of enhancing their profit margins as it is anticipated that the market of process equipment in Exotic Materials is on an upward trend. The expected cost of purchasing the specialised welding machinery is RM0.5 million.

(b) Expansion Of The Melaka Plant

KNM intends to upgrade its facility with a new warehouse and an additional production bay for manufacturing process equipment using Exotic Materials in 2004, in view of the current congestion at existing production bays, in order to improve its efficiency and also to diversify into manufacturing using Exotic Materials for its captive market.The expected cost for the expansion is RM0.5 million which KNM plans to utilize the proceeds from the listing.

(c) R&D

The Group's past and present success has been mainly due to its major efforts in developing the research and development activities. The success of the following innovations has initiated the Group to set up a proper Research and Development Centre ("R&D Centre"):

1. "Collift" – a new cone roof tank process of lifting using column system developed by KNM's in-house engineers used specifically for the on-site assembly of storage tanks.

2. "Synchronized Jacking System" – a new process that is developed by KNM specifically for lifting mega-sized pressure vessels on to transporters for delivery.

3. "Post Weld Heat Treatment (PWHT)" – this unconventional approach for PWHT developed by KNM involves the internal firing of a vessel and using the vessel as a self-contained furnace.

4. "Modular Furnace" – a KNM-designed furnace that can be assembled easily for the firing of small to average sized pressure vessels.

5. "PWHT-On-Sand" - a heat treatment technique for very large vessels performed at site and perfected by KNM.

The R&D Centre is expected to cost RM2 million, of which RM1.0 million will be required in each of the years 2003 and year 2004, respectively. The amounts required in year 2004 will be financed via Group borrowings.

(d) IT Development, ERP / PIAMS

With the growth of IT globally, the Group plans to develop its IT facilities to meet future challenges. The Group also plans to implement an ERP solution and PIAMS to keep up with the growing trends.

The estimated investment in ERP and PIAMS is RM3.0 million for both software and hardware spanning over three (3) years to 2005, of which RM2.0 million is expected to be required in year 2003 and RM0.5 million in each of the subsequent two (2) years. The amounts required in years 2004 and 2005 will be financed via Group borrowings.

(e) Investment In China

KNM has established its largest manufacturing facility in China which has to date secured two local orders totaling RMB11.13 million.

This facility is fully equipped, will reflect all of KNM's Malaysian capability, accredited to all the major world class standards accreditations and which will present KNM as a leading technical manufacturer, and managed by proven Malaysian-trained KNM Group personnel. It is KNM's every intention to duplicate and expand on KNM's Malaysian world class facility.

With China's economic reforms well underway, there are major developments and investments in the Chinese oil and gas and petrochemical industries. KNM's China facility has been established to be the leading facility in China. This market offers the base market for KNMSPEC. KNMSPEC is expected to make a major impact in the industry by offering a world class manufacturing facility in China. The current trend of investments in the oil and gas and petrochemical industries in China will ensure that KNMSPEC will play a significant role and be a major presence in the industry for many years.

KNMSPEC is also clearly poised to succeed in the international market. KNMSPEC can offer world class equipment competitively as the labour and manpower prices in China are much lower than Malaysia's. This gives KNM the flexibility where to bid projects from based on competitiveness.

As transportation is always a major price factor, KNM's China plant will be nearer to other major markets which are not competitive for KNM's Malaysian operations due to the prohibitive transportation prices. These markets such as Japan, Korea, Russia, the west coast of North America and South America, are all nearer to KNMSPEC. KNM can easily compete with the Korean manufacturers in these markets with the better logistical position.

This flexibility allows KNM to make the strategic decisions which will increase KNM's success rate, when targeting markets in particular global regions. This will be a major contribution to KNM's future success as there are major markets much nearer to China than Malaysia.

2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

(iii) Working Capital

Approximately RM0.298 million will be utilized as working capital to support KNM's existing business operations, which includes financing its purchases of raw materials and other operating expenses.

(iv) Listing Expenses

The Company shall bear all expenses such as brokerage and underwriting commission, registration 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 share capital of KNM on the Second Board of the KLSE estimated at RM1.5 million. Details of the estimated listing expenses are provided in Section 2.10.

2.7 Underwriters

The names of the underwriters are as follows:

Managing Underwriter	:	Aseambankers Malaysia Berhad
Underwriters	:	Mayban Securities Sdn Bhd JF Apex Securities Bhd K & N Kenanga Bhd KAF-Seagroatt & Campbell Securities Sdn Bhd MIDF Consultancy & Corporate Services Sdn Bhd OSK Securities Bhd PM Securities Sdn Bhd SBB Securities Sdn Bhd

The underwriters may withdraw from their obligations under the underwriting agreement dated 18 June 2003 ("Underwriting Agreement") after the opening of the offer in the event any of the warranties, representations, or undertakings given by the Company is breached prior to the Listing Date and on the occurrence of any unforeseen circumstances beyond the reasonable control of the contracting parties.

The Company shall bear all expenses such as brokerage and underwriting commission, registration 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.

2.8 Underwriting Commission And Brokerage

The Underwriters as stated in section 2.9 below and mentioned earlier under Corporate Information of this Prospectus have agreed to underwrite all 6,680,000 Public Issue Shares to be made available to the Malaysian public and any ordinary shares not subscribed for by the eligible directors and employees of KNM under section 2.4(i) above. Underwriting commission relating to the Issue Shares to be underwritten is payable by the Company at the rate of 2.0% of the issue price of RM1.48 per ordinary share.

Brokerage relating to the Public Issue Shares is payable by the Company at the rate of 1.0% of the Issue Price of RM1.48 per ordinary share in respect of successful applications which bear the stamp of Aseambankers, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDFCCS.

2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

2.9 Salient Terms Of The Underwriting Agreement

The salient terms of the Underwriting Agreement are as follows:

(i) The obligation of the Underwriters to underwrite 6,680,000 new ordinary shares of RM1.00 each in the Company ("Ordinary Shares") to be underwritten by the Underwriters pursuant to the Public Issue ("Underwritten Shares") in accordance with the proportion set out in the Underwriting Agreement are conditional on the performance by the Company of its obligations under the Underwriting Agreement and on:-

(a) The Managing Underwriter being provided with such reports or confirmations and being satisfied at the Closing Date that:

(aa) no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that subsequent to the date of the Underwriting Agreement; or

(bb) there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 11 (Representations Warranties and Undertakings) of the Underwriting Agreement materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by the Company.

(b) The Managing Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 3 (Certificate) of the Underwriting Agreement dated the date of the Prospectus ('Issue Date') signed by the duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement;

(c) The issue of the Prospectus not later than 1 month from the date of the Underwriting Agreement or such later date as the Managing Underwriter and the Company may from time to time agree;

(d) The last date for acceptance, application for and payment of the subscription or purchase monies under the Prospectus and Application Form to be a date not more than 1 month from the date of the Prospectus;

(e) The registration of the Prospectus with the SC and its lodgment with the CCM by the Issue Date;

(f) All the approvals of the SC, the FIC and the MITI referred to in Clause 2.2 (Approvals) of the Underwriting Agreement remain in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Public Issue has been completed) have been complied with;

(g) The approval in principle of the KLSE to the admission of the Company to the official list of the Second Board ("Official List") and the listing of and quotation for its entire Ordinary Share capital being obtained on terms acceptable to the Managing Underwriter and remaining in full force and effect and that all conditions precedent (except for any which can only be complied with after the Public Issue and/or the Placement has been completed) have been complied with;

(h) The Managing Underwriter being satisfied that the Company will, following completion of the Public Issue and the Placement be admitted to the Official List and its Ordinary Share capital listed and quoted on the Second Board without undue delay;

(i) The Managing Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in Clause 10 (Fees and Commission) of the Underwriting Agreement;

(j) The Managing Underwriter receiving a copy certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the Directors:

(aa) approving the Prospectus, the Underwriting Agreement and the transactions contemplated by it;

(bb) authorising the issuance of the Prospectus; and

(cc) authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company;

(k) The Underwriting Agreement being signed by all parties and stamped;

(l) The Public Issue and the Placement not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Public Issue and the Placement and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE have been obtained and are in force on the last date for acceptance, application for and payment of the subscription or purchase monies under the Prospectus and application form ("Closing Date") or the Managing Underwriter being reasonably satisfied that the same will be in force on the Closing Date;

(m) The Managing Underwriter being satisfied that the Company has complied with and that the Public Issue and the Placement is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements to it;

(n) The shares in relation to the private Placement being fully subscribed for and payments relating thereto being fully received by the Company;

(o) All agreements in relation to the private Placement in a form acceptable to the Managing Underwriter having been duly executed before the issuance of the Prospectus;

(p) The public shareholding spread is met; and

(q) The Public Issue being approved by the shareholders of the Company in an Extraordinary General Meeting.

(ii) The Managing Underwriter may, with the consent of the majority underwriters, waive all or any of the abovementioned conditions ("Conditions") except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement.

(iii) Non satisfaction if:

(a) Pre Issue Date

Any of the Conditions in (i)(c), (i)(j) or (i)(k) (to the extent not waived) are not satisfied by the Issue Date;

(b) Closing Date

Any of the Conditions other than those referred to in (iii)(a)(Pre Issue Date) to the extent not waived are not satisfied by the Closing Date, the Managing Underwriter after consultation with the underwriters and the Company shall be entitled to terminate the Underwriting Agreement and in such event the provisions of Clause 14 (Termination) of the Underwriting Agreement shall apply.

(iv) Notwithstanding anything contained in the Underwriting Agreement, the underwriters may after consultation with the Company in such manner as the underwriters shall reasonably determine by notice in writing to the Company given at any time before the Closing Date, terminate and withdraw their Underwriting Commitment if:

(a) in the reasonable opinion of all the Underwriters which have agreed to underwrite more than 50% of all the Underwritten Shares ("Majority Underwriters") there shall have occurred happened or come into effect any of the following circumstances:

(aa) any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement or which is contained in any certificate, statement or notice provided under or in connection with the Underwriting Agreement (which, if capable of remedy, is not remedied within 3 market days after notice of such breach shall have been given to the Company by the underwriters or by the Closing Date, whichever is the earlier); or

(bb) any change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the abovementioned events or occurrences; or

(cc) the Kuala Lumpur Composite Index falls below 630 points;

(dd) any new law, regulation, directive, policy or ruling or any change in existing laws, regulations, directives, policies or rulings or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Managing Underwriter and/or all or any of the underwriters under the Underwriting Agreement; or

(ee) any events or series of events beyond the reasonable control of the Underwriters including (without limitation) acts of government, national disorder, declaration of a state of national emergency, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God, acts of terrorism or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares; or (ff) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement; or

(gg) there is withholding of information of a material nature from the underwriters which is required to be disclosed pursuant to the Underwriting Agreement; or

(hh) any Government requisition or other occurrence of any nature whatsoever which in the reasonable opinion of the underwriters affects or will affect the business and/or financial position of the Company; or

which, in the reasonable opinion of the Majority Underwriters, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Public Issue and the Placement and the distribution or sale of the Public Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or the listing of the Company on the Second Board or market conditions generally or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

(b) Upon such notice being given, the underwriters shall be released and discharged of their obligations without prejudice to their rights under the Underwriting Agreement, and where the underwriters have terminated or withdrawn their underwriting commitments pursuant to Clause 14.1 (Termination) of the Underwriting Agreement, the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, except that the Company shall remain liable in respect of any of their obligations and liabilities under Clause 11 (Representations, Warranties and Undertakings) of the Underwriting Agreement and under Clause 12 (Costs and Expenses) of the Underwriting Agreement for the payment of the costs and expenses already incurred up to the date on which such notice was given and under Clause 8.3.2 (Prospectus and Listing) of the Underwriting Agreement for the payment of any taxes, duties or levies.

2.10 Details Of Estimated Listing Expenses

The estimated listing expenses for the proposed listing of and quotation for the enlarged share capital of 44,000,000 ordinary shares of RM1.00 each in KNM on the Second Board of the KLSE are as follows:-

	To be borne by KNM RM	Notes
KLSE Initial Listing Fee	22,000	Note (1)
Prospectus Lodgement fee with CCM	500	Estimated
Prospectus Registration fee SC	5,000	Estimated
SC processing fee	52,000	Note (2)
Issuing house fee and disbursement	75,000	Estimated
Printing of application forms, share certificates and Prospectus, and advertisement charges	200,000	Estimated
Professional advisory fees	700,000	Estimated
Underwriting commission	197,728	Note (3)
Brokerage fees	98,864	Note (4)
Contingencies	148,908	Note (5)
Total Estimated Listing Expenses	1,500,000	

2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

Notes:

(1) *Initial Listing Fee – the higher of the following:*
   (a) *RM500 per million ringgit or part thereof the issued capital of the Company i.e.RM500 x (44,000,000 / 1,000,000) = RM22,000; or*
   (b) *a minimum fee of RM2,000 and a maximum of RM50,000 is payable for initial listing*

(2) *Nominal Fee + (0.05% of the issued capital to be listed) i.e.RM30,000 + (0.05% x 44,000,000) = RM52,000*

(3) *2.0% of the amount underwritten (i.e. 2.0% x 6,680,000 x RM1.48) = RM197,728*

(4) *1.0% of the amount of Public Issue Shares (i.e. 1.0% x 6,680,000 x RM1.48) = RM98,864*

(5) *Any other incidental or related expenses in connection with the Listing*

Any unutilised amounts shall be used for working capital purposes.

2.11 Basis Of Arriving At The Issue And Placement Price

The issue price of RM1.48 per ordinary share was determined and agreed upon by the Company and Aseambankers as the Adviser and Managing Underwriter based on various factors after taking into account the following: -

(a) the Group's financial and operating history and conditions as outlined in Section 4.4 of this Prospectus;

(b) the future plans and prospects of the industries in which the Group operates as disclosed in Section 4.10.4 of this Prospectus;

(c) the net PE Multiple of 6.7 times based on the forecast net EPS (before negative goodwill) of 22.2 sen; and

(d) the proforma consolidated NTA per share (after deducting listing expenses of RM1,500,000) of the KNM Group as at 31 December 2002 of RM1.60.

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3. RISK FACTORS

KNM Group is subject to certain risks inherent in the industries its businesses are involved. Although the Group seeks to limit these risks, no assurance can be given that any changes to these factors will not have a material effect on the Group's businesses.

i) Competition

KNM Group faces competition from local and overseas manufacturers, especially internationally recognised manufacturers of process equipments. While the Group will continue to offer quality products and services through their research and development capabilities, there can be no assurance that KNM Group will be able to maintain its existing market share in the future.

ii) Global Oil Price Fluctuations

Crude oil and gas is a commodity subject to international long-term and spot prices. Some of the factors that may cause global oil prices to fluctuate include wars and the threat of wars, interruption from major oil producing countries, price and production pressures from cartels e.g. Organisation of Petroleum Exporting Countries ("OPEC") and significant drop in demand. Thus, an extended period of poor oil and gas prices may discourage exploration. At the same time, an extended high oil and gas prices may reduce the demand for oil, gas and petrochemical products. In such extreme cases, the demand for the Group's products, being that of process equipments for the oil, gas and petrochemical industry may be affected.

iii) Alternatives To Oil And Gas

KNM Group will certainly be subjected to the inherent risks within the oil, gas and petrochemical industry, particularly the significant move towards finding other energy sources as an alternative to oil and gas. However, it is not foreseeable that oil and gas will be significantly replaced by alternative energy resources within the immediate and medium term. In addition, regardless of the developments in alternative energy sources, industries throughout the world today and particularly, the manufacturing industry have grown highly dependent on oil and gas products. The high and continuing use of oil and gas products by industries is expected to provide growth opportunities for manufacturers of the process equipments for the oil, gas and petrochemical industries, such as KNM Group.

It should also be highlighted that the Group's products and services have many applications and uses outside of the oil, gas and petrochemical industries. For example, pulp and paper mills, palm oil mills and refineries, food and beverage processing plants and building, construction and infrastructure industries also require process equipments such as pressure vessels, boilers, drums, reactors, heat exchangers, air coolers and heat bundles, storage tanks and silos, specialized piping and pipeline systems and specialized steel structural systems which are manufactured by KNM Group.

iv) Dependencies On Certain Customers, Maintaining Contracts/Agreements And Failure Of On-Going Relationships

The KNM Group's 34 customers represent 100% of its total customer base in 2002. Its largest customer, Toyo Engineering & Construction Sdn Bhd accounted for 36.2% of the sales for the financial year ended 31 December 2002. The top three customers accounted for approximately 63% of sales in 2002. Although there is some reliance on the top three customers, these three companies are major operators within the oil, gas and petrochemical industries. The fact that KNM Group is able to win significant projects from these major operators is testament to the Group's capabilities in being able to produce high quality work and achieve total customer satisfaction.

In addition, the Group's business is mainly based on contractual agreements between customers and KNM Group on a project to project basis. As such, there are no long term contracts per se. Each contract is awarded based on competitive bids from local as well as overseas companies. However, KNM Group has had a long established relationship with its customers and this is reflected by the fact that 50% of all its 83 customers have been with the Group for 5 to 12 years since its inception. The long length of customer relationship is a demonstration of KNM Group's excellence in product and service quality that has been key to generating repeat orders from customers.

Apart from that, the Group is also making inroads into overseas markets, namely North America (USA, Canada and Mexico), South America (Venezuela, Trinidad and Brazil), Europe (Norway, Germany and France), Africa (Algeria, Angola, Chad, Sudan, Nigeria, South Africa and Egypt), West Asia (UAE, Saudi Arabia, Bahrain, Iran, Oman and Jordan), East Asia (China, Myanmar, Vietnam, Indonesia, Philippines and Russia), Australia and Oceania by having agents in each of the countries to lobby for projects. To date, the Group is already on the approved list of vendors for the manufacturing process equipment for the oil, gas and petrochemical industries for several overseas companies, such as Kuwait National Petroleum Company, Kuwait Oil Company, Petrochemical Industries Co. (Kuwait), Petroleum Development Oman, Qatar Petroleum, Saudi Arabian Oil Company, Department of Petroleum Resources of Federal Republic of Nigeria, and Brunei Shell Petroleum Company Sdn Bhd, and in view of this, the risks of dependencies on certain customers by the Group are further mitigated.

v) Skilled Manpower

The process equipment industry requires a high level of professionally qualified and skilled labour such as welders and machine operators. In this respect, KNM Group continually faces the potential threat of shortages in labour. However, to date, the shortage of labour has never been an issue for KNM Group, nor has it impeded on the Group's business growth or forced KNM to miss on any manufacturing schedules.

vi) Political And Economic Considerations

Adverse developments in the global political and economic conditions particularly in Malaysia and China could unfavourably affect the financial prospects of KNM Group. Other political and economic uncertainties that could unfavourably affect the Group include changes in interest rates, foreign exchange rates, methods of taxation, tariffs and duties. Whilst KNM Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

vii) Impact Of Fluctuations In Foreign Exchange Rates

The process 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. However, the risks of unfavourable fluctuations in the exchange rates have been somewhat mitigated due to the pegging of the Ringgit to the US Dollar in 1999. In addition, it is common within the industry for operators to charge the total cost of raw materials directly to the customer. As such, exposure to foreign exchange fluctuation is commonly borne by the customer. There is no assurance however, that changes to the peg regime will not occur.

viii) Dependence On Key Personnel

The Group believes that its continued success will depend significantly on the abilities and continued efforts of its existing Directors and senior management. The loss of any key members of the KNM Group could adversely affect the Group's continued ability to compete. However, the Group has made efforts to train its staff and enjoy support of long-term management staff. The KNM Group's future success will also depend upon its ability to attract and retain skilled personnel. Measures and precautions have been taken in grooming younger members of the senior management team in assisting the more senior key personnel to operate and manage the Group's activities. The Public Issue Shares that have been allocated to key personnel of the Group is one of the steps taken to ensure that the employees are given recognition for their contribution to the success of the Group.

ix) Marketability Of KNM Shares

Prior to this Public Issue, there has been no public market for KNM shares and there can be no assurance regarding to the future development of the market for the shares. The issue price of RM1.48 per ordinary share has been determined after taking into consideration a number of factors, including but not limited to the Group's financial and operating history and standing, the future prospects of the KNM Group and the industry in which the Group is involved, the net tangible assets of the Group and the prevailing market condition at the time of this Issue.

x) Control By Substantial Shareholders

Upon completion of the Rights Issue and Public Issue, the major shareholders of KNM include, inter-alia, IMSB and TKSB. Collectively, IMSB and TKSB will effectively hold 32,920,000 ordinary shares or 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.

xi) Fluctuations In The Prices Of Raw Materials

The industry in which KNM Group is in, is subject to fluctuations in prices of raw materials especially steel and this may have an impact on the profit margin of the manufacturers. Hot rolled steel plates account for approximately 40% of the total raw materials used in the manufacturing of process equipment. Prices of steel have been known to increase two to three times its original prices. However, according to the management of KNM Group, it is a normal practice in the industry for any increases in the prices of raw materials, including steel, to be passed on to the customers.

xii) Profit Forecast

This Prospectus contains certain forecasts on KNM Group that is based on assumptions, which the Directors deem to be reasonable, but which are nevertheless subject to uncertainties and contingencies. Due to the subjective judgments used and uncertainties inherent in profit forecasts, and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast contained herein will be realised. It should thus be highlighted that the actual results may differ materially from those shown in this prospectus. As such, investors should read and understand the assumptions and uncertainties underlying the profit forecast contained herein.

The contract income for the forecast year ending 31 December 2003 has been arrived at partly based on contracts which have not yet been awarded to the KNM Group. As these 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 the KNM Group may be adversely affected. However, the management of the Group is confident that these contracts will be awarded to the Group.

xiii) Impact Of The War In Iraq

The war in Iraq may have an impact on the oil, gas and petrochemical industries with the possibility of increase in oil prices which may result in a global economic slowdown and a drop in consumer demand.

xiv) Environmental Risks

KNM Group's manufacturing process generates steel scraps as bulk waste. However, the scraps are regularly sold for recycling and thus does not have any material environmental impact.

xv) Fire, Energy Crisis And Other Emergency Risks

KNM Group manufacturing plants have to some extent flammable items which in the case of a fire breakout, the Group's operation may be affected to the extent of the warehouse or specific area of operation. To mitigate this risk, KNM Group maintains a strict safety policy in storing all flammable items in its manufacturing plants and employs twenty four (24) hours security within the plants. KNM Group's manufactured products are made of steel which is not flammable. The flammable items used in KNM plants are mainly paint materials which are easily replaceable at short notice. The Group has adequate insurance coverage for all its manufacturing plants to cover any risk of fire breakout.

Floods are the only natural risk that may affect KNM Group's operations although the Group's plants are located in areas with no history of flooding or any other environmental risks. However, in the event of flood, the Group is adequately covered under the Force Majeure clause in its contracts with the Group's customers. Furthermore, KNM Group's plants are adequately designed with proper drainage in order to mitigate any flooding.

In respect of energy crisis i.e. electricity, KNM Group's operations will be affected since electricity is used in the manufacturing process. However, this may be overcome by using diesel generator sets as backup which the Group has previously used during a power failure or black-out. The KNM Group operations will also be affected by a water crisis as water is used for the testing process at the end of manufacturing. Nevertheless, this may be overcome by obtaining water through water tankers as the amount of water needed is not large.

In respect of other emergency risks, such as riot and labour strikes, KNM Group is adequately covered under the Force Majeure clause in its contracts with the Group's customers. In addition, KNM Group promotes sports and recreational activities for all the employees and management of the Group. KNM Group's manufacturing plants are all located on private land owned by the Group and as such will not be affected by any external factors.

The recent outbreak of Severe Acute Respiratory Syndrome ("SARS") may have an impact on the potential orders for KNM Group especially from foreign markets as potential clients may be reluctant to travel to South-East Asia as a precaution against infection. This may also result in potential orders being placed with American, European or Australian manufacturers instead of the Group. There is no assurance however, that SARS will not have an impact on the Group's products or services.

xvi) Forward Looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting KNM Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of KNM or its adviser that the plans and objectives of KNM Group will be achieved.

xvii) Delay In Or Abortion Of Listing

The success of the listing exercise is also exposed to the risk that it may be delayed or aborted should the following events occur:

i) The Underwriters fail to honour their obligations under the Underwriting Agreement;

ii) The placees fail to honour their obligations under the placement agreements despite having given irrevocable undertakings to acquire the Placement Shares allocated to them; and

iii) The Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 KNM shares each of which at least 500 shareholders are members of the public who are not employees of KNM Group at the point of listing.

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