

4. INFORMATION ON THE KNM GROUP

4.1 Incorporation And Principal Activities

KNM was incorporated in Malaysia on 22 July 2000 under the Companies Act, 1965 as a private limited company. It was subsequently converted into a public limited company on 12 September 2000 and assumed its present name.

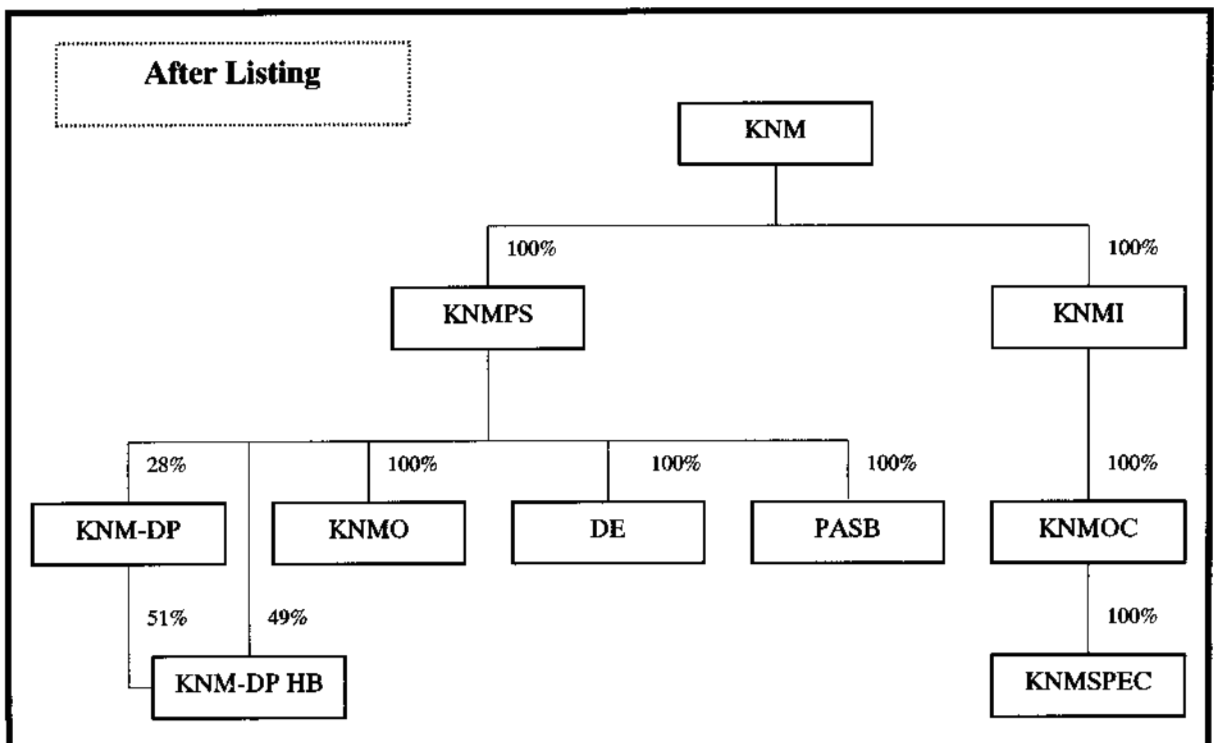
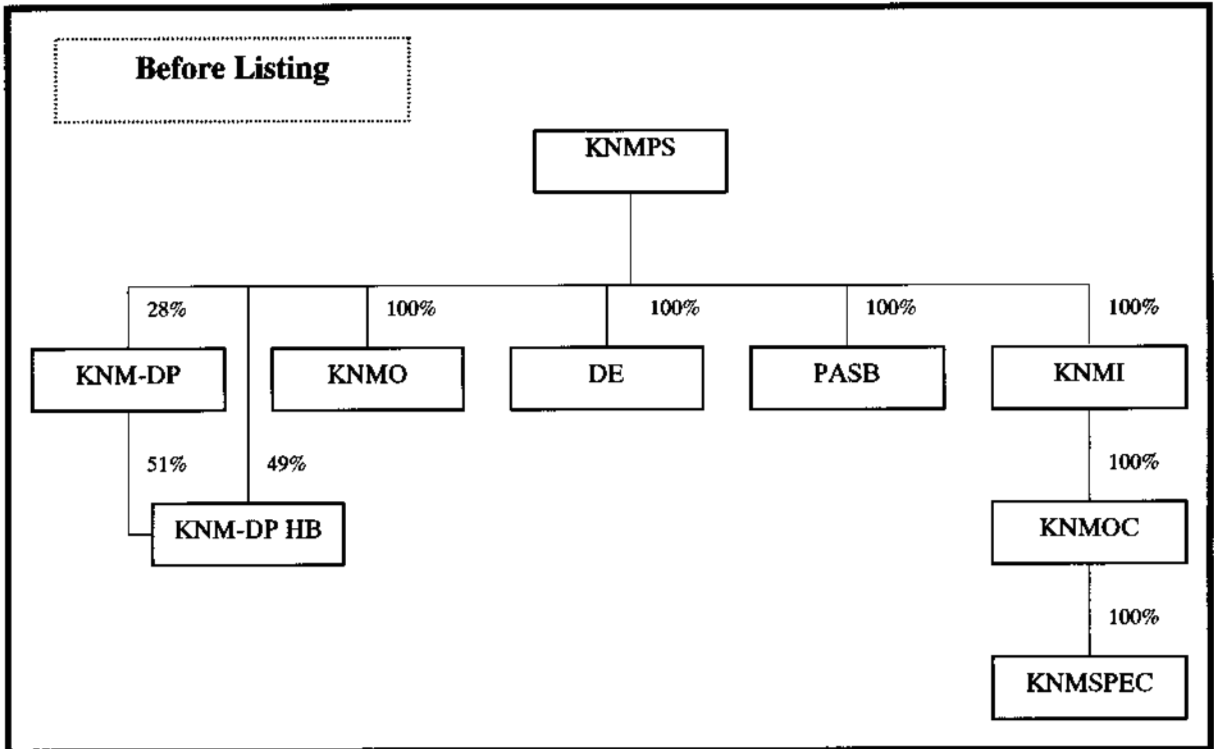
KNM is principally an investment holding company while the principal activities of its subsidiary and associated companies are as follows:

Name of Company	Equity Interest %	Principal Activities
<i>Subsidiary of KNM</i>		
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.
<i>Subsidiary of KNMPS</i>		
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
<i>Subsidiary of KNMI</i>		
KNMOC	100	Investment holding
<i>Subsidiary of KNMOC</i>		
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 Chinese market.
<i>Associate Company of KNMPS</i>		
KNM-DP	28	Fabrication and maintenance of process equipment, storage tanks, modular assemblies and steel structural components for oil, gas and petrochemical industries

4. INFORMATION ON THE KNM GROUP (Cont'd)

Name of Company	Equity Interest %	Principal Activities
KNM-DP HB	49	Dormant (intended principal activity is property investment)
<i>Subsidiary of KNM-DP</i>		
KNM-DP HB	51	Dormant (intended principal activity is property investment)

The structure of KNM is as follows:



4. INFORMATION ON THE KNM GROUP (Cont'd)**4.2 Changes In Share Capital**

The present authorised share capital of KNM is 50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM32,920,000 comprising 32,920,000 ordinary shares of RM1.00 each. Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Issued and Paid-Up Share Capital RM
22.07.2000	2	1.00	Subscribers' shares	2
02.05.2003	28,253,182	1.00	Shares issued in consideration for the Acquisition of KNMPS	28,253,184
20.06.2003	4,666,816	1.00	Rights Issue of 4,666,816 new ordinary shares of RM1.00 each at par	32,920,000

4.3 The Restructuring Scheme

In conjunction with the listing of KNM's shares on the Second Board of the KLSE, the Company undertook a restructuring exercise which was approved by the FIC on 19 February 2001 and 2 May 2003, MITI on 15 May 2001 and SC on 3 December 2002 and 5 May 2003, respectively. The details of the restructuring scheme are as follows: -

4.3.1 Incorporation Of Revaluation Surplus

A revaluation of the landed properties of KNMPS and PASB was carried out on 4 October 2000 by Messrs W.M. Malik & Kamaruzaman, a firm of independent professional valuers. The revaluation surplus amounting to RM6,199,786 and the revaluation deficit amounting to RM131,111 for the property owned by KNMPS and the revaluation surplus amounting to RM2,822,670 for the property owned by PASB have been incorporated into the financial statements of KNMPS and PASB, respectively, for the financial year ended 31 December 2000.

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4. INFORMATION ON THE KNM GROUP (Cont'd)

Details of the computation of the revaluation surplus are as follows:-

Owner / Landed Properties	Open Market Value As At Date of Valuation ⁽¹⁾	Audited NBV As At 31 December 1999	Revaluation Surplus / Deficit
	RM	RM	RM
KNMPS			
(1) Lot PT 523, HS(D) 30213 Mukim Tanjong Minyak, District Melaka Tengah, Melaka (Industrial Building)	8,783,650	6,959,602	1,824,048
(2) Lot PT 7552, HS(D) 17934, Mukim of Sungai Karang, District of Kuantan, Pahang Darul Makmur (Industrial Building)	9,137,769	4,762,031	4,375,738
	17,921,419	11,721,633	6,199,786
(3) Lot PT 523, HS(D) 30213 Mukim Tanjong Minyak, District Melaka Tengah, Melaka (Industrial Land)	1,966,350	2,097,461	⁽²⁾ (131,111)
PASB			
Lot PT 7552, HS(D) 17934, Mukim of Sungai Karang, District of Kuantan, Pahang Darul Makmur (Industrial Land)	4,312,231	1,489,561	2,822,670

⁽¹⁾ As per the valuation report dated 4 October 2000 as valued by Messrs W.M. Malik & Kamaruzaman, a firm of independent professional valuers.

⁽²⁾ The revaluation deficit is to be written off against the income statement of KNMPS.

The valuation certificate by W.M.Malik & Kamaruzaman dated 16 June 2003 is enclosed in Section 12 of this Prospectus.

4.3.2 Acquisition Of KNMPS

On 18 December 2000, KNM entered into a Conditional Sale and Purchase Agreement with the shareholders of KNMPS namely IMSB and TKSB for the acquisition of the entire issued and paid-up capital of KNMPS, comprising 3,100,000 ordinary shares of RM1.00 each for a purchase consideration of RM34,186,350. The acquisition of KNMPS was satisfied by the issuance of 28,253,182 new ordinary shares of RM1.00 each in KNM at an issue price of approximately RM1.21 per share.

The 28,253,182 new KNM shares shall rank pari passu in all respects with one another and the then existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

4. INFORMATION ON THE KNM GROUP (Cont'd)

The purchase consideration for the Acquisition of KNMPS of RM34,186,350 or approximately RM11.03 per share was arrived on a willing buyer willing seller basis after taking into consideration KNMPS's audited NTA value of RM27,645,444 as at 31 December 1999 and after adjusting for the total revaluation surplus of RM6,672,017 and the revaluation deficit of RM131,111 arising from the revaluation of landed properties owned by KNM in Section 4.3.1 above.

The purchase consideration of the entire issued and paid-up share capital of KNMPS are free from all claims, charges, liens, equities or any other encumbrances whatsoever thereto.

Based on the audited financial statements as at 31 December 1999, the adjusted NTA of KNMPS after adjusting for the revaluation surplus is as follows:-

	RM'000	RM'000
Share Capital		3,100
Retained Profits		24,552
Less: Deferred Expenditure		(7)
Audited NTA		27,645
Revaluation Deficit Written Off Against Income Statement		(131)
Add: Revaluation surplus*		
(a) KNMPS	6,200	
(b) PASB	*472	6,672
Adjusted NTA		<u>34,186</u>

* Upon consolidation of the financial statements of KNM and its subsidiaries as at 31 December 1999, the net book value of the land owned by PASB was revalued upwards by RM2,350,439 in order to reflect the fair value of the land. The net book value of this land has therefore been reflected in the financial statements of KNMPS as at 31 December 1999 as RM3,840,000.

Thus, the resulting revaluation surplus to be taken up by KNMPS in its consolidated financial statements in respect of the land owned by PASB should only be RM472,231, and not RM2,822,670 as shown in Section 4.3.1 above, in order to avoid double counting.

** Further details of the landed properties of the KNM Group are shown in Sections 4.4.16 and 8.

The vendors of the shares in KNMPS are as follows:-

Vendors	Shareholdings in KNMPS		Purchase Consideration RM	Satisfied By No. Of KNM Shares
	No. of Shares	%		
IMSB	2,700,000	87.1	29,775,208	24,607,610
TKSB	400,000	12.9	4,411,142	3,645,572
TOTAL	3,100,000	100.0	34,186,350	28,253,182

The Acquisition of KNMPS was completed on 2 May 2003.

4. INFORMATION ON THE KNM GROUP (Cont'd)

4.3.3 Acquisition Of KNMI

On 2 June 2003, KNM entered into a Conditional Sale and Purchase Agreement with the shareholders of KNMI namely KNMPS, for the acquisition of the entire issued and paid-up capital of KNMI comprising 500,002 ordinary shares of RM1.00, at par. The purchase consideration of RM500,002 for the acquisition of KNMI was satisfied by cash.

The Acquisition of KNMI was completed on 2 June 2003.

4.3.4 Rights Issue

Upon completion of the Acquisitions of KNMPS and KNMI as set out in Sections 4.3.2 and 4.3.3 above, KNM has undertaken a rights issue of 4,666,816 new ordinary shares of RM1.00 each at par to all the existing shareholders of KNM. The Rights Issue will be undertaken on the basis of approximately 165 new ordinary shares for every existing 1,000 ordinary shares in KNM. The gross proceeds raised amounting to RM4,666,816 from the Rights Issue and the details of the utilisation of the proceeds thereof are set out in Section 2.6 of this prospectus.

The 4,666,816 new KNM shares shall rank *pari passu* in all respects with one another and the then existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The Rights Issue was completed on 20 June 2003 and together with the Acquisition of KNMPS, the issued and paid-up share capital of KNM was further increased to 32,920,000 ordinary shares of RM1.00 each.

4.3.5 Placement Of Shares

Following the completion of the Acquisition of KNMPS and the Rights Issue, KNM shall carry out Placement of 4,400,000 new ordinary shares of RM1.00 each representing 10% of the enlarged issued and paid-up share capital of KNM to identified parties at an issue price of RM1.48 per ordinary share. The Company will raise RM6,512,000 from the Placement and the details of the utilisation of the proceeds thereof are set out in Section 2.6 of this Prospectus.

4.3.6 Public Issue

To facilitate the listing of and quotation for KNM shares on the Second Board of the KLSE, the Company will also carry out a Public Issue of 6,680,000 new ordinary shares of RM1.00 each representing approximately 15.2% of the enlarged issued and paid-up share capital of KNM to the Malaysian public, eligible employees and directors of KNM and other parties at an issue price of RM1.48 per ordinary share. The Company will raise RM9,886,400 from the Public Issue and the details of the utilisation of the proceeds thereof are set out in Section 2.6 of this Prospectus.

Upon completion of the Public Issue, the Company's issued and paid up share capital of KNM will increase to 44,000,000 ordinary shares of RM1.00 each.

4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4 History And Business Overview Of KNM

4.4.1 History

KNM was incorporated in Malaysia as a private limited company under the Companies Act 1965 on 22 July 2000 and was subsequently converted into a public limited company on 12 September 2000.

KNM is an investment holding company with wholly owned subsidiaries, KNMPS and KNMI. The Group is principally involved in the design, manufacture, fabrication, 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.

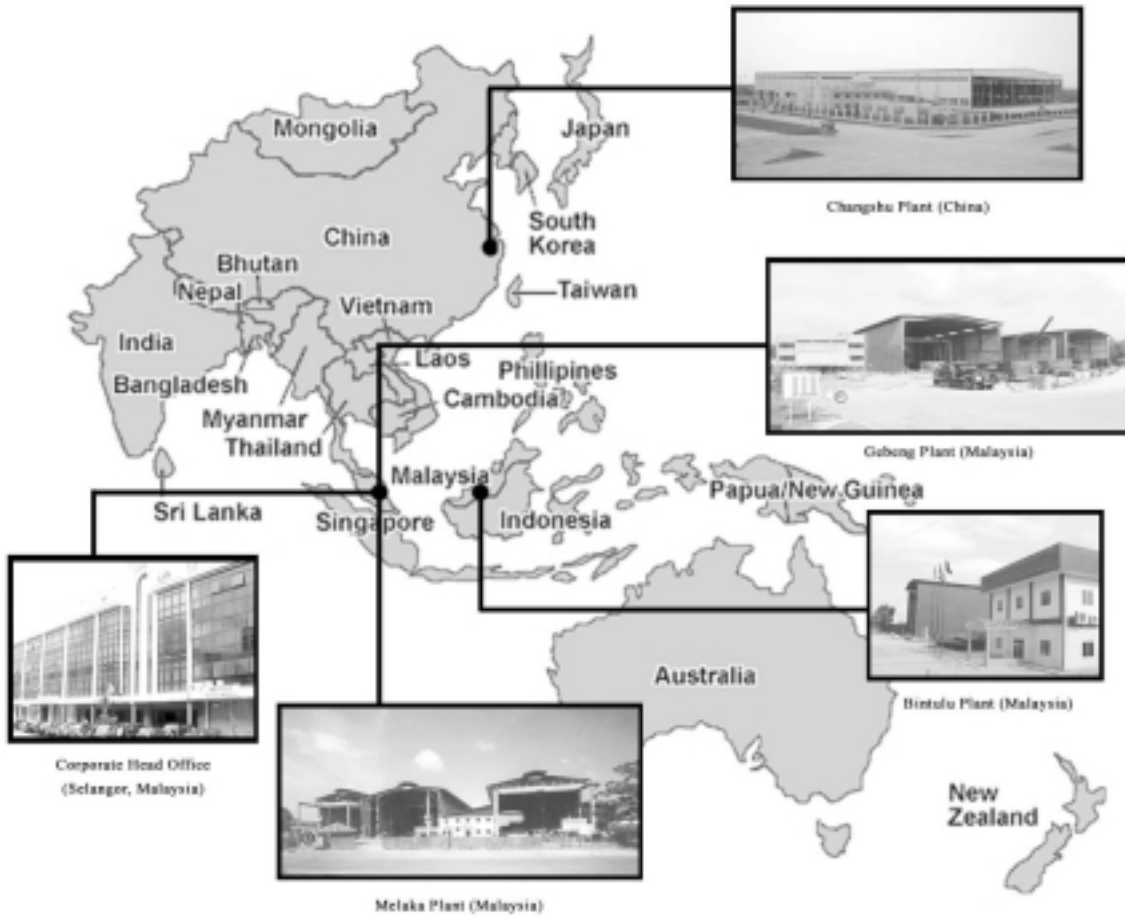
On 2 May 2003 and 2 June 2003 respectively, KNM acquired the entire equity interest in KNMPS and KNMI pursuant to the Restructuring Scheme as set out in Section 4.3 of this Prospectus. KNMPS, incorporated on 28 June 1990, commenced operations on 27 February 1991 and KNMI was incorporated on 10 May 2002.

KNM operates out of its head office at Taman Sungei Besi Indah, Seri Kembangan, Selangor (opposite the Mines Wonderland) of 3,016 square metres which houses the corporate management, finance, engineering, procurement and project management staffs and four manufacturing plants in Melaka, Gebeng, Bintulu and Changshu. The plant in Changshu, China is under construction and is expected to be completed by 2nd Quarter 2003.

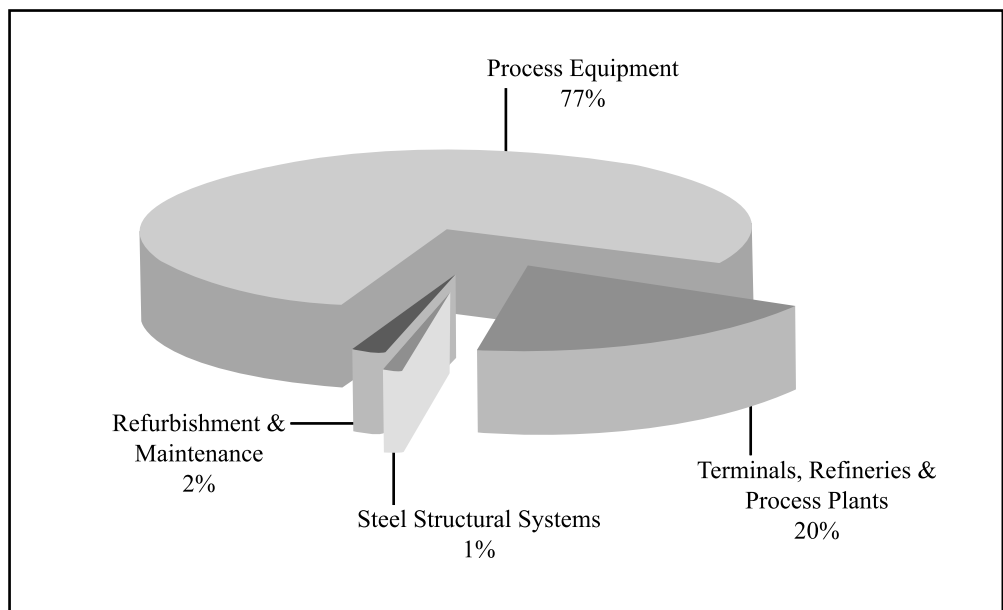
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4. INFORMATION ON THE KNM GROUP (Cont'd)

The location of KNM Group's offices and plants are shown below:



An analysis of the past 5 years of the Group's turnover amongst the Group's products and services are shown below:



4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4.2 Business

Principal Activities Of The KNM Group

As an investment holding company, KNM Group was incorporated to organise the subsidiary companies, which serve a wide spectrum of the oil and gas industry and the related petrochemical sectors.

Details of the KNM Group's core business activities are further elaborated below:

(a) **Systems Design and Engineering**

The business of KNM Group is supported by strong in-house design and engineering expertise, which is ISO 9001 accredited, with the ability to meet international design codes including the ASME, API, BS, DIN, GB and JIS. KNM Group currently has 28 qualified engineers and designers in its design team.

The design and engineering capabilities of KNM Group serve as a major competitive advantage for the Group. This has been highlighted by MIDA as one of the main areas of priority for the development of Malaysia's Machinery and Equipment industry.

KNM Group also offers engineering and project management services to support turnkey projects including installation, erection, commissioning and maintenance of process equipment, refineries and terminals.

(b) **International Procurement**

Within KNM Group, there is an International Procurement Office that undertakes global procurement for all its raw material requirements. In sourcing for materials, the Group takes into consideration its customers' technical specifications, the cost-effectiveness, high quality as well as the timely delivery of the materials. Where possible, the Group sources from local supply. KNM Group's ability to undertake its own procurement provides the Group with another value-adding service to generate revenue for the Group. This is opposed to other fabrication houses, which only fabricates from materials provided by customers.

(c) **Manufacture Of Process Equipments For The Oil, Gas and Petrochemical Industries**

KNM Group's manufacturing facilities comprises four manufacturing plants, three of which are in Malaysia and a new plant in China. All of the plants are equipped with plate rolling and bending machines. Its largest machine is automated using a series of hydraulic systems for loading, unloading and rolling, and is capable of handling steel plates up to 100 mm thick and 4 metres wide. This creates a significant competitive advantage over other manufacturers as it enables the Group to produce process equipments at lower production costs by reducing the amount of handling, welding, testing and reworking required on the steel plates.

KNM Group has invested in a new manufacturing plant in Changshu, China with the capacity to produce 10,000 metric tonnes per annum of process and storage equipment. The plant is located within the Changshu Xinghua Port, about 500 metres from the wharf, providing KNM Group with logistic benefits.

4. INFORMATION ON THE KNM GROUP *(Cont'd)*

(d) Testing Capabilities

The testing facilities of KNM Group include some of the most advanced non-destructive testing undertaken to test the integrity of pressure vessels and the quality of welding. KNM Group uses the internationally accepted TOFD technology based on ultrasonic waves.

Using the TOFD technique enables KNM Group to undertake testing during manufacturing without the need to evacuate personnel and stop work-in-progress unlike the traditional radiography techniques such as the X-ray or gamma-ray. This innovative process provides a significant advantage to KNM Group in terms of saving significant manufacturing time. This enables KNM to provide faster turnaround with shorter delivery schedule to meet customers' requirements. In addition, this technology also offers better safety work practices.

(e) Site Assembly, Commissioning And Maintenance

KNM Group, as an integrated manufacturer of process equipments, also provides post-manufacturing services including site assembly, erection, commissioning, hook-up, refurbishment, revamp and maintenance services. These post-manufacturing services enable KNM Group to provide turnkey solutions and thus provides the Group with significant competitive advantages over other operators in the industry that do not have such capabilities.

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

4.4.3 Manufacturing Process

The main manufacturing processes are as follows:

Cutting And Rolling

Steel plates are marked, cut and rolled into shape as per technical specifications.

Welding Of Sections And Peripherals

Each rolled sheet is welded together to form a cylindrical section. Each of these sections is then welded together to form the final length of the pressure vessel. Dish heads and other external and internal peripherals are also welded onto the pressure vessel as per technical specifications.

Testing

Testing is undertaken on an on-going basis during the manufacturing process as well as on completion of the pressure vessel. On an on-going basis, KNM Group uses the innovative TOFD testing throughout the duration of the manufacturing process. On completion of the pressure vessel, X-rays or TOFD testing are taken on all the welding seams to ensure compliance with standards. The final test is the hydrotest where the pressure vessel is filled up with water to test for leakages and the ability for the final product to handle the resultant pressure exerted by the water.

4. INFORMATION ON THE KNM GROUP (Cont'd)

Post Weld Heat Treatment

On completion of all the testing of the completed pressure vessel, it then undergoes post weld heat treatment, subjecting the pressure vessel to a temperature of 600°C for 48 hours. For the purpose of this process, a portable furnace is used. However, for mega-sized pressure vessels, KNM Group uses its in-house developed innovation of 'self-contained furnace'.

Garnet Blasting and Painting

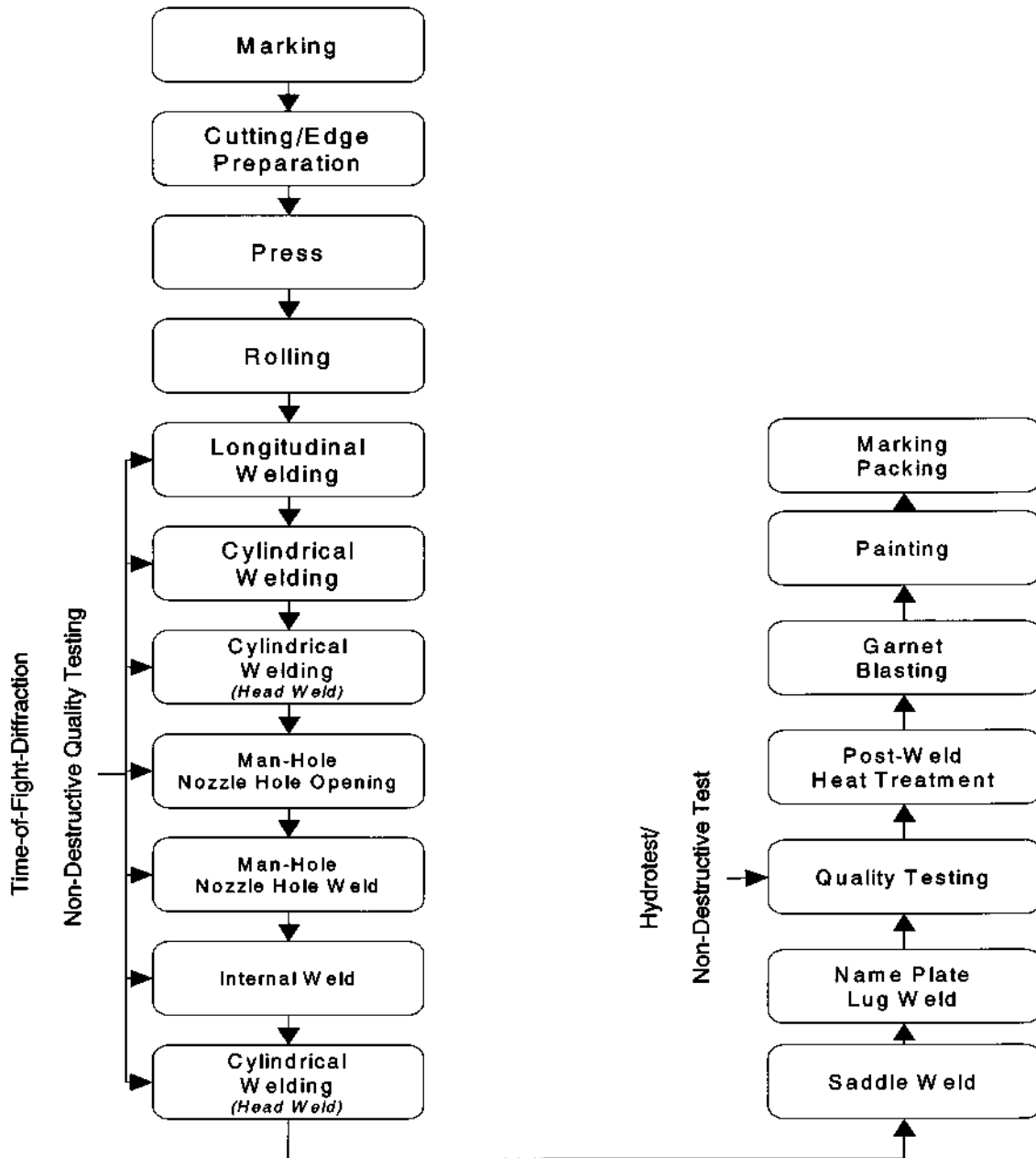
The final process is to garnet-blast the exterior to prepare it for painting. For in-site blasting, KNM Group uses a more expensive material called garnet, instead of the commonly used sand or copper slag. This reduces the amount of dust resulting from the blasting process and thus ensures a more pleasant working environment for the factory floor staff. Depending on the environment in which the final product is to be installed, the appropriate paints and coatings are applied.

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

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4. INFORMATION ON THE KNM GROUP (Cont'd)

The diagram below provides an illustration of the major manufacturing processes undertaken by KNM Group, being that for the manufacture of pressure vessels:



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

4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4.4 Principal Products

The main products of KNM Group are as follows:-

(i) Pressure Vessels

These are vessels that hold fluid in a liquid or gaseous state under pressure. Examples of pressure vessels include columns, towers, drums, reactors and separators.

(ii) Horizontal Mounded Bullets

These are elevated storage bullets (large cylindrical tanks) and systems for gaseous and liquefied gas.

(iii) Refineries And Process Plants

These are plants for the processing of crude oil or petrochemicals into various products.

(iv) Heat Exchangers / Air Coolers

A heat exchanger is a device that transfers heat from a hot to cold fluid. In many engineering applications, it is desirable to increase the temperature of one fluid while cooling another. As an example, heat exchangers are used to cool one petroleum fraction while warming another.

(v) Storage Tanks / Spheres

These are used as storage facilities.

(vi) Process Skid Packages

These comprise a pre-fabricated base for the assembly of process equipments. Skid mounted equipment is usually readily movable and mounted on a frame or skid structure.

(vii) Flare Stacks

In the event of an equipment failure or plant shutdown, it is necessary to purge volatile hydrocarbons (gases) from operating equipment so that it may be serviced. The flare stacks, which are vertical gas pipings or towers are used for releasing and/or burning such gases into the atmosphere.

(viii) Others

Apart from the above products, KNM Group also manufactures specialised piping and pipeline systems, used mainly in the oil, gas and petrochemical processing plants and specialized steel structures, including steel roofing structures and complex structures.

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

4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4.5 Projects Completed And Ongoing

A summary of the major projects completed and delivered by the KNM Group as well as the contracts in hand are set out below:-

(a) Projects Completed

As at 3 June 2003, the KNM Group has undertaken and completed projects of various kinds for a large number of clients in Malaysia with a total contract value in excess of RM690 million since its inception.

The major projects completed are listed below:

Description of project	Clients/Owner	Location	Approximate Value RM'000	Date of Commencement/ Completion
Design, Procurement, Manufacture, Testing and Delivery of Process Equipments for MLNG-Dua Gas Supply Project - 2 HIC Material Condensate Accumulators - 2 Stabiliser Columns - 2 Knock-out Drums - Production Aircollers - HP, MP & LP Separators - Degassing Boots - Glycol Contactors - Condensate Dryer Towers - Rewetted Gas Glycol Contactors - Production Separators - Commissioning Services	Sarawak Shell Bhd	Miri and Offshore Sarawak	44,186	1993 / 1995
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for Kerteh Aromatics Project (KR-2) - 9 Mixed LPG Bullets - 20 Drums - Platforms & Ladders	Toyo Engineering Corporation / Aromatics Malaysia Sdn Bhd	Kerteh, Terengganu	34,884	1998 / 1999
Design, Procurement, Construction, Commissioning of Condensate Storage Tank, Slop Tank and Associated Facilities for MLNG-Tiga Project	Petronas Carigali Sdn Bhd	Bintulu, Sarawak	31,831	2000 / 2002
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for Petronas Second Refinery Phase 2 (PSR-2) Project - 3 LPG Bullet Tanks - 2 Butane Storage Vessels - 2 Columns - 2 Drums - Coke Truck Loading Silos - Lifting Lug Disassembly / Coke Drums	Chiyoda / MMC / CMSB JV / Petronas Penapisan (Melaka) Sdn Bhd	Melaka	28,888	1996 / 1998
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for Long Residue Catalytic Cracking Complex - 3 Mounded Bullets - 2 Hoppers - 5 High Grade Vessels - Derrick Structure for Flare Stacks - Flue Gas piping, Stack and Ducts - 3 Davits	JGC Corporation / Shell Refining Company (FOM) Bhd	Port Dickson, Negeri Sembilan	26,353	1997 / 1998

4. INFORMATION ON THE KNM GROUP (Cont'd)

Description of project	Clients/Owner	Location	Approximate Value RM'000	Date of Commencement/ Completion
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for Shell Refinery - 3 LPG Mounded Bullet Tanks - 2 LPG Mounded Bullet Tanks	Shell Refining Company (POM) Bhd	Port Dickson, Negeri Sembilan	23,514	1993 / 1994
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for Propane Dehydrogenation Plant Project - 1 Propane Propylene Splitter - 1 De-Ethaniser Stripper - 1 Debutanizer - 1 Depropanizer - 1 De-Ethanizer Rectifier	MTBE Malaysia Sdn Bhd	Kuantan, Pahang	21,328	1998 / 1999
Design, Procurement, Manufacture, Testing, Delivery and Installation for 3 Horizontal Mounded Propylene Vessels for Oiltanking Seraya Chemical Storage Project	Oiltanking Singapore Ltd / Rotary Engineering Ltd	Singapore	19,249	2000 / 2001
Shop Drawing, Procurement, Fabrication, Testing, Delivery, Assembly and Erection of the Steel Structures Systems for the national Sports Complex - Main Outdoor Stadium - Swimming Complex - Training Pool	ACPI Engineering Sdn Bhd / Kementerian Belia dan Sukan Malaysia	Kuala Lumpur	17,614	1996 / 1998
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for Optimal Butanol / Derivatives Project - BGE Reactors - Stainless Steel Columns - Carbon Steel Columns - API Storage Tanks - Sumps - Carbon Steel Vessels - Stainless Steel Vessels - Shell & Tube Heat Exchangers	Bechtel Bina Sdn Bhd / Optimal Chemicals Sdn Bhd	Kerteh, Terengganu	16,710	1999 / 2000
Design, Procurement, Manufacturing, Assembly and Delivery Various Process Equipment as follows for the B11 Field Development Project: - Air Fin (Production) Cooling System - 5 Pressure Vessels - 4 Clad Pressure Vessels	Sarawak Shell Bhd /	Sarawak, Malaysia	15,717	2002 / 2003
Design, Procurement, Manufacture, Testing and Delivery of Columns and Towers for Belanak FPSO Project.	Halliburton Far East Pte Ltd / Dresser Kellogg Energy Services Inc. / Conoco Indonesia Inc. Ltd	Indonesia	15,503	2002 / 2003
Design Procurement, Manufacturing, Construction, Testing and Delivery of Process Equipment and Storage Tanks for Optimal Infrastructure Project, for the Optimal Petrochemical Complex - 5 Pressure Vessels - 5 Shop Fabricated Tanks - 7 Field Erected Storage Tanks	Technip Geoproduction (M) Sdn Bhd / Petronas / Dow Chemical	Kerteh, Malaysia	15,490	1999 / 2000

4. INFORMATION ON THE KNM GROUP (Cont'd)

Description of project	Clients/Owner	Location	Approximate Value RM'000	Date of Commencement/ Completion
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for M1 Field Expansion Project - Gas Inlet Separator - Liquid Separator - Gas Scrubber - Glycol Contactor Internal Modification	Sarawak Shell Bhd	Offshore Sarawak	13,831	2001 / 2002
Design, Procurement, Manufacture, Testing and Delivery of Process Equipment for Resak Gas Development Project - Condensate Separators - Production Separators - Title Plate Separators - High Pressure Flare Knock Out Drums - Low Pressure Knock Out Drums - 2 Coalescer Vessels - Installation, Start-up & commissioning services	Petronas Carigali Sdn Bd	Kerteh Terengganu	11,460	1998 / 1999
Design, Procurement, Manufacturing and Delivery Various Process Equipment as follows for the Sawan Gas Phase 1 & 2 Development - CO ₂ /H ₂ S Absorber & Stripper - Clad Pressure Vessels - Absorbers	Clough Engineering Ltd./ OMV (Pakistan) GmbH	Pakistan	11,338	2002 / 2003
Design, Procurement, Fabrication, Erection, Testing and Completion of Storage Tanks for Gebeng Centralised Utility Facilities Project	Petronas Gas Bhd	Kuantan, Pahang	10,622	1998 / 1999

(b) Ongoing Projects

The projects currently being undertaken by the KNM Group are worth approximately RM142 million and are as detailed below:

Description of project	Clients/Owner	Location	Approximate Value (RM)	Date of Commencement/ Completion
Design, Procurement and Construction of bullet tanks and related civil erection works for for Butane Storage Project	Toyo Engineering & Construction Sdn Bhd/ BASF Petronas Chemicals Sdn Bhd	Malaysia	41,024,829	April 2002 / June 2003
Design, Procurement, Manufacturing and Delivery of CDHYDRO Naphtha Splitter, CDHDS Column and Stripper #1 for Valero Refinery Gasoline Desulphurization Unit at Corpus Christi Refinery	Jacobs Engineering Group, Inc. / Valero Refining, Texas, LP	USA	12,220,040 (USD3,215,800)	October 2002 / July 2003
Engineering, Procurement, Manufacturing and Delivery of 3 GDU Columns for Ultramar Clean Fuel Project	Fluor Canada Ltd / Ultramar Canada Ltd	Canada	11,182,400 (Canadian Dollar 4,664,000)	December 2002 / September 2003
Fabrication, Construction, Commissioning and Testing of One (1) Unit Crude Oil Tank for Miri Crude Oil Terminal (MCOT)	Petronas Carigali Sdn Bhd	Malaysia	10,560,000	November 2002 / August 2003

4. INFORMATION ON THE KNM GROUP (Cont'd)

Description of project	Clients/Owner	Location	Approximate Value (RM)	Date of Commencement/ Completion
Mechanical works for Onplot offsite and Common Facilities and demolition of Vent Stack for MLNG Rejuvenation & Revamp Project	Malaysia LNG Sdn Bhd	Malaysia	5,675,500	June 2002 / November 2003
Engineering, Procurement, Manufacturing and Delivery of pressure vessels for NG CO2 removal unit and for Ammonia and Urea Plant	Asean Bintulu Fertilizer Sdn Bhd	Malaysia	6,644,160	October 2002/ September 2003
Engineering, Procurement, Manufacturing and Delivery of Pressure Vessels for Yoho Field Development Project EPC2	Saipem SA/ Mobil Producing Nigeria Unlimited	Nigeria	5,770,300 (USD1,518,500)	December 2002/ August 2003
Design, Procurement, Manufacturing and Testing with option for Delivery of 3 Carbon Steel Towers and Equipment Platforms, Ladders and Pipe Supports for CSPC Nanhai LOP Project in China	JGC Corporation/ CNOOC and Shell Petrochemicals Company Ltd	China	5,806,854 (RMB12,651,099)	April 2003 / February 2004
Design Procurement, Manufacturing, Testing and Delivery of 3 Columns and Drums for Oman Government Train Project	CME Engineering FZCO / The Government of the Sultanate of Oman	Oman	4,151,667 (USD1,092,544)	April 2003 / April 2004
Design, Procurement, Manufacturing, Testing and Delivery of One High Pressure Boiler Feed Water Preheater	Petronas Methanol (Labuan) Sdn Bhd	Malaysia	3,535,000	April 2003 / April 2004
Engineering, Procurement, Construction and Pre-Commissioning of Waste Water Stripping Unit and Guard Pond for Petronas Kedah Fertiliser Plant	Petronas Fertilizer (Kedah) Sdn Bhd	Malaysia	3,312,545	February 2002/ August 2003
Engineering, Procurement, Manufacturing and Delivery of HDS Reactor for Atofina FCC Gasoline Hydrotreater Unit	Fluor Daniel Inc. / Atofina Petrochemicals Inc.	USA	2,964,304 (USD780,080)	November 2002/ September 2003
Engineering, Procurement, Manufacturing and Delivery of Inlet Separator and Methanol Storage Drum for Serai Field Development Project	Brooke Dockyard & Engineering Sdn Bhd/ Sarawak Shell Bhd	Malaysia	2,300,000	December 2002/ August 2003
Design, Supply, Manufacturing, Fabrication, Documentation, Inspection, Testing, Certification and Delivery of IP Compressor Discharge Cooler for Dan FG Field Development	SMOE Pte Ltd / Mearsk Olie Gas AS	Denmark	1,930,400 (USD508,000)	June 2003 / January 2004
Design, Procurement, Manufacturing and Delivery of Main Reactor and Diolefin Saturator for Sinclair Clean Fuels Project	Sinclair Oil Corporation	USA	1,480,000 (USD389,460)	February 2003 / November 2003
Engineering, Procurement, Manufacturing and Delivery of Stainless Steel Columns for BASF-YPC Acrylic Acid / Acrylic Ester Plant at BASF-YPC Integrated Petrochemical Complex	Toyo Engineering Corporation / BASF-YPC Company Ltd	China	1,136,200 (USD299,000)	October 2002/ July 2003
Engineering, Procurement, Manufacturing and Delivery of Knock Out Drums for Yetagun Field Capacity Upgrade Project	Ranhill Worley Sdn Bhd/ Premier Petroleum Myanmar Ltd	Myanmar	732,336 (USD192,720)	November 2002/ July 2003
Engineering, Procurement, Manufacturing and Delivery of shell and tube Heat Exchanger for NSO Remedial Project	PT. Jaya Karya Utama / ExxonMobil Oil Indonesia Inc.	Indonesia	618,708 (USD162,818)	November 2002/ June 2003

4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4.6 Market Share / Ranking

Based on a production of 15,600 tonnes of steel used for the manufacture of process equipment in 2002, KNM Group ranked **first** in comparison to other local manufacturers of process equipment for the Oil, Gas and Petrochemical Industries in Malaysia.

Based on a turnover of RM107.67 million in 2002, KNM Group ranked **fourth** compared to other local manufacturers of process equipment for the Oil, Gas and Petrochemical Industries in Malaysia.

Companies selected for market ranking purposes do not exclusively manufacture process equipment for the Oil, Gas and Petrochemical Industries. Companies that were selected for comparison must at least undertake some manufacturing of process equipment for the Oil, Gas and Petrochemical Industries. In terms of ranking by tonnage, the majority of the productions are for process equipment. In terms of ranking by turnover, total turnover is used, which incorporates other activities that may not be related to process equipment for the Oil, Gas and Petrochemical Industries.

Source: Vital Factor's Industry Assessment Report updated on 30 April 2003

4.4.7 Principal Markets

KNM's current (2003) principal markets cover 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. As at 3 June 2003, export markets contribute approximately 48% in value terms of total orders in hand.

4.4.8 Availability Of Raw Materials

The major raw materials used by KNM Group are hot-rolled steel plates, other iron and steel material, tubes and tube sheets, dish head, paints and coatings, pipes and fittings, and electrodes. Overall, KNM Group sources its raw materials predominantly from imports. This is largely due to the fact that the customers' specifications for the raw materials to be used in production are not locally available. Occasionally, the customers also provide KNM Group with a list of approved manufacturers of raw materials for which KNM Group has to adhere to strictly. In most cases, these approved manufacturers of raw materials are overseas and thus, KNM Group would have to import these raw materials.

- **Supply Of Hot-Rolled Steel Plates**

Hot-rolled steel plates are the main raw materials used in the manufacturing of process equipments. The steel plates used by KNM Group are high-grade boiler plates with specially specified quality, which are specially made to withstand high pressure and temperature, particularly for the oil, gas and petrochemical industries.

4. INFORMATION ON THE KNM GROUP (Cont'd)

KNM Group's supply of hot-rolled steel plates is almost 100% imported. The Group has to import its hot-rolled steel plates as there is no domestic production currently available in Malaysia that can meet the material specifications. However, there are ample sources of hot-rolled steel plates overseas, including Japan, Europe, Korea and China. Thus, the shortage of hot-rolled steel plates should not pose as a threat to the Group's business. Currently, KNM Group sources from approximately 13 suppliers from a number of countries including Japan and Europe. Based on this, it can be deduced that KNM Group is not over-reliant on one supplier for the supply of hot-rolled steel plates.

- **Supply Of Other Iron And Steel Material**

These include materials such as angles, beams, channels, round bars, flat bars, wires and wire mesh. KNM Group sources these materials from a combination of local suppliers and importers. There are currently 51 producers of bars/wire rods/sections, and 40 producers of wire mesh in Malaysia.

According to the Report on States and Outlook of the Malaysian Iron and Steel Industry by the Malaysian Iron and Steel Industry Federation, the production of bars is especially well catered for in Malaysia. Thus, with the number of local producers available to produce these raw materials, there should not be any threats in the shortage of supply of these materials.

- **Supply Of Tubes And Tube Sheets**

Tubes and tube sheets are part of the components of heat exchangers, manufactured by KNM Group. However, the kind of tubes and tube sheets required are of special grades, which are not available in Malaysia. Therefore, 100% of these materials are imported from overseas. However, as there is ample supply of these materials from a number of countries, including the United Kingdom, Japan, Korea, United States and Germany, the threat of a shortage of supply in these materials are minimal.

- **Supply Of Dish Head**

Dish heads are parts of a pressure vessel that are used to close off the ends of the vessel shell. As all the raw materials for the dish head have to be compatible and equivalent to the rest of the pressure vessel, which are formed using hot-rolled steel plates, this material is predominantly imported from overseas. KNM Group sources its supply of dish heads mainly from Japan and Europe. According to management, there have not been any shortages in the supply of dish heads thus far. There are 3 local manufacturers of dish heads, however these are limited in terms of size and thickness.

- **Supply Of Paint And Coatings**

Unless requested specifically by customers, KNM Group sources nearly all of its paints and coatings from local manufacturers. As indicated by MIDA, there are currently 38 formulators of paints and coatings in operation in Malaysia. Thus, with these numbers, there should not be any shortage of supply that would impact the Group's business.

4. INFORMATION ON THE KNM GROUP (Cont'd)

- **Supply Of Pipes, Fittings And Forgings**

Pipes and fittings are required for the production of process equipment, particularly those that can withstand extreme temperature and pressure. As there are no local companies that manufacture these special grade pipes such materials, KNM Group sources these supplies from overseas. However, these types of pipes, fittings and forgings are available from various countries, including Korea, Japan and Europe. Thus, any threat of disruptions in supply is minimised.

- **Supply Of Electrodes**

Electrodes are used for the welding of pressure boiler plates. At present, there are no Malaysian manufacturers that produce electrodes for this purpose with the exception of those that are mainly for mild steel welding for general industrial use. However, there are many overseas suppliers that produce these electrodes, namely Singapore, Korea, Japan, Indonesia and China for which KNM Group is able to import their electrodes from.

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

4.4.9 Quality Control Procedures

KNM Group undergoes two types of product and quality testing as follows:-

Destructive Testing Methodology

Under this method of testing, a portion of the raw materials is tested for its tensile strength and weaknesses of the material. The sample material is usually taken to an independent laboratory for testing.

Non-Destructive Testing Methodology

Under this method of testing, KNM Group uses the TOFD technique, which is based on ultrasonic waves to determine the quality of the welding. As an alternative, the Group also undertakes X-ray imaging to test its products. Whichever method is used, the results of these tests will be documented and provided to the customers for their inspection.

The above procedures have been approved by the ABS Quality Evaluations Incorporation of the United States for the ISO 9001 accreditation of KNM Group. It should, however, be highlighted that KNM Group has received many other accreditations and approvals from internationally certification bodies as follows:-

- (a) Authorisation to use the U, U2 and S Stamps by the ASME for the manufacture of pressure vessels and boilers;
- (b) Authorisation to use the NB mark by the National Board for the manufacture of boiler and pressure vessel;
- (c) Approval from Germanischer Lloyd to manufacture welded pressurized tanks for liquefied gas; and
- (d) German code of practice, AD-Merkblatt HP-O and TRD 201 Certificates for fulfilling the comprehensive quality requirements in accordance with EN729-2 for quality welding of its pressure vessels and boilers awarded by TUV Sddeutschland of Germany.
- (e) Safety Quality Licence for Boiler and Pressure Vessel for "Stationary Pressure Vessels" granted by the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine.

4. INFORMATION ON THE KNM GROUP (Cont'd)

The capabilities of KNM Group to meet international quality standards help ensure that the company continues to be viable in the Malaysian market, previously dominated by overseas manufacturers. More importantly, it is a demonstration that the company is poised to meet export market requirements and compete in the international arena.

Source: Vital Factor's Report on Prospects and Future Plans of the KNM Group updated on 30 April 2003

4.4.10 Interruption / Disruption In Business

The Group did not experience any disruption in business having significant effect on its operations for the twelve (12) months prior to the date of this Prospectus. Regular periods of long holidays are taken into account in management planning and their disruptive effects are minimized as much as possible.

4.4.11 R&D

One of the areas that provide KNM Group with a significant competitive advantage over other players in a similar industry is in research and development. In this respect, KNM Group undertakes 4 major areas of research and development as follows:-

(a) R&D On Product Design And Engineering

R&D in product design and engineering is mainly focused on complex or mega-sized projects. This is because these types of projects are not commonly repeated projects, or otherwise, always have significant differences within each project that mandates R&D. In this area of R&D, the design and engineering team essentially forms the blueprint for the manufacturing of the end-product. Amongst the activities undertaken are as follows:

- research on the customers' technical requirements which will feed into the overall design of the process equipment including compliance with industry and quality standard codes and rules;
- research and identify the most cost effective materials to procure which would meet technical specifications;
- undertake sample testing of materials, processes and prototypes to ensure compliance with technical and quality specifications and customers' requirements;
- develop the processes or blueprint for fabrication, production and testing of the end-product.

The Group currently has a team of 28 engineers and designers in its design team who are responsible for the design and engineering of process equipments.

(b) R&D On Manufacturing Processes

KNM Group also undertakes processes R&D with the objective of achieving high efficiency, productivity, cost savings and meeting customer needs. Most of the process R&D undertaken by the Group are engineering configured and calculated, some of which have resulted in innovations such as the 'collift', 'synchronised jacking system', 'post weld heat treatment' and 'modular furnace' as featured in Section 1.3 of this Prospectus.

4. INFORMATION ON THE KNM GROUP (Cont'd)

(c) **Research On Alternative Materials**

KNM Group also procures materials as part of its turnkey solutions. This process is critical to ensure the highest quality, lowest cost and reliability of supply. As a result, KNM Group also undertakes research to source for competitive and compatible materials for the manufacturing of process equipments. Amongst the areas of research activities undertaken by the Group include:

- research on alternative and new materials that meet customers' specifications and requirements;
- research on sourcing of reliable and cost-effective suppliers;
- research on materials for compliance through intensive testing for compliance and acceptability; and
- implementation of alternative materials into the production phase.

(d) **R&D On New Materials**

KNM Group, in line with its business vision and mission to stay ahead of its competitors as well as to become a world class engineering and manufacturing concern is undertaking intensive R&D in the use of new materials including Exotic Materials. It is anticipated that the development of products using these Exotic Materials would bring significant business opportunities to the Group.

The abovementioned R&D was carried out during the Group's project operations. The company did not capitalise the cost because the R&D cost has been absorbed by the respective projects.

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

4.4.12 Government Regulation And Licensing

KNM Group is dependent on several factors to undertake its businesses locally and internationally. Such factors are licences, registrations and certifications with relevant customer and authorities. KNM Group is licensed by PETRONAS and MIDA as the manufacturer, registered with CIDB, PPK and KKM as manufacturer, certified by ASME and NB as user of the U, U2 and S stamps. Approved as manufacturer according to the Germany Code AD-Merkblatt HP O and TRD201 in conjunction with EN729-2 and granted the Safety Quality Licence Certificate for Import Boiler & Pressure Vessel of State General Administration of the People's Republic of China. Without the aforesaid licences, registrations and certifications, the operation of KNM Group in its core business and/or its profitability will be affected.

However, KNM Group's dependency on the aforesaid licences, registrations and certifications shall be limited to the extent of these following circumstances:

In respect of the licences, without which KNM Group is not able to tender for any project directly with the local customers in connection to only projects of the upstream of the oil and gas industries in Malaysia. This on the other hand will not limit KNM Group to tender to the downstream customers and obtaining the projects from the main EPCC contractors which contributes more than the upstream in domestic sales.

4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4.13 Intellectual Property And Technical Know-How


KNM Group has invested significantly in R&D to develop a number of proprietary and innovative engineering techniques, methodologies and work processes for manufacturing of its products. These innovative techniques, methods and work processes which include Collift, Post Weld Heat Treatment using Modular Furnace, Synchronised Jacking System and Post Weld Heat Treatment on Sand may constitute KNM Group's intellectual properties.


The Group has applied for a Malaysian patent for its Collift, which is pending approval.

These in-house developed technical know-how have provided KNM Group with significant competitive advantages, as it is able to undertake manufacturing with increased employee safety, effectiveness, efficiency and productivity, and reduced manufacturing costs. In some situations, these technical know-how have provided KNM Group with the technical solutions to win tenders, particularly for mega-sized projects, where some competing companies were unable to provide practical solutions.

Recognising the competitive advantages provided by its in-house developed technical know-how, KNM Group is continuously undertaking R&D to improve existing and to develop new and innovative engineering techniques, methodologies and work processes through prudent use of technology and engineering ingenuity. KNM Group has put in place proper procedures and methodologies to enable future inventions to be patented.

KNM has submitted a Patent Application for the invention of a "Tank Roof Lift Using the Column System ("COLLIFT") with the Registrar of Patents in Malaysia. However, the approval for the registration is still pending.

KNM Group has submitted its trademark application for the "KNM" logo  in Classes 6, 7, 11, 14 and 16 to the Registrar of Trade Marks in Malaysia. The Registrar of Trade Marks in Malaysia had instructed KNM Group to proceed with the official gazetting and publication of the trademark under Class 16 and thereafter the Ministry of Domestic Trade and Consumer Affairs Malaysia, Intellectual Property Division confirmed that the trademark had been gazetted in the Government Gazette dated 23/5/2002. The trademark under Class 16 is now pending issuance of the trademark certificate.

KNM Group also has submitted its trademark application for the "KNM"  logo and the description of "KNM" (科恩马 kē ēn mǎ) in Chinese and English in Classes 6, 7 and 11 to the Trademark Office of the State Administration for Industry and Commerce, China. The application is now pending registration.

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4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4.14 Distribution Network

KNM Group utilizes a two-prong approach in marketing its products and services locally and overseas as follows:-

(a) Direct Distribution

For the local and some of the overseas markets, KNM Group utilizes direct distribution channels using its own business development and marketing team to target customers in the oil, gas and petrochemical industries. KNM Group's strategy is mainly based on proactively marketing its products and services to customers. Due to the highly technical nature of its product and services, it is not appropriate for KNM Group to utilize distributors to market their products and services.

(b) Indirect Distribution

For overseas markets, KNM Group utilizes channels using independent agents to proactively identify opportunities, collect tender documents and lobby for projects. Once agents identify opportunities, representatives from KNM Group would still be required to personally study the customers' requirements and scope and specify the work to be done. The need to get directly involved with overseas customers during the sales cycle is a reflection of the highly technical nature of projects. After the submission of proposals and responses to tenders, the KNM Group subsidiary involved, together with the agent would jointly lobby for the projects. Currently, KNM has agents covering Oman, Jordan, Kuwait, Qatar, Iran, Indonesia, Europe and USA.

Apart from the above, the KNM Group also utilizes business associates to identify business opportunities and to lobby for projects. Such arrangements are undertaken on a project-by-project basis.

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

4.4.15 Key Achievements And Milestones

Certification and awards received by KNM are summarised as follows:

- (i) The ISO 9001 by ABS Quality Evaluations Incorporated of USA.
- (ii) AD-Merkblatt HP 0 and TRD 301 in conjunction with EN729-2 by TUV Sueddeutschland.
- (iii) NB Stamps by The National Board of Boiler & Pressure Vessel Inspectors in accordance with ASME U, U2 and S Stamp
- (iv) R Stamp by The National Board of Boiler & Pressure Vessel Inspectors.
- (v) U & U2 Stamps by ASME
- (vi) S Stamps by ASME.

4. INFORMATION ON THE KNM GROUP *(Cont'd)*

- (vii) Safety Quality Licence for Boiler and Pressure Vessel for “Stationary Pressure Vessel” granted by the State General Administration of the People’s Republic of China for Quality Supervision and Inspection and Quarantine.
- (viii) Safety Awards on various projects by Technip Geproduction (M) Sdn Bhd (Optimal Infrastructure Project), Optimal Group (Optimal Project), MTBE Malaysia Sdn Bhd (Propane Dehydrogenation Project), Petronas Gas Bhd / Petronas Ammonia Sdn Bhd / Foster Wheeler (M) Sdn Bhd (CUF / Ammonia Syngas Project), Petronas Gas Bhd / Foster Wheeler (M) Sdn Bhd (CUF Gebeng Project), Shell Refining Co. (FOM) Bhd, Technip Far East Sdn Bhd (Polyethylene Project), OGP Technical Services Sdn Bhd / Petronas Carigali Sdn Bhd / Ranhill Engineers & Constructors Sdn Bhd (MLNG-Tiga Pipeline Project), Esso Production Malaysia Inc (Angsi Host Tie-Ins Project), Sarawak Shell Berhad (M1 Glycol Contactors Retrofitting Works Offshore M1) and JGC-KBR-OGP JV (MLNG MRR Project)
- (ix) Ranked 15th in the Enterprise 50 Award, 1999 in recognition for excellence in management and financial performance for Malaysian companies. The Enterprise 50 Award was sponsored by Small and Medium Industries Development Corporation (SMIDEC) and Andersen Consulting
- (x) Rank 3rd in the Enterprise 50 Award, 2001 in recognition for excellence in management and financial performance for Malaysian companies. The Enterprise 50 Award was sponsored by SMIDEC and Accenture
- (xi) In 1996, KNMPS completed the design and manufacturing of Malaysia’s largest and heaviest LPG Mounded Bullets measuring 50.78 meters in length and weighing approximately 528 tonnes, delivered to Tawau, Sabah. The record is currently in the Malaysia Book of Records. *(Source: Malaysian Book of Records)*
- (xii) In 1998, KNMPS completed Malaysia’s tallest roof supporting single mast for the National Sports Complex in Bukit Jalil for the 16th Commonwealth Games in Kuala Lumpur in 10 months. The mast, which stands at 102 meters high and weighs 250 tonnes supporting 7,500 square metres in membrane roof. This engineering feat is also currently in the Malaysia Book of Records. *(Source: Malaysian Book of Records)*
- (xiii) In 1998 / 1999, KNMPS completed the tallest and heaviest pressure vessel in Malaysia. The pressure vessel, a Propane-Propylene splitter stands at 105.5 metres high with a bare weight of 1,070 tonnes and a fully dressed weight with internals of 1,640 tonnes. This record is currently in the Malaysia Book of Records. *(Source: Malaysian Book of Records)*
- (xiv) In 1999, KNMPS received a Special Mention Award from Cost Reduction Alliance (“CORAL”) Malaysia (a Petronas initiated project) for its Propane Dehydrogenation Plant in recognition for its exemplary performance.
- (xv) In 2000, KNMPS received 2000 Gold Star Project Completion Award (Medium Project Category) by Esso Production Malaysia Inc for the Execution of Angsi Host-Tie-In Project in recognition of the excellent safety performance.

4. INFORMATION ON THE KNM GROUP (Cont'd)

- (xvi) In 2001, KNMPS toppled its own record made in 1996 by delivering the largest and heaviest LPG Mounded Vessels. KNMPS took the construction of the three 3,500m³ capacity, 812 tonnes vessels in its stride. The record is currently in the Malaysia Book of Records. *(Source: Malaysian Book of Records)*

- (xvii) In 2002, KNMPS received the "Supplier of the Month for June 2002" by Halliburton / ConocoPhillips for the Belanak Floating Production Storage and Offloading ("FPSO") project and has been elected to receive a Gold Award in the Delivering Supplier Excellence Scheme for its towers/columns.

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

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4. INFORMATION ON THE KNM GROUP (Cont'd)

4.4.16 Landed Properties And Buildings

Registered / Beneficial owner	Location	Existing Use And, Built-up Area And Approximate Age of Building	Land Area and Tenure	Net Book Value As At 31.12.1999 RM	Consolidation Adjustment For KNMPS Group Accounts RM	NBV As Per KNMPS Group Accounts RM	Open Market Value as Appraised by Valuer ⁽¹⁾ RM	Revaluation (Deficit)/ Surplus RM	Audited Net Book Value As At 31.12.2002 RM
KNMPS	Lot PT 523, HS(D) 30213, Mukim Tanjong Minyak, District Melaka Tengah, Melaka	Fabrication Plant and Office Building 96,875 sq. ft. Ranging from 4 to 10 years (Note 4)	-	6,959,602	-	6,959,602	8,783,650	1,824,048	8,738,200
	Lot PT 7552, HS(D) 17934, Mukim Sungai Karang, District Kuantan, Pahang Darul Makmur	Fabrication Plant and Office Building 145,313 sq. ft. Ranging from 2 to 4 years (Note 7)	-	4,762,031	-	4,762,031	9,137,769	4,375,738	13,467,495
Subtotal				11,721,633	-	11,721,633	17,921,419	6,199,786	22,205,695
PASB	Lot PT7552, HS(D) 17934, Mukim Sungai Karang, District Kuantan, Pahang Darul Makmur	Land (Industrial) 36,420 m ² (Note 7)	66 years (leasehold) Expires on 1 June 2064	1,489,561	2,350,439 ⁽²⁾	3,840,000	4,312,231	472,231	4,106,887
Total Revaluation Surplus To Be Taken Up				13,211,194	2,350,439	15,561,633	22,233,650	6,672,017	N/A
KNMPS	Lot PT 523, HS(D) 30213, Mukim Tanjong Minyak, District Melaka Tengah, Melaka	Land (Industrial) 18,268 m ² (Note 4)	99 years (leasehold) Expires on 28 May 2094	2,097,461	-	2,097,461	1,966,350	(131,111) ⁽³⁾	1,905,523
	Lot PT 522, HS(D) 30212, Mukim Tanjung Minyak, District Melaka Tengah, Melaka	Land (Industrial) 5,145 m ² (Note 5)	99 years (leasehold) Expires on 28 May 2094	-	-	-	-	-	461,020
	Lot PT 521, HS(D) 30211, Mukim Tanjung Minyak, District Melaka Tengah, Melaka	Land (Industrial) 5,972 m ² (Note 6)	99 years (leasehold) Expires on 28 May 2094	-	-	-	-	-	562,656
	Plot1, being part of parent Lots 124 and 128, Block 20, Kemena Land District at Kidurong Industrial Area (KINDA), Bintulu, Sarawak	Land (Industrial) 13,400 m ² (Note 8)	60 years (leasehold)	-	-	-	-	-	1,237,336

4. INFORMATION ON THE KNM GROUP (Cont'd)

Registered / Beneficial owner	Location	Existing Use And, Built-up Area And Approximate Age of Building	Land Area and Tenure	Net Book Value As At 31.12.1999 RM	Consolidation Adjustment For KNMPS Group Accounts RM	NBV As Per KNMPS Group Accounts RM	Open Market Value as Appraised by Valuer ⁽¹⁾ RM	Revaluation (Deficit)/ Surplus RM	Audited Net Book Value As At 31.12.2002 RM
	Plot1, being part of parent Lots 124 and 128, Block 20, Kemena Land District at Kidurong Industrial Area (KINDA), Bintulu, Sarawak	Building* (Industrial) 2,500 m ² 2 years (Note 8)	60 years (leasehold)	-	-	-	-	-	4,435,918
	PM 372 Lot 2136, Mukim Tanjung Minyak, District of Melaka Tengah, Melaka	Building (Residential) 111 m ² 7 years (Note 9)	99 years (leasehold) Expires on 10 May 2093	-	-	-	-	-	74,967
	PM 423 Lot 2132, Mukim Tanjung Minyak, District of Melaka Tengah, Melaka	Building (Residential) 111 m ² 7 years (Note 9)	99 years (leasehold) Expires on 10 May 2093	-	-	-	-	-	74,967
	PM 339 Lot 2170, Mukim Tanjung Minyak, District of Melaka Tengah, Melaka	Building (Residential) 250 m ² 7 years (Note 9)	99 years (leasehold) Expires on 10 May 2093	-	-	-	-	-	93,100
	PM 340 Lot 2171, Mukim Tanjung Minyak, District of Melaka Tengah, Melaka	Building (Residential) 113 m ² 7 years (Note 9)	99 years (leasehold) Expires on 10 May 2093	-	-	-	-	-	73,500
	PM 341 Lot 2172, Mukim Tanjung Minyak, District of Melaka Tengah, Melaka	Building (Residential) 113 m ² 7 years (Note 9)	99 years (leasehold) Expires on 10 May 2093	-	-	-	-	-	73,500
KNMSPEC	Jiangsu Province Changshu Economic Development Area "Chang Rang Guo Yong (2002) Zi No. 192"	Land (Industrial) 33,537 m ² (Note 10)	50 years (leasehold) Expires on 9 July 2052	-	-	-	-	-	RMB 3,521,000
	Jiangsu Province Changshu Economic Development Area "Chang Rang Guo Yong (2002) Zi No. 192"	Factory and Office Building* 33,537 m ² (Note 10)	50 years (leasehold) Expires on 9 July 2052	-	-	-	-	-	RMB 10,166,580

4. INFORMATION ON THE KNM GROUP (Cont'd)

Notes:

- # *Building is still under construction and does not have Certificate of Fitness*
- (1) *As per the valuation report dated 4 October 2000 as valued by Messrs W.M. Malik & Kamaruzaman, a firm of independent professional valuers and as approved by the SC*
- (2) *Upon consolidation of the financial statements of KNMPS and its subsidiaries as at 31 December 1999, the net book value of the land owned by PASB was revalued upwards by RM2,350,439 in order to reflect the fair value of the land. The net book value of this land has therefore been reflected in the consolidated financial statements of KNMPS as at 31 December 1999 as RM3,840,000*
- (3) *The revaluation deficit is to be written off against the income statement of KNMPS*
- (4) *The alienated land may not be transferred, leased or rented to any party without the written consent of the State Authority except for the first transfer from the Melaka State Development Body to the first purchaser. This restriction is exempted only in the case of leasing to Tenaga Nasional Berhad. The land is presently charged to RHB Bank Berhad*

The total floor area of the buildings as valued on 4 October 2000 and contained in the valuation certificate prepared by the Valuers (enclosed in Section 12) is 87,461 sq. ft. However, the plant has since been expanded to include another production bay, sewerage treatment plant and additional office space, bringing the current total floor area of the buildings to approximately 96,875 sq. ft

- (5) *The land may not be transferred, rented or leased except with the consent of the State Authority. This restriction shall not be applicable to Tenaga Nasional Berhad only. The land is presently charged to HSBC Bank Malaysia Berhad*
- (6) *The land may not be transferred, rented or leased except with the consent of the State Authority. This restriction shall not be applicable to Tenaga Nasional Berhad only. The land is presently charged to HSBC Bank Malaysia Berhad*
- (7) *The land may not be transferred, leased, or charged except with the written consent of the State Authority. However, approval to charge the land was obtained from the State Authority on 18 November 2002 and the land is presently charged to Citibank Berhad*

The total floor area of the buildings as valued on 4 October 2000 and contained in the valuation certificate prepared by the Valuers (enclosed in Section 12) is 109,052 sq. ft. However, the plant has since been expanded to include another production bay and sewerage treatment plant, bringing the current total floor area of the buildings to approximately 145,313 sq. ft.

- (8) *No restrictions in interest as no document of title has been issued. The land is assigned to Bumiputra Commerce Bank Berhad*
- (9) *No restrictions in interest. PM339 Lot2170, PM340 Lot2171 and PM341 Lot2172 are charged to Bumiputra Commerce Bank Berhad. Whereas PM372 Lot2136 and PM423 Lot2132 are free from encumbrances*
- (10) *No restrictions in interest as no document of title has been issued. The land is presently charged to the International Commercial Bank of China*