

RESPONSIBILITY STATEMENT

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF KEJURUTERAAN SAMUDRA TIMUR BERHAD ("KST" OR "THE COMPANY") AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM THAT, AFTER MAKING ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE AND/OR MISLEADING STATEMENTS OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE AND/OR MISLEADING. THE DIRECTORS HEREBY ACCEPT FULL RESPONSIBILITY FOR THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE PROFIT ESTIMATE AND FORECAST HAVE BEEN PREPARED BASED ON THE ASSUMPTIONS MADE.

ASEAMBANKERS MALAYSIA BERHAD ("ASEAMBANKERS"), BEING THE ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE OF 10,200,000 NEW ORDINARY SHARES OF RM1.00 EACH AND IS SATISFIED THAT THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST (FOR WHICH THE DIRECTORS OF KST ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THE PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS OF THE COMPANY AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY MESSRS ERNST & YOUNG, THE REPORTING ACCOUNTANTS.

STATEMENT OF DISCLAIMER

THE SECURITIES COMMISSION HAS APPROVED THE PUBLIC ISSUE AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION RECOMMENDS THE PUBLIC ISSUE.

THE SECURITIES COMMISSION SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

THE MALAYSIA SECURITIES EXCHANGE BERHAD SHALL NOT BE LIABLE FOR ANY NONDISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS CORRECTNESS OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, KST OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SECURITIES COMMISSION. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES. NEITHER THE SECURITIES COMMISSION NOR THE REGISTRAR OF COMPANIES TAKES ANY RESPONSIBILITY FOR ITS CONTENTS.

INDICATIVE TIMETABLE

SPECIAL EVENTS	DATE
OPENING DATE	: WEDNESDAY, 28 JANUARY 2004
CLOSING DATE	: FRIDAY, 6 FEBRUARY 2004
TENTATIVE BALLOTING DATE	: TUESDAY, 10 FEBRUARY 2004
TENTATIVE ALLOTMENT DATE	: FRIDAY, 13 FEBRUARY 2004
TENTATIVE LISTING DATE	: WEDNESDAY, 18 FEBRUARY 2004

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGE WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 PM ON 6 FEBRUARY 2004 OR SUCH FURTHER PERIOD OR PERIODS AS THE DIRECTORS OF KST TOGETHER WITH THE MANAGING UNDERWRITER IN THEIR ABSOLUTE DISCRETION MAY DECIDE. SHOULD THE APPLICATION PERIOD BE EXTENDED, THE DATES FOR THE BALLOTING AND ALLOTMENT OF THE PUBLIC ISSUE SHARES AND THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED AND FULLY PAID-UP SHARE CAPITAL OF KST ON THE SECOND BOARD OF MALAYSIA SECURITIES EXCHANGE BERHAD WOULD BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE APPLICATION PERIOD, WILL BE NOTIFIED TO THE INVESTING PUBLIC VIA ANNOUNCEMENT IN WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA NEWSPAPERS IN MALAYSIA.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

DEFINITIONS

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

“Act”	:	Companies Act, 1965 and any statutory modification, amendment or re-enactment thereof for the time being in force
“Acquisition of ST”	:	Acquisition by KST of the entire issued and paid-up share capital of ST comprising 1,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,099,260 satisfied by the allotment and issue of 4,635,691 new ordinary shares of RM1.00 each in KST at an issue price of RM1.10 per new ordinary share
“ADA”	:	Authorised Depository Agent
“ADA Code”	:	ADA (Broker) Code
“Application”	:	Application for the Public Issue Shares by way of Application Forms or by way of Electronic Share Application
“Application Form”	:	Application for the Public Issue Shares by way of a printed Application Form
“API”	:	American Petroleum Institute
“Aseambankers”	:	Aseambankers Malaysia Berhad (15938-H)
“ASEAN”	:	Association Of South East Asian Nations
“ATM”	:	Automated Teller Machine
“Bonus Issue”	:	Bonus issue of 15,500,000 new ordinary shares of RM1.00 each to the existing shareholders of KST namely, Mohammad bin Ayob, Dato’ Chee Peck Kiat @ Chee Peck Jan and Dato’ Dr. Abdul Razak bin Abdul on the basis of thirty one (31) new ordinary shares of RM1.00 each for every two (2) existing ordinary shares of RM1.00 each held in KST. The Bonus Issue is by way of capitalisation of RM15,500,000 from the unappropriated profits of the Company as at 31 December 2002.
“CDS”	:	Central Depository System
“EBITDA”	:	Earnings Before Interest, Tax, Depreciation and Amortisation
“EI”	:	Exceptional items
“Electronic Share Application”	:	Application for the Public Issue Shares through a Participating Financial Institution’s ATM
“EMEPMI”	:	ExxonMobil Exploration and Production Malaysia Inc.
“EPS”	:	Earnings per share
“FIC”	:	Foreign Investment Committee
“FY”	:	Financial year
“Issue Price”	:	RM1.30 for each new ordinary share pursuant to the Public Issue

DEFINITIONS (Cont'd)

“KST” or “the Company”	:	Kejuruteraan Samudra Timur Berhad (142241-X)
“KST Group” or “the Group”	:	KST and its subsidiary, ST collectively
“KST Shares”	:	The number of ordinary shares at RM1.00 each in the share capital of KST
“Listing Scheme”	:	Bonus Issue, Acquisition of ST, Rights Issue and Public Issue, collectively
“MCD”	:	Malaysian Central Depository Sdn. Bhd. (165570-W), a subsidiary of Kuala Lumpur Stock Exchange Berhad (formerly known as Kuala Lumpur Stock Exchange)
“MI”	:	Minority Interest
“MITI”	:	Ministry of International Trade and Industry
“MOF”	:	Ministry of Finance
“MSEB” or “the Exchange”	:	Malaysia Securities Exchange Berhad, a wholly-owned subsidiary of Kuala Lumpur Stock Exchange Berhad (formerly known as Kuala Lumpur Stock Exchange)
“NTA”	:	Net Tangible Assets
“p.a.”	:	Per annum
“Participating Financial Institutions”	:	Participating Financial Institutions for Electronic Share Application as detailed in part (o) in Section 18.7 of this Prospectus
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PE Multiple”	:	Price earnings multiple
“Placement Agent”	:	Aseambankers
“PSC”	:	Production Sharing Contract
“Public Issue”	:	Public issue of 10,200,000 new ordinary shares of RM1.00 each, representing 25.50% of the enlarged issued and paid-up share capital of KST, at an issue price of RM1.30 per new ordinary share payable in full upon application, subject to the terms and conditions of this Prospectus
“Public Issue Shares”	:	The Public Issue of 10,200,000 new ordinary shares of RM1.00 each in KST being the subject of the Public Issue.
“QHSE”	:	Quality, Health, Safety & Environment
“Rights Issue”	:	The rights issue of 8,664,309 new ordinary shares of RM1.00 each at RM1.05 per share on the basis of approximately two (2) new ordinary shares for every five (5) existing shares held after the Bonus Issue and Acquisition of ST.
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“ROC”	:	Registrar of Companies
“SC”	:	Securities Commission
“SC Act”	:	Securities Commission Act 1993
“ST”	:	Samudra Timur Sdn Bhd (98211-X), a wholly owned subsidiary of KST

DEFINITIONS *(Cont'd)*

“tcf”	:	Trillion cubic feet
“THS”	:	Tubular Handling Services
“TMS”	:	Torque Monitoring System
“Underwriters”	:	Mayban Securities Sendirian Berhad and Aseambankers, collectively
“USD”	:	United States Dollar

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

1.	INFORMATION SUMMARY	1
1.1	History And Business.....	1
1.2	Promoters, Substantial Shareholders, Directors, Key Management and Technical Personnel.....	2
1.3	Patents, Trademarks and Licences	4
1.4	Financial Highlights.....	4
1.5	Proforma Consolidated Balance Sheet As At 31 July 2003	5
1.6	Qualification Of Audited Accounts	6
1.7	Summary of Material Risk Factors	6
1.8	Principal Statistics Relating To The Public Issue	6
1.9	Proposed Utilisation of Proceeds	9
1.10	Working Capital, Material Litigation, Material Capital Commitments, Borrowings And Contingent Liabilities	9
2.	DETAILS OF THE PUBLIC ISSUE	11
2.1	Application For Listing Of And Quotation On The Second Board Of The MSEB	11
2.2	Opening And Closing Of Application Lists.....	12
2.3	Dates Of Special Events.....	12
2.4	Purposes Of The Public Issue	13
2.5	Share Capital.....	13
2.6	Details Of The Public Issue.....	14
2.7	Basis Of Arriving At The Issue Price.....	14
2.8	Underwriting Commission, Brokerage And Placement Fees.....	15
2.9	Salient Terms Of The Underwriting Agreement.....	15
2.10	Proposed Utilisation Of Proceeds	21
3.	RISK FACTORS	24
3.1	No Prior Market For KST's Shares.....	24
3.2	Business Risks	24
3.3	Financial Risks.....	26
3.4	Foreign Exchange Risks.....	26
3.5	Licenses and Registrations.....	26
3.6	Competition.....	26
3.7	Dependence On Key Personnel.....	27
3.8	Dependence On Oil and Gas Operators	27
3.9	Ownership And Control Of The Group.....	28
3.10	Fluctuation In World Prices Of Oil	28
3.11	Insurable Risks.....	28
3.12	Stability of Revenue.....	28
3.13	Restrictive Covenants Under Borrowing Facility Agreements	29
3.14	Termination of Contracts	29
3.15	Technological Change.....	29
3.16	Disclosure Regarding Forward-Looking Statements	29
3.17	Dependence On Principal Products And Major Customers	29
3.18	Risk Management Plans and Practices.....	30
4.	INFORMATION ON THE KST GROUP	31
4.1	Incorporation, Principal Activities and Group Structure.....	31
4.2	Share Capital	31
4.3	Flotation Scheme	32
4.4	Business Overview Of The KST Group.....	33
4.5	Information On Subsidiary Company	46
4.6	Industry Overview.....	48
4.7	Major Customers.....	58

TABLE OF CONTENTS (Cont'd)

4.8	Major Suppliers.....	59
4.9	Future Plans, Strategies And Prospects.....	60
5.	INFORMATION ON SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT.....	62
5.1	Substantial Shareholders/Promoters.....	62
5.2	Directors.....	64
5.3	Audit Committee.....	66
5.4	Key Management And Key Technical Personnel of the KST Group.....	67
5.5	Declaration of Directors, Key Management and Technical Personnel.....	71
5.6	Relationships.....	71
5.7	Service Agreements.....	71
6.	MORATORIUM ON DISPOSAL OF SHARES.....	72
7.	APPROVAL AND CONDITIONS.....	73
7.1	Approvals.....	73
7.2	Approvals, Major Licences And Permits.....	77
8.	RELATED PARTY TRANSACTIONS/CONFLICTS OF INTEREST.....	82
8.1	Related Party Transaction/Conflict Of Interest.....	82
8.2	Interest In Similar Business.....	82
8.3	Loans (Including Guarantee Of Any Kind) Made By KST Group To The Related Parties.....	82
8.4	Transaction that are Unusual in their Nature or Condition.....	83
8.5	Promotion Of Assets.....	83
8.6	Declaration By Advisers.....	83
9.	OTHER INFORMATION CONCERNING KST GROUP.....	85
9.1	Properties.....	85
9.2	Acquisition Of Properties.....	86
10.	FINANCIAL INFORMATION.....	87
10.1	Past Financial Record.....	87
10.2	Segmental Analysis of Proforma Group Turnover and PBT by Companies and Products.....	88
10.3	Overview Of Turnover And Profits.....	89
10.4	Debtors' Ageing Analysis As At 31 July 2003.....	91
10.5	Directors' Declaration on Financial Performance.....	91
10.6	Working Capital, Borrowings, Material Capital Commitments, Contingent Liabilities And Material Litigations.....	91
10.7	Consolidated Profit Estimate and Forecast.....	93
10.8	Reporting Accountants' Letter On The Consolidated Profit Estimate And Forecast.....	94
10.9	Directors' Analysis Of The Consolidated Profit Estimate and Forecast for the FYs ending 31 December 2003 and 31 December 2004.....	99
10.10	Sensitivity Analysis.....	99
10.11	Dividend Estimate and Forecast.....	100
10.12	Proforma Consolidated Balance Sheet as at 31 July 2003.....	102
10.13	Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets.....	107
11.	ACCOUNTANTS' REPORT.....	108
12.	VALUERS' LETTER.....	136
13.	INDEPENDENT MARKET RESEARCH CONSULTANTS' REPORT.....	140
14.	DIRECTORS' REPORT.....	157
15.	OTHER GENERAL INFORMATION.....	158
15.1	Share Capital.....	158
15.2	Articles Of Association.....	158
15.3	Directors And Substantial Shareholders.....	165

TABLE OF CONTENTS (Cont'd)

15.4	General Information	167
15.5	Expenses And Commission.....	168
15.6	Public Take-Overs.....	168
15.7	Material Litigation	169
15.8	Material Contracts.....	169
15.9	Material Agreements.....	170
15.10	Material Capital Commitment.....	171
15.11	Insurance Policies	171
15.12	Responsibility Statement.....	172
16.	CONSENTS.....	173
17.	DOCUMENTS FOR INSPECTION.....	174
18.	PROCEDURE FOR APPLICATION AND ACCEPTANCE	175
18.1	Opening And Closing Of Application Lists.....	175
18.2	General Conditions For Application	175
18.3	Terms And Conditions For Applications Using Application Forms	177
18.4	Applications And Acceptances	180
18.5	CDS Account	181
18.6	Notice of Allotment	181
18.7	Terms and Conditions For Electronic Share Applications	183
18.8	Steps For Electronic Share Application Through A Participating Financial Institution's ATM... 187	
18.9	List Of Authorised Depository Agents.....	188

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

CORPORATE DIRECTORY**Board Of Directors Of KST**

Name	Address	Occupation	Designation	Nationality
Dato' Dr. Abdul Razak Bin Abdul	4, Jalan Kerambit 11/4C, Seksyen 11, 40100, Shah Alam, Selangor Darul Ehsan	Director	Chairman	Malaysian
Mohammad Bin Ayob	Apartment No 153, Desa Damansara, 99 Jalan Setiakasih 50490 Kuala Lumpur	Director	Managing Director	Malaysian
Dato' Chee Peck Kiat @ Chee Peck Jan	A-21-3, Crown Tower, Mont' Kiara Astana, Jalan Kiara 2, 50480 Kuala Lumpur	Director	Executive Director	Malaysian
Wee Khen Peng	A368, Lorong Sri Kuantan 85, 25250 Kuantan, Pahang Darul Makmur	Director	Executive Director	Malaysian
Dato' Abdul Rahman Bin Nasir	1134-D, Jalan Pasir Panjang, 21110 Kuala Terengganu, Terengganu Darul Iman	Director	Independent Non-Executive Director	Malaysian
Dato' Nik Abdul Aziz Bin Mohamed Kamil	6, Jalan 4/5C, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.	Director	Independent Non-Executive Director	Malaysian
Ishak @ Abd Rahman Bin Mohamad	No. 31, Jalan SS 20/10, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan	Director	Independent Non-Executive Director	Malaysian
Tengku Aniza Binti Tengku Ab Hamid	35, Jalan 12, Taman Tun Abdul Razak, 68000 Ampang, Selangor Darul Ehsan	Director	Independent Non-Executive Director	Malaysian

Audit Committee

Name	Designation	Directorship
Dato' Nik Abdul Aziz Bin Mohamed Kamil	Chairman	Independent Non-Executive Director
Dato' Chee Peck Kiat @ Chee Peck Jan	Member	Executive Director
Ishak @ Abd Rahman Bin Mohamad	Member	Independent Non-Executive Director
Tengku Aniza Binti Tengku Ab Hamid	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (Cont'd)

- Company Secretary** : Goon Kok Keong
(MAICSA 0698849)
5 Jalan 14/6
46100 Petaling Jaya
Selangor Darul Ehsan.
- Registered Office** : 23B, Jalan 52/1
46200 Petaling Jaya
Selangor Darul Ehsan.
Tel: 03- 7960 0648
Fax: 03- 7957 0094
- Management Office** : No. 18, 1st Floor
Jalan Bangsar Utama 1
Bangsar Utama
59200 Kuala Lumpur
Tel: 03-2282 4884
Fax: 03-2282 1579
Website: www.kstb.com.my
Email: samudra@po.jaring.my
- Auditor And Reporting Accountant** : Ernst & Young (AF: 0039)
4th Floor Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03- 2144 2333
- Solicitor** : Lee Choon Wan & Co.
No.12, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03- 2093 0078
- Principal Banker** : Malayan Banking Berhad (3813-K)
Bangsar Business Centre
Level 8, Mayban Assurance Tower
Dataran Maybank
No.1, Jalan Maarof
59200 Kuala Lumpur
Tel: 03- 2284 7743
- Issuing House** : MIDF Consultancy And Corporate Services Sendirian Berhad
(11324-H)
Tingkat 12, Bangunan MIDF
195A, Jalan Tun Razak
50400 Kuala Lumpur
PO Box 12924
50400 Kuala Lumpur
- Registrar** : Malaysian Share Registration Services Sdn Bhd (378993-D)
7th Floor, Exchange Square,
Bukit Kewangan,
50200 Kuala Lumpur
PO Box 13274
50804 Kuala Lumpur

CORPORATE DIRECTORY (Cont'd)

Independent Valuer	Khong & Jaafar Sdn Bhd (31218-T) 57-1, Jalan Telawi Tiga Bangsar Baru 59100 Kuala Lumpur Tel: 03- 2282 9699
Independent Market Research Consultant	: ACNielsen (Malaysia) Sdn Bhd (10909-V) 19/F Menara MPPJ Jalan Tengah 46200 Petaling Jaya Selangor Darul Ehsan. Tel: 03- 7956 2311
Adviser, Managing Underwriter and Placement Agent	: Aseambankers Malaysia Berhad (15938-H) 33 rd Floor, Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel: 03- 2059 1888
Underwriters	: Mayban Securities Sendirian Berhad (165630-M) Level 8, Mayban Life Tower Dataran Maybank No. 1, Jalan Maarof 59200 Kuala Lumpur Aseambankers Malaysia Berhad (15938-H) 33 rd Floor, Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel: 03- 2059 1888
Listing Sought	: Second Board of the MSEB

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK



KEJURUTERAAN SAMUDRA TIMUR BERHAD (Company No. 142241-X)
(Incorporated in Malaysia under the Companies Act, 1965)

1. INFORMATION SUMMARY

The information is only a summary of the salient information about the Group, and should be read and understood in conjunction with the full text of this Prospectus prior to deciding whether to invest.

1.1 History And Business

The KST Group comprises KST and its subsidiary, ST. The Group is mainly involved in the provision of tubular handling equipment and running services, as well as tubular inspection and maintenance services for companies in the oil and gas industry.

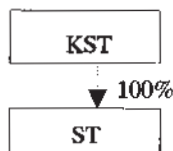
KST provides services to ensure that tubulars are installed in the drilled oil and gas wells according to their respective specifications. ST complements the services offered by KST by providing tubular inspection and testing of tubular and drill pipes and down hole tools to ensure that the threads and critical areas are free from defects and are in accordance with the API specifications.

KST was incorporated in Malaysia on 16 July 1985 under the Act as a private limited company under the name of Intel Paint (M) Sdn Bhd. During the period between 1985 and 1987, the registered principal activities of the Company is to supply and manufacture marine paint. However during that period the Company was dormant. The Company changed its name to Kejuruteraan Samudra Timur Sdn Bhd on 16 February 1987. In April 1987, KST began its business in the supply of corrosion protection systems, and instrumentation and monitoring equipment. In 1991, KST expanded its business to include the supply of drilling equipment and materials and the provision of services and maintenance of various kinds of valves (e.g. ball, butterfly, choke and submersible valves and Christmas trees) for the oil and gas industry. It simultaneously began providing tubular handling equipment and running services and subassembly completion make-up services, which are currently KST's principal activities. The Company also established a machine shop at the Jakar Industrial Estate in Kemaman, Terengganu in 1998 for the purpose of providing engineering services to the Group and to contractors operating at the Kemaman Supply Base.

The operation centres of KST and ST are located at the Kemaman Supply Base in Kemaman, Terengganu, Asian Supply Base in Labuan, Wilayah Persekutuan Labuan and Jakar Industrial Estate, Kemaman, Terengganu. The Kemaman Supply Base provides the Group's principal business activities in tubular handling equipment and running services and tubular inspection and maintenance services, as well as supplies machinery and equipment, to the upstream oil and gas industry. All personnel and equipment are deployed from this base to various offshore locations.

The Asian Supply Base in Labuan and the workshop at the Jakar Industrial Estate both provide secondary services. While the former provides logistics support for equipment and services for the East Malaysian operations, the latter offers back-up machining and repair services for the Group's operations. Details of the subsidiary company are as follows:

Subsidiary Company	Equity Interest Held	Principal Activities
ST	100%	Provision of tubular inspection and maintenance services to the oil and gas industry



1. INFORMATION SUMMARY (Cont'd)

As at the date of this Prospectus, KST has no associated company and no other subsidiary company.

Further details of the history and principal activities of the KST Group are set out in Section 4 of this Prospectus.

1.2 Promoters, Substantial Shareholders, Directors, Key Management and Technical Personnel**Promoters / Substantial Shareholders**

The Promoters and substantial shareholders of KST are as follow:

Name	Nationality	Designation	No. of KST Shares Held After the Public Issue			
			Direct	%	Indirect	%
Dato' Dr Abdul Razak Bin Abdul	Malaysian	Chairman	8,351,757	20.9	-	-
Mohammad Bin Ayob	Malaysian	Managing Director	13,038,883	32.6	-	-
Dato' Chee Peck Kiat @ Chee Peck Jan	Malaysian	Executive Director	8,409,360	21.0	-	-

Directors

The Directors of KST is as follows:

Name	Nationality	Designation	No. of KST Shares Held After the Public Issue			
			Direct	%	Indirect	%
Dato' Dr Abdul Razak Bin Abdul	Malaysian	Chairman	8,351,757	20.9	-	-
Mohammad Bin Ayob	Malaysian	Managing Director	13,038,883	32.6	-	-
Dato' Chee Peck Kiat @ Chee Peck Jan	Malaysian	Executive Director	8,409,360	21.0	-	-
Wee Khen Peng	Malaysian	Executive Director	-	-	-	-
Dato' Abdul Rahman Bin Nasir	Malaysian	Independent Non-Executive Director	-	-	-	-
Dato' Nik Abdul Aziz Bin Mohamed Kamil	Malaysian	Independent Non-Executive Director	-	-	-	-
Ishak @ Abd Rahman Bin Mohamad	Malaysian	Independent Non-Executive Director	-	-	-	-
Tengku Aniza Binti Tengku Ab Hamid	Malaysian	Independent Non-Executive Director	-	-	-	-

1. INFORMATION SUMMARY (Cont'd)**Key Management And Technical Personnel Of The KST Group**

Key management and technical personnel of the KST Group are as follow:

Name	Designation	No. of KST Shares Held After the Public Issue ⁽¹⁾			
		Direct	%	Indirect	%
Mohammad Bin Ayob	Managing Director	13,038,883	32.6	-	-
Dato' Chee Peck Kiat @ Chee Peck Jan	Executive Director	8,409,360	21.0	-	-
Wee Khen Peng	Executive Director	-	-	-	-
Noraini Bin Awang Salleh	QHSE Manager	90,000 ⁽¹⁾	*	-	-
Tung Han Bee	Administration Manager	220,000 ⁽¹⁾	*	-	-
Mohd Anwar Bin Abdul Wahid	Base Manager (Tubular Division)	15,000 ⁽¹⁾	*	-	-
Wee Kheng Hwa	Technical Manager (THS Division)	200,000 ⁽¹⁾	*	-	-
Ratnakumar a/l R. Thambidurai	Manager (International Business Division)	240,000 ⁽¹⁾	*	-	-
Zubir Bin Abdul Jalil	Head of THS (Onshore Division)	35,000 ⁽¹⁾	*	-	-
Ali Bin Ibrahim	Head of THS (Offshore Division)	35,000 ⁽¹⁾	*	-	-
Johar Bin Othman	Head of TMS (Offshore Division)	25,000 ⁽¹⁾	*	-	-
Pago Bin Hussin	Head of TMS (Onshore Division)	10,000 ⁽¹⁾	*	-	-
Choo Choon Hock	Manager (International Business for Inspection and Maintenance Division)	220,000 ⁽¹⁾	*	-	-
Hosni Bin Hashim	Division Manager (Inspection and Maintenance)	60,000 ⁽¹⁾	*	-	-
Roslin Bin Yusuf	Base Manager (Inspection and Maintenance – Kemaman Base)	60,000 ⁽¹⁾	*	-	-
Yong Boon Chin	Financial Controller	10,000 ⁽¹⁾	*	-	-
Suhaimi Bin Samsudin	Base Manager – (Inspection and Maintenance – Labuan Base)	20,000 ⁽¹⁾	*	-	-

Note:-

(1) Based on the assumption that they subscribe for their full entitlements pursuant to the allocation of shares under the "pink form" allocation under the Public Issue

* Less than 1.0% of the enlarged share capital of 40,000,000 KST Shares.

Further details on Promoters, substantial shareholders, Directors, key management and technical personnel are set out in Section 5 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.3 Patents, Trademarks and Licences

The KST Group has obtained licenses and registrations to participate in projects sponsored by various government bodies and private organizations, with the key ones being Petroleum Nasional Bhd ("PETRONAS"), MOF and the Construction Industry Development Board ("CIDB"). The Group's qualification to tender for and secure various projects is based on the licences and registration set out in Section 4.4.4 of this Prospectus. All of these licences and registrations are valid for only a specific period of time with renewal based on the Group's compliance with requirements imposed by the relevant parties.

Further details of the licences and trademark are set out in Section 4.4.4 of this Prospectus.

1.4 Financial Highlights

The following table sets out a summary of the proforma KST Group's financial performance for the past five (5) FYs ended 31 December 2002 and seven (7) months ended 31 July 2003 on the assumption that the Group structure has been in existence throughout the period under review. The proforma consolidated profit and dividend records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus:

	< ----- Audited ----- >					Audited 7
	< ----- FY Ended 31 December ----- >					Months
	1998	1999	2000	2001	2002	Ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	July
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	9,745	11,711	12,269	13,243	29,262	15,709
EBITDA	3,592	6,294	6,175	5,750	14,602	10,576
Less:						
Depreciation	(1,620)	(1,821)	(1,923)	(2,485)	(3,398)	(2,329)
Interest	(984)	(724)	(595)	(741)	(873)	(416)
Research and development expenditure	-	-	-	-	-	-
PBT	988	3,749	3,657	2,524	10,331	7,831
Taxation	(1,260)	(72)	(1,032)	(1,070)	(3,100)	(3,204)
PAT	(272)	3,677	2,625	1,454	7,231	4,627
No. of ordinary shares assumed in issue after the Bonus Issue and Acquisition of ST but prior to the Rights Issue ('000)	21,136	21,136	21,136	21,136	21,136	21,136
Gross EPS (sen) [#]	4.67	17.74	17.30	11.94	48.88	37.05
Net EPS (sen) ^{##}	N/A	17.40	12.42	6.88	34.21	21.89
No. of ordinary shares assumed in issue after the Bonus Issue, Acquisition of ST, Rights Issue and Public Issue ('000)	40,000	40,000	40,000	40,000	40,000	40,000
Gross EPS based on enlarged share capital (sen) [^]	2.47	9.37	9.14	6.31	25.83	19.58
Net EPS based on enlarged share capital (sen) ^{^^}	N/A	9.19	6.56	3.63	18.08	11.57
Dividend rate (%)	N/A	N/A	N/A	N/A	N/A	N/A

1. INFORMATION SUMMARY (Cont'd)*Note:*

There were no exceptional or extraordinary items throughout the periods under review

The gross EPS has been calculated by dividing PBT by the number of ordinary shares in issue after the Bonus Issue and acquisition of ST but prior to the Rights Issue

The net EPS has been calculated by dividing PAT by the number of ordinary shares in issue after the Bonus Issue and acquisition of ST but prior to the Rights Issue

^ The gross EPS has been calculated by dividing PBT by the enlarged share capital of KST of 40,000,000 shares

^^ The net EPS has been calculated by dividing PAT by the enlarged share capital of KST of 40,000,000 shares

Further details on the proforma audited results of the KST Group are set out in Section 10.1, 10.2 and 10.3 of this Prospectus

1.5 Proforma Consolidated Balance Sheet As At 31 July 2003

The proforma consolidated balance sheet of the KST Group as at 31 July 2003 have been prepared solely to illustrate the effects of the Public Issue on the assumption that the transaction was effected on that date and should be read in conjunction with the notes and assumptions to the proforma Consolidated Balance Sheet as set out in section 10.12 of this Prospectus.

	Audited as at 31 July 2003 RM'000	After Bonus Issue (I) RM'000	After (I) and Acquisition of ST (II) RM'000	After (II) and Rights Issue (III) RM'000	After (III) and Public Issue (IV) RM'000	After (IV) and Utilisation of Proceeds RM'000
Property, Plant And Equipment	29,048	29,048	32,729	32,729	32,729	43,929
Other Investment	-	-	60	60	60	60
Current Assets	9,538	9,538	10,724	19,822	31,482	14,820
Current Liabilities	6,227	6,227	5,944	5,944	5,944	1,945
Net Current (Liabilities)/Assets	3,311	3,311	4,780	13,878	25,538	12,875
	32,359	32,359	37,569	46,667	58,327	56,864
Share Capital	1,000	16,500	21,136	29,800	40,000	40,000
Reserves	25,440	9,940	10,051	10,485	11,945	11,945
Shareholders' Funds	26,440	26,440	31,187	40,285	51,945	51,945
Deferred & Long Term Liabilities	5,919	5,919	6,382	6,382	6,382	4,919
	32,359	32,359	37,569	46,667	58,327	56,864
Net Tangible Asset per share (RM)	26.44	1.60	1.48	1.35	1.30	1.30

Further details on the proforma balance sheet of the KST Group as at 31 July 2003 are set out in Section 10.12 and 10.13 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.6 Qualification Of Audited Financial Statements

None of the audited financial statements of KST and its subsidiary company for the past five (5) FYs ended 31 December 2002 and seven (7) months ended 31 July 2003 have been subjected to any auditor's qualification.

1.7 Summary of Material Risk Factors

In addition to the general risks associated with any investment in the stock market, there are additional risks in investing in the Company and the Group, especially risks specific to investment in supplying equipment and provision of services to the oil and gas industry.

The KST Group is subject to the inherent risks in the industry it operates i.e. oil and gas industry, which might have a material and adverse effect on the Group's businesses. Applicants for the Public Issue Shares should carefully consider the following (which may not be exhaustive and which are elaborated in Section 3 of this Prospectus) in addition to the other information contained in this Prospectus before applying for the Public Issue:

- i) No Prior Market For KST's Shares
- ii) Business Risks
- iii) Financial Risks
- iv) Foreign Exchange Risks
- v) Licences and Registrations
- vi) Competition
- vii) Dependence On Key Personnel
- viii) Dependence On Oil And Gas Operators
- ix) Ownership And Control Of The Group
- x) Fluctuation In World Prices Of Oil
- xi) Insurable Risks
- xii) Stability Of Revenue
- xiii) Restrictive Covenants Under Borrowing Facility Agreements
- xiv) Termination of Contracts
- xv) Technological Change
- xvi) Disclosure Regarding Forward-Looking Statements
- xvii) Dependence on Principal Products and Major Customers
- xviii) Risk Management Plans and Practices

Details of the risk factors are set out in Section 3 of this Prospectus. Investors are advised to carefully consider the risk factors, together with other information contained in this Prospectus before subscribing to any of KST Shares, which are the subject of this Prospectus.

1.8 Principal Statistics Relating To The Public Issue

(i) Consolidated Profit Estimate and Forecast

FY Ending 31 December	Estimate	Forecast
	2003	2004
	RM'000 ⁽¹⁾	RM'000
Consolidated turnover	28,752	34,020
Consolidated PBT but after MI	11,617	12,647
Taxation	(3,290)	(3,541)
Consolidated PAT, after MI and pre-acquisition profit	8,327	9,106

1. INFORMATION SUMMARY (Cont'd)

FY Ending 31 December	Estimate 2003⁽¹⁾	Forecast 2004
Weighted average number of shares in issue ('000)	17,275 ⁽²⁾	37,594 ⁽²⁾
Enlarged issued and paid-up share capital ('000)	40,000	40,000
Gross EPS (sen)	67.25 ⁽³⁾	33.64 ⁽³⁾
Net EPS (sen)	48.20 ⁽⁴⁾	24.22 ⁽⁴⁾
Gross EPS based on enlarged share capital (sen)	29.04 ⁽⁵⁾	31.62 ⁽⁵⁾
Net EPS based on enlarged share capital (sen)	20.82 ⁽⁶⁾	22.76 ⁽⁶⁾
Gross PE Multiple based on the issue price of RM1.30 per ordinary share (times)	1.93 ⁽³⁾	3.86 ⁽³⁾
Net PE Multiple based on the issue price of RM1.30 per ordinary share (times)	2.70 ⁽⁴⁾	5.37 ⁽⁴⁾

Notes:

- (1) *After deducting pre-acquisition profit of ST and goodwill on consolidation written off*
- (2) *Weighted average number of ordinary shares in issue was computed based on the assumption that the Bonus Issue and Acquisition of ST were completed on October 2003 the Rights Issue was completed on January 2004 and the Public Issue will be completed by February 2004.*
- (3) *Based on weighted average number of shares in issue of 17.275 million and 37.594 million ordinary shares of RM1.00 each and the PBT as at 31 December 2003 and 31 December 2004 respectively.*
- (4) *Based on weighted average number of shares in issue of 17.275 million and 37.594 million ordinary shares of RM1.00 each and the PAT as at 31 December 2003 and 31 December 2004 respectively.*
- (5) *Based on the enlarged paid-up share capital in issue of 40 million ordinary shares of RM1.00 each and the PBT*
- (6) *Based on the enlarged paid-up share capital in issue of 40 million ordinary shares of RM1.00 each and the PAT*

Details on notes and assumptions of the Consolidated Profit Forecast are set out in Section 10.7 of this Prospectus.

(ii) Dividend Forecast

FY Ending 31 December	Estimate 2003	Forecast 2004
Gross dividend per ordinary share (sen)	6.00	6.00
Net dividend per ordinary share (sen)	4.32	4.32
Gross dividend yield based on the issue price of RM1.30 per ordinary share (%)	4.62	4.62
Net dividend yield based on the Issue Price of RM1.30 per ordinary share (%)	3.32	3.32
Net dividend cover based on forecast net dividend per ordinary share (times)	4.82	5.27

Details on dividend forecast are set out in Section 10.11 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

(iii) Proforma Consolidated NTA as at 31 July 2003

	Proforma Group NTA RM'000	NTA per ordinary Share RM
Proforma Consolidated NTA (after incorporating the effects of Bonus Issue, Acquisition of ST, Rights Issue and Public Issue, net of estimated listing expenses of RM1,600,000)	51,945	1.30 ⁽¹⁾

Note:

(1) Based on the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each

Further details are set out in Section 10.12 of this Prospectus.

(iv) Share Capital

	RM
<i>Authorised:</i>	
100,000,000 ordinary shares of RM1.00 each	100,000,000
<i>Issued and fully paid up (before the Bonus Issue and the Acquisition of ST):</i>	
Existing 1,000,000 ordinary shares of RM1.00 each	1,000,000
<i>Issued as fully paid-up pursuant to:</i>	
Bonus Issue	15,500,000
Acquisition of ST	4,635,691
Rights Issue	8,664,309
<i>To be issued as fully paid-up pursuant to:</i>	
Public Issue	10,200,000
<i>Enlarged Share Capital</i>	<u>40,000,000</u>
 <i>Issue Price Per Ordinary Share Of RM1.00 Each</i>	 1.30

Further details are set out in Section 2.5 of this Prospectus.

(v) Class of Shares

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

1. INFORMATION SUMMARY (Cont'd)

1.9 Proposed Utilisation of Proceeds

The Rights Issue and Public Issue are expected to raise gross proceeds of RM9,097,524 and RM13,260,000 respectively and shall be accrued entirely to KST. The estimated RM1,600,000 in respect of expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of KST on the Second Board of the MSEB, inclusive of underwriting, placement and brokerage commission, shall be borne by the Company.

The total gross proceeds from the Rights Issue and Public Issue totaling RM22,357,524 will be utilised by the KST Group in the following manner:

	Proposed Timeframe to Complete Utilisation (months)	RM'000
Repayment of bank borrowings and hire purchase facilities	3	5,462
Financing of tubular and drilling equipment	24	10,000
Financing of new and/or renovation of existing office space	12	1,200
Working capital	24	4,096
Estimated listing expenses	3	1,600
		22,358

Details of the proposed utilisation of proceeds are set out in Section 2.10 of this Prospectus.

1.10 Working Capital, Material Litigations, Material Capital Commitments, Borrowings And Contingent Liabilities

(i) Working Capital

The Directors of KST are of the opinion that, after taking into account the cashflow estimate and forecast and the banking facilities available and the net proceeds of the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(ii) Material Litigations

As at 15 January 2004, (being the latest practicable date prior to the printing of this Prospectus), the Company and its subsidiary are not engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, other than those legal actions engaged as plaintiff or defendant arising in the ordinary course of its business, which has a material effect on the financial position of the Company or its subsidiary and the Directors do not know of any proceedings pending or threatened or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of KST or its subsidiary.

(iii) Material Capital Commitments

As at 15 January 2004, (being the latest practicable date prior to the printing of this Prospectus), the Directors of KST are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the KST Group.

1. INFORMATION SUMMARY (Cont'd)**(iv) Borrowings**

As at 15 January 2004 (being the latest practicable date prior to the printing of this Prospectus), the total bank borrowings, overdrafts and hire purchase facilities of the Group amounted to approximately RM7.6 million, all of which are interest bearing. The purpose of the borrowings is mainly to finance the Group's purchase of tubular equipments. KST Group has no foreign borrowings as at 15 January 2004.

Details of the Group's outstanding bank borrowings, overdrafts and hire purchase facilities are as follows:

	Audited Balance as at 31 July 2003 RM	Unaudited Balance as at 15 January 2004 RM
<u>Short term</u>		
<i>Interest bearing</i>	4,183,070	5,597,547
<u>Long term</u>		
<i>Interest bearing</i>	1,462,818	2,046,149
Total outstanding borrowings	5,645,888	7,643,696

(v) Contingent Liabilities

As at 15 January 2004, (being the latest practicable date prior to the printing of this Prospectus), the Directors of KST are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the KST Group.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK