

## **General Announcement**

Reference No **KG-040521-33319**

Company Name : **KNM GROUP BERHAD**  
Stock Name : **KNM**  
Date Announced : **21/05/2004**  
Type : **Announcement**  
Subject : **KNM FORGING PARTNERSHIP WITH FBM-HUDSON ITALIANA SPA, A LEADING EUROPEAN PROCESS EQUIPMENT MANUFACTURER FOR OIL AND GAS INDUSTRY**

Contents :

KNM's wholly-owned subsidiary, KNM International Sdn Bhd ("KNMI") has today entered into a joint venture through a Share Sale and Shareholders Agreement ("JV") with FBM-Hudson Italiana SpA ("FBM") for acquisition of 50% equity interest in FBM's manufacturing plant in Jebel Ali Free Zone, Dubai ("FBM-KNM FZCo") for a cash consideration of Euro 10 million (RM45.64 million based on the exchange rate RM1.00: Euro 0.2191).

In addition, KNMI and FBM shall subscribe equally for a total of Euro 4 million (RM18.26 million) in shares in FBM-KNM FZCo.

As part of the agreement, FBM shall guarantee that KNMI shall receive a cash dividend of Euro 1.8 million (RM8.22 million), Euro 2.0 million (RM9.13 million) and Euro 2.25 million (RM10.27 million) respectively for the next 3 years from the date of completion of the agreement.

The manufacturing plant of FBM in Jebel Ali Free Zone has been in operation since 1994. The plant manufactures aircooled heat exchangers, shell and tube exchanges, reactors, pressure vessels, condensers and desalination equipment for the oil and gas industry.

KNMI has also signed a Commercial Co-operation Agreement ("CCA") with FBM for joint and exclusive marketing and manufacturing of FBM's process equipment within the Asean and China regions.

The JV and CCA would enable KNM and FBM to expand their global manufacturing reach to cover the Middle East and North Africa regions, Asean region and China, and represents a unified effort by both KNM and FBM to develop and enhance the market share of both KNM and FBM in the oil and gas industry.

The JV and CCA also allows KNM to tap the technical expertise of a leading European process equipment manufacturer and also spearhead KNM's plans for developing new international markets and higher value added products in the process equipment

engineering industry.

The partnership with FBM represents an important milestone to KNM, and signals KNM's leadership in the region for process equipment especially for the oil and gas industry. With this joint venture, KNM today has key manufacturing facilities in the Middle East, China, and Malaysia.

FBM is currently one of the top 2 companies in the world for aircooled heat exchangers and the partnership with KNM will spearhead FBM's effort in this region. Further, the joint venture shop in Jebel Ali will provide a platform for KNM to expand its reach in the Middle East region.

The entire arrangement is expected to be completed by the third quarter of 2004.