

General Announcement

Reference No **KG-080905-64314**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **05/09/2008**

Type : Announcement
Subject : Memorandum of Agreement to form a Joint Venture between KNM Process Systems Sdn Bhd and Prosernat
Contents : KNM Group Berhad (KNM or Company) wishes to announce that KNM Process Systems Sdn Bhd (KNMPS), a wholly owned subsidiary had on 4 September 2008 entered into Memorandum of Agreement (MOA) with Prosernat (Prosernat), a company based in Paris, France to form a Joint Venture (Proposed Joint Venture) in respect of providing process technologies, engineering, procurement, construction, commissioning, start-up, operation and maintenance for field gas separation and gas treatment facilities including desalting, gas dehydration, gas sweetening, NGL recovery, sulphur recovery and modular units (Business).

2. Details of the MOA

KNMPS and Prosernat agree:

- a) to form a locally incorporated Joint Venture Company (JVC) with the proposed issued and paid up capital of the JVC shall be equivalent to Euro 200,000;
- b) that the shareholding in the JVC between KNM and Prosernat will be 50% : 50% respectively;
- c) that the Business of the JVC is to provide process technology, engineering, procurement, construction, commissioning, start-up, operation and maintenance for field gas separation and gas treatment facilities including desalting, gas dehydration, gas sweetening, NGL recovery, sulphur recovery and modular units in Malaysia, Indonesia, Thailand, Vietnam, Singapore, Philippines, Myanmar, Laos, Cambodia and Brunei (Territories) on an exclusive basis;
- d) that for Business outside of the Territories, KNM and Prosernat will jointly cooperate using the JVC on case to case basis;
- e) that KNM will undertake the Sulphur Removal and Recovery using its subsidiary KPS Technology & Engineering LLC in

Kansas City,
United States of America;

f) that KNMPS and Prosernat shall have exclusive rights to negotiate the formation of the JVC and subsequently a Shareholders Agreement until 30 November 2008.

3. Information on Prosernat

Prosernat, an IFP Group Company, supplies equipments and technologies to natural gas industry for 30 years with above 300 industrial references. Its know-how covers the whole range of gas treatment and allows it to offer its customers a unique portfolio of advanced gas treatment solutions.

With a unique team of gas experts and highly qualified engineers and technicians covering all disciplines: process, mechanical, instrumentation, electrical, automation engineering, procurement, project management and technical assistance, Prosernat services can go from technology selection and process licensing to supply of complete turn-key units.

4. Rationale for the MOA

The MOA will enable KNMPS to provide a comprehensive and total solution for gas treatment in terms of process technologies (i.e. AdvAmine, Sulfint HP, Glycols, Drizo®, Ifpex – 1, Solid Bed Absorption (water, mercury and mercaptans) and etc), process equipment and process modules in the Territories.

5. Effect of the MOA

(a) Share Capital and Substantial Shareholdings

The MOA will not have any impact on the issued and paid-up share capital and the substantial shareholdings of KNM.

(b) Earnings

The business to be undertaken by the JVC is expected to contribute positively to the earnings of the KNM Group in the financial year ending 31 December 2009 and future financial years.

(c) Net assets

The Proposed Joint Venture does not have any impact on the net assets of KNM.

6. Conditions precedent of the MOA

The MOA is not subject to any approvals from regulatory authorities in Malaysia or elsewhere.

7. Directors' and substantial shareholders' interest

None of the directors and/or substantial shareholders and persons connected to them has any interest, direct or indirect, in the MOA.

8. Document for inspection

The MOA may be inspected at the registered office of KNM at 15, Jalan Dagang SB4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 5 September 2008.