

General Announcement

Reference No **KG-080122-63762**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **22/01/2008**

Type : **Announcement**
Subject : **PROPOSED PURCHASE OF OWN SHARES BY THE COMPANY**
Contents : **KNM Group Berhad (“KNM” or the “Company”) proposes to seek shareholders' approval for purchase of own shares up to ten per centum (10%) of its issued share capital.**

Announcement Details :

1. INTRODUCTION

KNM Group Berhad (“KNM” or the “Company”) writes to inform that the Company proposes to seek its shareholders’ approval for the authority to purchase and/or hold up to ten per centum (10%) of its issued and paid-up ordinary shares of RM0.25 each (“Shares”) for the time being listed on Bursa Malaysia (“Bursa”) (“Proposed Share Buyback”).

2. PROPOSED SHARE BUYBACK

2.1 Details of the Proposed Share Buyback

The Company proposes to seek shareholders’ approval for the Company to purchase and/or hold up to ten per centum (10%) of the Shares for the time being at a General Meeting, with a notice to be issued in due course. The Company will accordingly issue a circular to its shareholder’s.

As at 31 December 2006, the issued and paid-up share capital of the Company is RM257.8 million divided into 1.03 billion shares of RM0.25 each. The maximum number of Shares which may be purchased by the Company is ten per centum (10%) of the issued and paid-up share capital of KNM.

The Proposed Share Buyback will be financed through internally generated funds and/or borrowings. The maximum funds to be allocated by the Company for the Proposed Share Buyback will be made wholly out of retained profits and/or share premium account. As of 31 December 2006, the audited retained profits and share premium of the Company were RM26.1 million and RM55.8 million respectively. On the same reference date, the audited retained profits and share premium of the Group were RM198.8 million and RM55.8 million respectively.

The Board of Directors of KNM will deal with the Shares so purchased in the following manner:-

cancel the Shares so purchased; or

retain the Shares so purchased as treasury shares; or
retain part of the Shares so purchased as treasury shares and cancel the remainder; or
the treasury shares may be distributed as dividends to shareholders, and/or resale on the
Bursa, and/or cancel all or part of them.

2.2 Rationale

The Proposed Share Buyback if carried out, is likely to benefit the Company and its shareholders in the following manner:-

if the Shares purchased are cancelled, it will enhance the earnings per share (“EPS”) of the Company and thereby long term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company; and if the Shares bought back are kept as treasury shares, it will give the Board of Directors an option to sell the Shares so purchased at a higher price and thereby making an exceptional gain for the Company. Alternatively, the Shares so purchased can be distributed as share dividends to shareholders.

2.3 Effects

The effects of the Proposed Share Buyback on the share capital, net assets (“NA”), and earnings of KNM are set out below:-

Share capital

On the assumption that the Proposed Share Buyback is carried out in full and if the Shares so purchase are fully cancelled, the Proposed Share Buyback will result in the issued and paid-up share capital of KNM as at 31 December 2006 being reduced by 103.1 million Shares from RM257.8 million comprising 1.03 billion Shares to RM232.0 million comprising 928.0 million Shares.

NA

The Proposed Share Buyback is likely to reduce the NA per share of KNM Group, the quantum of which will depend on the number of Shares eventually purchased and the purchase price(s) of the Shares. For Shares so purchased which are kept as treasury shares, upon its resale, the NA per share of the Group will likely increase assuming that a gain has been realised or otherwise decrease if a loss is realised. The quantum of the increase in NA per share will depend on the selling price(s) and the number of treasury shares resold.

Earnings

Depending on the number of Shares purchased and the purchase price(s), the Proposed Share Buyback may increase the EPS of KNM Group. In the event that the Shares so purchased are resold, the extent of the effect on the earnings of the Group will depend on the selling price(s), the number of treasury shares resold and the effective gain or interest savings.

3. DIRECTORS' AND MAJOR SHAREHOLDERS

As far as the Company is aware, none of the Directors and major shareholders and persons connected with them have any interest, direct or indirect, in the Proposed Share Buyback and, if any treasury shares are resold in the open market, the resale of such treasury shares.

4. DIRECTORS' OPINION

The Board of Directors of the Company is of the opinion that the Proposed Share Buyback is in the best interest of the Company.

A Circular to shareholders detailing the Proposed Share Buyback will be dispatched to shareholders of the Company in due course.

This announcement is dated 22 January 2008