

## **General Announcement**

Reference No **KG-090917-63628**

Company Name : **KNM GROUP BERHAD**  
Stock Name : **KNM**  
Date Announced : **17/09/2009**

Type : **Announcement**  
Subject : **INVESTMENT AND SUBSCRIPTION OF 50% EQUITY STAKE IN VERWATER INDUSTRIAL SERVICES (MALAYSIA) SDN BHD BY KNM INTERNATIONAL SDN BHD**

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Announcement Details :

### **1. INTRODUCTION**

KNM Group Berhad (“KNM” or “the Company”) is pleased to inform that on 17 September 2009, its wholly owned subsidiary, KNM International Sdn Bhd (“KNMI”), had invested and completed its subscription for 100 ordinary shares of RM1.00 each representing 50% equity stake of the enlarged issued and paid up share capital in a joint venture company known as Verwater Industrial Services (Malaysia) Sdn Bhd (“VISM”) for a total cash consideration of RM100.00 only (“the Investment”).

### **2. INFORMATION ON VISM AND KNMI**

VSIM was incorporated on 11 August 1992 as a private limited company under the Companies Act, 1965. Its registered address is presently at No. 11-2-4, Suite 2, Jalan 1/125E, Megan Corporate Park, Desa Petaling, 57100 Kuala Lumpur. It is presently dormant although its principal activities are in the business of relocating and jacking of tanks, catalyst change-out and chemical cleaning works. Its authorized share capital is presently RM25,000 divided into 25,000 ordinary shares of RM1.00 each; whereas its issued and paid up capital is currently RM100.00.

VISM is privately owned by Mr Verwater Paul Antonius (“Verwater”), a Dutch nationality, who is the owner of Verwater Group of Companies based in The Netherlands. The Verwater Group are specialists in storage tanks and terminals design, construction and maintenance with operations in The Netherlands, Belgium, France, Singapore and Nigeria since 1922.

The Verwater Group recently signed a contract with Lenstar Investment Ltd for the oil storage terminal in Malaysia for 1,000,000 m<sup>3</sup> storage worth EUR220 million.

KNMI was incorporated on 10 May 2002 as a private limited company under the Companies Act, 1965 and its registered address is presently at No. 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. Its authorized share capital is presently RM5,000,000 divided into 4,700,000 ordinary shares of RM1.00 each and 300,000 Redeemable Preference Shares of RM1.00 each; whereas its issued and paid up capital is currently RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. KNMI is principally involved as an investment holding company and the provision of management, technical advisory, licence, trademark and business development services to international related companies and related international investments. KNMI is a wholly owned subsidiary of KNM.

### 3. DETAILS AND BASIS OF CONSIDERATION

The Investment is based on the par value of the ordinary shares and there are no other liabilities to be assumed by KNMI. Upon completion of the Investment, VISM will become a 50% jointly owned company of KNMI and Verwater.

### 4. RATIONALE FOR THE INVESTMENT

The Investment is intended to complement and broaden KNM Group's existing businesses in providing engineering, procurement, construction and commissioning of storage facilities and terminals including tank maintenance and services to the oil and gas industry. With the technology and know-how expertise of the Verwater Group, VISM will be used as the joint company to undertake the above specialized business in the Asian Region.

### 5. FINANCIAL EFFECTS OF THE INVESTMENT

#### 5.1 Share Capital

The Investment will not have any impact on the share capital of KNM.

#### 5.2 Earnings Per Share

The Investment is not expected to have any material effect on the consolidated earnings per share of KNM and its group of companies for the financial year ending 31 December 2009. However, revenue from VISM is expected to contribute positively to its future earnings.

#### 5.3 Substantial Shareholders' Shareholdings

The Investment will not affect any changes to the substantial shareholders' shareholdings of KNM.

#### 5.4 Net Assets Per Share (“NA”) and Gearing

The Investment will not have any material effect on the consolidated NA value per share and gearing of KNM and its group of companies for the year ending 31 December 2009.

### 6. RISK FACTORS

The Investment is subject to certain risks in the oil and gas industry in Asian Region. These include changes in general economic conditions such as, but not limited to inflation, taxation, foreign exchanges, interest rates, labour and material supply, changes in business and operating conditions such as, but not limited to government and statutory regulations and deterioration in prevailing market conditions.

The Investment does not alter the risk profile of KNM as KNM Group is already operating in the oil and gas industry and hence would continue to be exposed to risk factors that they currently face whilst operating in the industry.

Although KNM Group with its vast oil and gas experience may undertake efforts to mitigate the various risks, there is no assurance that any change in the above factors will not have a material adverse effect on the business and operations of KNM and/or KNMI.

### 7. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Investment pursuant to paragraph 10.02 (g) of the Bursa Securities Main Market Listing Requirements is 0.000006%.

### 8. DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

None of the Directors, major shareholders, persons connected to the Directors or persons connected to the major shareholders of the Company has any interest, direct or indirect, in the Investment.

### 9. DIRECTORS’ STATEMENT

Having considered all aspects of the Investment, the Board of Directors is of the opinion that the Investment is in the best interest of the Company.

### 10. CONDITION OF THE INVESTMENT

The Investment is not subject to the approvals of any other governmental authority and/or the shareholders of KNM.