

## **General Announcement**

Reference No **KG-090731-53225**

Company Name : **KNM GROUP BERHAD**  
Stock Name : **KNM**  
Date Announced : **31/07/2009**

Type : **Announcement**  
Subject : **- ACQUISITION OF COMPART COMPRESSOR TECHNOLOGY GMBH ("CCT"); AND  
- SALE AND PURCHASE AGREEMENT ENTERED INTO BETWEEN CCT AND COMPART COMPRESSOR TECHNOLOGY GMBH & CO. KG AND MR PETER RAUSCH**  
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Announcement Details :

### **1. INTRODUCTION**

KNM Group Berhad ("KNM" or "the Company") is pleased to inform that on 31 July 2009:-

a. its wholly owned group subsidiary, Borsig ZM Compression GmbH ("BZMC"), had completed its entire 100% acquisition of a dormant company known as Compart Compressor Technology GmbH ("CCT") from Cormoran AG and Leguan GmbH for EUR25,000 (equivalent to RM124,232.50 based on exchange rate of EUR1.00 to RM4.9693) (hereinafter referred to as "Acquisition No. 1"); and

b. that pursuant to the above Acquisition No. 1, CCT had executed a Sale and Purchase Agreement ("SPA") with Compart Technology GmbH & Co. KG ("Compart") and Mr Peter Rausch, whereby Compart has inter alia, agreed to dispose of its core business in the development, production and distribution of valves, compressor parts and monitoring systems for compressors and the provision of maintenance and repair works of compressors together with all assets thereto ("the Business") to CCT for EUR1,124,000 (equivalent to RM5,585,493.20 based on exchange rate of EUR1.00 to RM4.9693) (hereinafter referred to as "Acquisition No. 2").

### **2. INFORMATION ON CCT, COMPART AND BZMC**

CCT was incorporated on 7 January 2009 as a private limited company under the laws of Germany and was formerly known as "patus 480. GmbH" until the change to its present name on 14 July 2009. Its registered address is now at Egellsstrasse 21, Berlin, Germany. It is presently a dormant company with an initial authorized share capital of EUR25,000

divided into twenty-five thousand ordinary shares of EUR1.00 each; whereas its issued and paid up capital is currently EUR25,000 only. CCT is a wholly owned subsidiary of BZMC, which in turn is ultimately owned by KNM via Borsig GmbH (“Borsig”), Borsig Beteiligungsverwaltungsgesellschaft (“BBTEV”), Deutsche KNM GmbH (“Deutsche KNM”) and KNM Process Systems Sdn Bhd (“KNMPS”), (collectively, “BZMC Group”).

Compart was incorporated on 22 March 1984 as a limited partnership under the laws of Germany and having its registered address and principal place of business at Lise-Meitner-Strasse 10, Flensburg, Germany. It is mainly involved in the production and distribution of valves, compressor parts and monitoring systems for compressors and the provision of maintenance and repair works of compressors. Its authorized capital and its issued and paid-up capital is DEM75,000 (now equivalent to EUR38,346.89 based on a fixed conversion rate of DEM1.95583 to EUR1.00).

BZMC was incorporated as a private limited company under the laws of Germany on 16 August 2004. Its registered address and principal place of business is at Egellsstrasse 21, Berlin, Germany. It is mainly involved in system engineering, industrial fabrication, assembly services as well as sale of machines and construction of every type, in particular compressors, container construction, silo and conveyor technique. Its authorized capital is EUR25,000 divided into 500 ordinary shares of EUR50.00 each and its issued and paid-up capital is EUR25,000. BZMC is a wholly owned subsidiary of Borsig GmbH, which in turn is ultimately owned by KNM via Borsig Beteiligungsverwaltungsgesellschaft, Deutsche KNM GmbH and KNM Process Systems Sdn Bhd.

### **3. CONTENTS OF THE SPA**

The salient terms of the SPA for Acquisition No. 2 are *inter alia* as follows:-

- a. The purchase price of EUR1,124,000 shall be paid in the following manner:-
  - i. EUR724,000 to be released to the relevant bankers within 2 weeks of SPA execution. Any excess balance thereto shall be paid to Compart.
  - ii. the balance EUR400,000 or EUR80,000 per annum (“Balance Purchase Price”) shall be paid and released over 5 years from 30 June 2010 to 30 June 2014 provided CCT achieves the performance targets set by BZMC, whereby, payments will be adjusted if average Earning Before Interest and Tax over 5 business years from 2009 to 2013 (“Earn Out Period”) is less than 20% of the respective targeted Turnover set by BZMC. The Balance Purchase Price shall be reduced by EUR25,000 for each and every 1% reduction, up to the maximum deduction of EUR250,000.
- b. Upon acquisition, the founder of Compart, Mr Peter Rausch, shall be employed by the CCT to manage the Business under an Employment Contract for the duration of the Earn Out Period.
- c. Mr Peter Rausch shall assume the joint and several debt liabilities regarding Compart’s obligations according to the SPA.
- d. Upon completion of the SPA, Compart shall cease usage of the labels, business names

and any other business descriptions which would cause confusion with the Business.

e. The relevant approvals from the creditors, bankers and clients, as the case may be, and such other conditions precedent having been obtained or satisfied to effect the transfer of the Business from Compart to CCT.

f. The above Acquisition No. 2 is expected to be completed on/by 30 June 2014, being the final payment due and payable to Compart.

#### **4. DETAILS AND BASIS OF CONSIDERATION**

The purchase price was derived on “willing seller, willing buyer” basis.

The total cost for the assets and liabilities concerning the transfer and assignment of certain financing loans and bank charges for certain assets to be taken over and acquired by CCT in respect of Acquisition No. 2 is EUR1,124,000 only.

There are no other liabilities to be assumed by CCT and the above total purchase consideration of EUR1,124,000 shall be fully settled by CCT in cash through internally generated funds, shareholders’ advances and/or bank borrowings.

#### **5. RATIONALE FOR THE ACQUISITIONS**

The acquisitions will complement, grow and expand KNM’s and BZMC Group’s existing “compressor” businesses worldwide. Customer relationship and sales network would be broadened in respect of the spare parts and maintenance business in Germany. In-house technology for compressor valves and the supply of computer monitoring systems for compressors would be further enhanced and developed by CCT.

#### **6. FINANCIAL EFFECTS OF THE ACQUISITIONS**

##### **6.1 Share Capital**

- a. For Acquisition No. 1, this acquisition will not have any effect on the share capital of KNM whilst the effective interest of KNM through BZMC in CCT will remain at 100%.
- b. For Acquisition No. 2, this acquisition does not involve any equity interest. As such, there will not be any effect to KNM’s share capital or its effective interest.

##### **6.2 Earnings**

The Acquisitions No. 1 and No. 2 are not expected to have any material effect on the consolidated earnings of KNM and its group of companies for the financial year ending 31 December 2009. However, the revenue from CCT is expected to contribute positively to the Group's future earnings.

##### **6.3 Substantial Shareholders’ Shareholdings**

- a. For Acquisition No. 1, there is no change to the substantial shareholders’ shareholdings

of KNM.

b. For Acquisition No. 2, there will be no changes to the substantial shareholders' shareholdings as this acquisition does not involve any equity shares.

#### **6.4 Net Assets ("NA") and Gearing**

The Acquisitions No. 1 and No. 2 will not have any material effect on the consolidated NA value and gearing of KNM and its group of companies for the year ending 31 December 2009.

### **7. 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 Acquisition No. 1 and/or Acquisition No. 2 save for Mr Lee Swee Eng is a common Director of KNM, BBTEV, Deutsche KNM and a major shareholder of KNM.

### **8. DIRECTORS' STATEMENT**

Having considered all aspects of Acquisition No. 1 and Acquisition No. 2, the Board of Directors is of the opinion that the Acquisition No. 1 and Acquisition No. 2 are in the best interest of the Company.

### **9. CONDITION OF THE ACQUISITIONS**

The Acquisition No. 1 and Acquisition No. 2 are not subject to the approvals of any other governmental authority and the shareholders of KNM.

### **10. DOCUMENTS FOR INSPECTION**

Details of the acquisition of CCT and the SPA are available for inspection at the registered office of KNM at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan for three (3) months from date of this Announcement during normal business hours from Mondays to Fridays.