

General Announcement
Reference No **KG-101201-38784**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **01/12/2010**

Type : **Announcement**
Subject : **SHAREHOLDERS AGREEMENT WITH AVENG (AFRICA) LIMITED**
Contents : **1. INTRODUCTION**

The Board of Directors of KNM Group Berhad (“KNM” or “the Company”) is pleased to announce that KNM International Sdn Bhd (“KNMI”), a wholly-owned subsidiary of the Company had on 1 December 2010 entered into a Shareholders Agreement (“Agreement”) with Aveng (Africa) Limited (“AVENG”) towards, inter-alia, the establishment of a joint-venture company to be known as KNM Grinaker-LTA (Proprietary) Limited (“JVCo”) (or such other name as may be approved by the relevant authority in the Republic of South Africa (“RSA”)) on 49.9% (KNMI) : 50.1% (AVENG) basis (“Joint Venture”).

2. INFORMATION ON JVCO, AVENG AND KNMI

JVCo was incorporated on 28 April 2010 in the RSA with an authorised share capital of ZAR10,000 comprising 10,000 ordinary shares of ZAR1 each and issued share capital of ZAR1,000. Its registered address is at Block E, 204 Rivonia Road, Morningside, Sandton, RSA. JVCo is presently dormant but will be principally involved in fabrication of steel products. Upon completion, JVCo will be a 49.9% owned associated company of KNMI while the remaining 50.1% is owned by AVENG.

AVENG was incorporated on 7 August 1931 in RSA. Its registered address is at 204 Rivonia Road, Morningside, Sandton, 2057, P.O. Box 6062, Rivonia, 2128, RSA. AVENG is a multi-discipline construction and engineering group anchored in RSA and focused on infrastructure, energy and mining opportunities in RSA. Its current authorised share capital is ZAR40,000,000 comprising 40,000,000 ordinary shares of ZAR1 each whereas its issued share capital is ZAR28,260,580. AVENG is a 75% owned subsidiary of Aveng Limited, a South African registered company listed on the Johannesburg Stock Exchange, while the other 25% equity interest is owned by a TisoGroup led black economic empowerment consortium.

KNMI was incorporated on 10 May 2002 as a private limited company under the laws of Malaysia. Its registered address and principal place of business are at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor. Its authorised capital is RM5,000,000 divided into 4,700,000 ordinary shares of RM1.00 each and 300,000 Redeemable Preference Shares of RM1.00 each; and its issued and paid-up capital is RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each. KNMI is a wholly-owned subsidiary of KNM and its principal activities are provision of management, technical advisory, licence and trademark services to international related companies and related international investments.

3. SALIENT TERMS OF THE AGREEMENT

(i) Pursuant to the Agreement, the JVCo shall inter alia, enter into a Management and Technology Licence Agreement with KNMI, whereby, KNMI shall grant the exclusive and non-transferrable licence right to JVCo (“the Licensed Know-How”) in respect of the fabrication of certain identified KNM products (“Products”).

(ii) KNMI shall manage JVCo and assign certain key management personnel to the JVCo, which costs shall be borne by the JVCo, for a period not exceeding five (5) years (unless otherwise agreed by the board of directors of the JVCo) to ensure the proper operations in relation to the technical specifications and quality of the Products manufactured.

(iii) The JVCo shall manufacture the Products in accordance with KNMI’s Licensed Know-How and only in the identified factory, which shall at all times be located within the territory of RSA (and/or such other locations as may be agreed by the JVCo shareholders from time to time).

4. RATIONALE FOR THE JOINT VENTURE

The Joint Venture will enable KNM Group of companies (“the Group”) to tap AVENG’s strong marketing and networking relationships relevant to the Products with, amongst others, major clients in RSA and the government of RSA.

5. FINANCIAL EFFECTS OF THE JOINT VENTURE

5.1 Share Capital

The Joint Venture will not affect the share capital of KNM.

5.2 Earnings Per Share

The Joint Venture is not expected to have any material effect on the consolidated earnings of the Group for the financial year ending 31 December 2010.

5.3 Substantial Shareholders' Shareholdings

The Joint Venture will not affect the substantial shareholders' shareholdings in KNM.

5.4 Net Assets and Gearing

The Joint Venture is not expected to have any material effect on the consolidated net assets and gearing of the Group for the year ending 31 December 2010.

6. RISK FACTORS

The Joint Venture does not alter the risk profile of the Group. Risk factors affecting the Joint Venture include but are not limited to execution risks such as changes in general economic conditions including inflation, taxation, foreign exchanges, interest rates, labour and material supply, changes in business and operating conditions, government and statutory regulations and deterioration in prevailing market conditions.

Although the Group with its vast experience in oil and gas industries 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, KNMI and/or JVCo.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

8. DIRECTORS' STATEMENT

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

9. CONDITION OF THE JOINT VENTURE

The Joint Venture is not subject to the approvals of any governmental authority and the shareholders of KNM.

10. DOCUMENTS FOR INSPECTION

Details of the Agreement 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, Malaysia for three (3) months from date of this Announcement during normal business hours from Mondays to Fridays.

11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which applicable to the Joint Venture is 0.00001%.

This announcement is dated 1 December 2010.

Announcement Details :