

General Announcement

Reference No **KG-100408-45413**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **08/04/2010**

Type : Reply to query
Reply to Bursa : IJ-100407-54188
Malaysia's Query
Letter - Reference
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Subject : **TAX INCENTIVE IN RESPECT OF THE ACQUISITION OF BORSIG BETEILIGUNGSVERWALTUNGSGESELLSCHAFT MBH (“BORSIG MBH”) (“BORSIG ACQUISITION”)**

Contents : In reply to the queries received from Bursa Securities Malaysia Berhad (“Bursa Securities”) vide its letter dated 7 April 2010 (ref: IJ-100407-54188), the Company wishes to inform that:-

Question 1.

The application of the tax incentive, including whether the tax incentive is to be applied to the total Group’s profit or only to profit attributable from Borsig mbH.

Reply:

The tax incentive will be applied against the total taxable income generated in Malaysia by KNM Process Systems Sdn Bhd (“KNMPS”), the acquirer, who is a wholly-owned subsidiary of KNM Group Berhad.

Question 2.

The conditions imposed, if any, by the Inland Revenue Board in respect of the usage/application of the tax incentive.

Reply:

The tax incentive is granted subject to the following conditions:-

(1) That at least 50% of the shareholding in KNMPS must be held by Malaysians during the first year of BORSIG Acquisition and thereafter, to be at least 60% for the following years.

(2) KNMPS must hold at least 51% of the equity interest in Borsig

mbH for at least five (5) years from date of the completion of the BORSIG Acquisition.

(3) If KNMPS disposes any part of its shares held in Borsig mbH at anytime within five (5) years from date of the completion of the BORSIG Acquisition, the yearly allowance together with the qualifying amounts of claim/relief entitled would be withdrawn for such assessment year(s) in which it was allowed. In any event, should KNMPS's shareholding in Borsig mbH be reduced from 51% at anytime within five (5) years from date of the completion of the BORSIG Acquisition, then, all the yearly allowances allowed will be withdrawn.

(4) Borsig mbH must maintain 100% equity shareholding in all its subsidiaries.

- 2 -

Question 3.

The financial impact of the tax incentive to the Group for the next four financial years.

Reply:

The tax incentive is expected to contribute positively to the net earnings of the Group subject to profitability of KNMPS, the acquirer.

Query Letter
content

: We refer to your Company's announcements dated 7 April 2010, in respect of the aforesaid matter.

In this connection, kindly furnish Bursa Malaysia Securities Berhad ("Bursa Securities") with the following additional information for public release:-

The application of the tax incentive, including whether the tax incentive is to be applied to the total Group's profit or only to profit attributable from BORSIG;

The conditions imposed, if any, by the Inland Revenue Board in respect of the usage/application of the tax incentive; and

The financial impact of the tax incentive to the Group for the next four financial years.

Please furnish Bursa Securities with your reply immediately.

Yours faithfully

CHONG FUI TZY
Head, Issuers
Listing Division
Regulation

CFT/IJ
copy to:- Head, Market Surveillance, Securities Commission (via
fax)

Announcement Details :