

## **General Announcement**

Reference No **KG-111205-4BAE3**

Company Name : **KNM GROUP BERHAD**  
Stock Name : **KNM**  
Date Announced : **05/12/2011**

Type : **Announcement**  
Subject : **OTHERS**  
Description : **FURTHER INVESTMENT IN KNM DP-FABRICATORS SDN BHD**

Announcement Details/Table Section :

### **1. INTRODUCTION**

The Board of Directors of KNM Group Berhad (“KNM” or “the Company”) is pleased to announce that its wholly-owned subsidiary, KNM Process Systems Sdn Bhd (“KNMPS”) had on 5 December 2011 entered into a Sale and Purchase Agreement (“SPA”) to acquire a total of 306,571 ordinary shares of RM1.00 each (“the Shares”) in KNM-DP Fabricators Sdn Bhd (“KNM-DP”) for a total cash consideration of RM952,855.50 only (“Acquisition”) from the following Vendors:-

- a) 158,571 shares (30%) from Perbadanan Kemajuan Negeri Melaka (“PKNM”) for RM492,855.50;
- b) 74,000 shares (14%) from Panoramic Team (M) Sdn Bhd (“PTSB”) for RM230,000; and
- c) 74,000 shares (14%) from Dayaventure Sdn Bhd (“DVSB”) for RM230,000.

### **2. INFORMATION ON KNM-DP, KNMPS, PKNM, PTSB, DVSB AND TKS**

KNM-DP was incorporated on 22 January 1992 as a private limited company under the laws of Malaysia and having its registered address at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor. Its authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and its current issued and paid-up share capital is RM528,570. KNM-DP is currently dormant although its principal activities involve fabrication and maintenance of process equipment, storage tanks, modular assemblies and steel structural components for oil, gas and petrochemical industries. KNMPS currently holds 147,999 shares (28%) in KNM-DP. Upon completion of the Acquisition, KNM-DP will be 86% owned by KNMPS and the balance 14% by Tegas Klasik Sdn Bhd (“TKSB”).

KNMPS was incorporated as a private limited company under the laws of Malaysia on 28 June 1990. Its registered address is at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. KNMPS is principally involved in the

design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries. Its authorised share capital is RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each and its issued and paid-up is RM483,100,000. KNMPS is a wholly-owned subsidiary of KNM. PKNM is a statutory body established under the State Economic Development Corporation Melaka, Enactment No 1, 1971.

PTSB was incorporated on 10 April 1991 as a private limited company under the laws of Malaysia and having its registered address at 573A, Taman Melaka Raya, 75000 Melaka. Its authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each and its current issued and paid-up share capital is RM250,000. PTSB is principally involved in investment in shares and properties.

DVSB was incorporated on 26 November 1990 as a private limited company under the laws of Malaysia and having its registered address at D6-3 Plaza Jayamuda, Jalan Pelanduk Putih, 75300 Melaka. Its authorised share capital is RM25,000 comprising 25,000 ordinary shares of RM1.00 each and its current issued and paid-up share capital is RM10,000. DVSB is principally an investment holding company.

TKSB was incorporated on 21 November 2011 as a private limited company under the laws of Malaysia and having its registered address at Lot 745, 7th Floor, Block A1, Pusat Dagang Setia Jaya, No. 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor. Its authorised share capital is RM50,000 comprising 50,000 ordinary shares of RM1.00 each and its current issued and paid-up share capital is RM30,000. TKS is principally involved in general trading.

### **3. DETAILS OF THE ACQUISITION**

Salient details of the SPA are as follows:-

a) the purchase consideration of RM952,855.50 for the Shares was arrived at on “willing-buyer-willing-seller” basis and payable to the Vendors as follows:-

- i) 10% - Upon execution of the SPA and
- ii) Balance 90% to be payable within one (1) month upon obtainment/completion of all necessary documents and resolutions to be effected for the completion and transfer of the Shares.

b) the total purchase consideration of RM952,855.50 shall be fully settled in cash through internally generated funds and/or shareholders’ advances.

c) the Acquisition is expected to be completed by this year end.

d) the Shares will be transferred free from all encumbrances and there are no further liabilities to be assumed by KNMPS or KNM.

### **4. RATIONALE FOR THE ACQUISITION**

The Acquisition is generally undertaken mainly to reduce minority interests and to

rationalize KNM's group structure and KNMPS's interest in KNM-DP too.

## **5. FINANCIAL EFFECTS OF THE ACQUISITION**

### **5.1 Share Capital**

The Acquisition does not affect the share capital of KNM. KNM's effective interest in KNM-DP will increase from 28% to 86% upon completion of the Acquisition.

### **5.2 Earnings**

The Acquisition is not expected to have any material effect on the consolidated earnings of KNM and KNM Group for the financial year ending 31 December 2011.

### **5.3 Substantial Shareholders' Shareholdings**

The Acquisition does not affect the shareholdings of the substantial shareholders in KNM.

### **5.4 Net Assets and Gearing**

The Acquisition will not have any material effect on the consolidated net assets and gearing of KNM and KNM Group for the year ending 31 December 2011.

## **6. RISK FACTORS**

The Acquisition does not alter the risk profile of KNM as KNMPS is already a shareholder in KNM-DP.

## **7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors, major shareholders or persons connected to the Directors and/or major shareholders of the Company has any interest, direct or indirect, in the Acquisition save and except for the following:-

- i) Ir Lee Swee Eng ("LSE"), is a common director of the Company, KNMPS, KNM-DP and TKSB; and together with TKSB (and other persons connected to him) is a substantial shareholder of the Company and KNM-DP.
- ii) Chew Fook Sin (brother in law of LSE), is a common director of the Company and TKSB, and a major shareholder of TKSB;
- iii) Gan Siew Liat (spouse of LSE), is a common director of the Company and KNMPS; and is also a substantial shareholder of the Company.

## **8. DIRECTORS' STATEMENT**

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

## **9. APPROVALS REQUIRED**

The Acquisition is not subject to the approval of any governmental authority and/or the

shareholders of KNM.

**10. DOCUMENTS FOR INSPECTION**

Details of 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, 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 applicable to the Acquisition is 0.1%.

This announcement is dated 5 December 2011.