

Listing Circular

LISTING'S CIRCULAR NO. L/Q : 62712 OF 2011

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : 06/10/2011

Subject : BURSA MALAYSIA REPRIMANDS KNM GROUP AND FINES EIGHT DIRECTORS A TOTAL OF RM200,000

Contents : : Bursa Malaysia Securities Berhad ("Bursa Securities") has publicly reprimanded KNM Group Berhad ("KNM" or "the Company") for breach of the Main Market Listing Requirements ("Main LR"), and publicly reprimanded and fined its directors a total of RM200,000.

Bursa Securities publicly reprimanded KNM for breach of paragraphs 9.16(1)(a) and (c)(i) of the Main LR in respect of KNM's announcement, dated 4 February 2010, of an offer to buy the business and undertakings of the Company. The announcement was not factual, unclear, inaccurate and lacked sufficient information and material facts to enable investors to make informed investment decisions.

The following directors of KNM were found to be in breach of paragraph 16.13(b) of the Main LR for permitting, knowingly or where they had reasonable means of obtaining such knowledge, KNM to commit the breach and the penalties imposed are as follows:-

No.	Director	Penalty
1.	Lee Swee Eng Managing Director	Public Reprimand & Fine of RM25,000
2.	Gan Siew Liat Executive Director	Public Reprimand & Fine of RM25,000
3.	Chew Fook Sin Executive Director	Public Reprimand & Fine of RM25,000
4.	Dato' Mohamad Idris bin Mansor Independent Non-Executive Chairman (Resigned on 28 April 2010)	Public Reprimand & Fine of RM25,000
5.	Ng Boon Su Executive Director	Public Reprimand & Fine of RM25,000
6.	Lee Hui Leong	Public Reprimand &

	Executive Director (Retired on 8 April 2010)	Fine of RM25,000
7.	Dato' Ab. Halim Bin Mohyiddin Independent Non-Executive Director	Public Reprimand & Fine of RM25,000
8.	Lim Yu Tey Independent Non-Executive Director	Public Reprimand & Fine of RM25,000

Bursa Securities views the above contravention seriously as it is the fundamental obligation of listed companies to ensure that all announcements made are factual, unambiguous, accurate, succinct, and contain material and sufficient information to allow investors to make informed investment decisions.

BACKGROUND

PUBLIC REPRIMAND ON KNM GROUP BERHAD

KNM had on 4 February 2010 announced that the Company had on even date received from BlueFire Capital Group Ltd ("Bidco"), an entity controlled by Ir. Lee Swee Eng, the Group Managing Director and major shareholder of KNM, a proposal to acquire the entire business and undertakings of KNM ("the Proposal"). The proposed price was equivalent to RM0.90 per issued ordinary share of KNM.

However, the announcement dated 4 February 2010 failed to disclose the following material terms, which were clearly stated in the Letter of Offer from Bidco:-

- (a) The proposed acquisition will be fully settled by the issuance of redeemable convertible preference shares ("RCPS") in a new entity and the RCPS can be converted into non-voting ordinary shares in Bidco or redeemed for cash; and
- (b) Bidco intended to include as one of the conditions precedent of the proposed acquisition that as of the day prior to or the day of KNM's extraordinary general meeting to consider and approve the proposed acquisition, there has not been:

- i any new shareholder holding 5% or more in KNM or existing shareholder increasing their shares by 5% or more; or
- ii more than 10 new shareholders holding 1% or more in KNM shares, compared to at the day of announcement of the transaction by KNM,

[collectively referred to as "the Conditions"].

The Conditions which formed an integral part of the Proposal were clearly of interest and material to shareholders and investors to enable them to make an informed decision regarding the Proposal. In particular, the Conditions were material as to, amongst others, the reasonableness of the offer and certainty of the acceptance by KNM of the Proposal. The announcement of the Proposal without stating the Conditions (particularly the new shareholder condition as stated in sub-paragraph (b) above which had or may have the effect of minimising the positivity / certainty of the Proposal) had resulted in a one-sided / unbalanced announcement.

It was also noted that KNM's share price and volume traded had increased following the announcement of the Proposal. KNM's share price had increased from RM0.75 to RM0.815 on 5 February 2010 and the volume traded on 5 February 2010 was 142 million (representing 3.5% of KNM's share capital) versus the past 5-day average of 15.9 million shares traded.

The Proposal subsequently lapsed on 14 April 2010.

PUBLIC REPRIMAND AND A TOTAL FINE OF RM200,000 IMPOSED ON EIGHT DIRECTORS

All the directors were in possession of and were aware of the Letter of Offer from Bidco dated 4 February 2010 and its contents. As such, they were or should have been aware of the Conditions.

However, Dato' Mohamad Idris bin Mansor, Dato' Ab. Halim Bin Mohyiddin, Lim Yu Tey, Ng Boon Su and Lee Hui Leong had proceeded to approve the announcement on the Proposal on 4 February 2010 without ensuring / requiring full disclosure of the terms and in particular, the Conditions.

Lee Swee Eng, Gan Siew Liat and Chew Fook Sin who were interested parties in the Proposal had also failed to discharge their duties to ensure disclosure of the Conditions by the Company. Notwithstanding that they abstained from deliberating and voting on the Proposal, they were in possession of, and hence, were aware of or were in a position to ascertain the terms of the Letter of Offer / Proposal. In addition, they were given a copy of the Company's announcement dated 4 February 2010 on the Proposal subsequently on 5 February 2010. As such, through their silence / inaction, they had consented / acquiesced to the announcement and hence, permitted the breach of paragraphs 9.16(1)(a) and (c)(i) of the Main LR by KNM.

The explanations that the Conditions were preliminary, in a state

of flux, uncertain, subject to negotiations / due diligence and unresolved do not absolve the Company and the directors from their obligation to disclose comprehensively all the material terms set out in the Letter of Offer, including the Conditions, when KNM announced the Letter of Offer / Proposal on 4 February 2010. The finding of breach and the imposition of the above penalties on KNM and the directors were made pursuant to paragraph 16.19 of the Main LR upon completion of due process and after taking into consideration all facts and circumstances of the matter, including the materiality and impact of the breach and in relation to the directors, their awareness, knowledge and respective roles and responsibilities in the Company.