

## **General Announcement**

Reference No **KG-120208-7EB6A**

Company Name : **KNM GROUP BERHAD**  
Stock Name : **KNM**  
Date Announced : **08/02/2012**

Type : **Announcement**  
Subject : **TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)  
NON RELATED PARTY TRANSACTIONS**

Description : **PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN POPLAR INVESTMENTS LIMITED BY KMK POWER SDN BHD  
(A WHOLLY-OWNED SUBSIDIARY OF KNM GROUP BERHAD)**

Announcement Details/Table Section :

### **1. INTRODUCTION**

Further to the Company's announcement on 25 January 2012, the Board of KNM Group Berhad ("KNM" or "Company") wishes to announce that its wholly-owned subsidiary, KMK Power Sdn Bhd ("KMK"), has entered into an Agreement for Sale and Purchase of Shares ("SPA") with Poplar Holdings Limited ("PHL") for the acquisition of one (1) ordinary share of GBP1.00 ("Sale Shares") representing 100% equity interest in Poplar Investments Limited ("PIL") for a total cash consideration as defined and explained under paragraph 2(b) below ("Consideration").

Hereinafter referred to as the "Proposed Acquisition".

PIL is the sole legal and beneficial owner of the Land (as defined earlier in our earlier announcement dated 25 January 2012).

### **2. SALIENT TERMS OF THE SPA**

Salient details of the SPA are *inter alia* as follows:-

- (a) The Sale Shares are sold free from all encumbrances and with all rights attaching to them at Completion (as defined in paragraph 2(f) hereto).
- (b) The Consideration is GBP25.0 million, subject to post

Completion adjustments to the Net Asset Value of PIL (“NAV”) as determined in the management accounts of PIL (save that the value of the Land (as defined earlier in our earlier announcement dated 25 January 2012) shall be deemed to be GBP25.0 million) to be prepared and delivered to KMK at Completion (“Management Accounts”).

In the event that KMK disagrees with the Management Accounts, KMK shall have 20 business days following Completion to send a notice to PHL together with reasons for such disagreement and an explanation of the adjustments which KMK considers should be made to the Management Accounts.

If parties are unable to come to an agreement as to the adjustments to be made within 20 days from the date of such notice, the matter shall then be referred to an independent firm of accountants, the cost of such appointment to be equally borne by the parties (“Independent Accountant”). The decision of the Independent Accountant is final and binding on both parties.

Depending on the outcome of the Independent Accountant’s determination:-

- If the amount of Consideration is increased, KMK shall pay PHL a sum equal to the amount of the increase; and
- If the amount of Consideration is reduced; PHL shall pay KMK a sum equal to the amount of that reduction.

(c) The SPA is conditional upon the obtainment of the following approvals:-

- (i) Approval of the Board of Directors of KNM by 28 February 2012;
- (ii) Approval of Bank Negara Malaysia by 2 April 2012; and
- (iii) Approval of the shareholders of KNM (if applicable) by 3 April 2012.

Certain of the Consideration payments referred to in paragraph (d) below will be released to PHL in the event that the SPA is terminated by reason of any of the above conditions not being met.

(d) The Consideration shall be paid to PHL’s solicitors’ client

account to be held in the following manner:-

		<b>Amount (GBP)</b>	<b>Payment Terms</b>
(i)	Exclusivity Fee	500,000	Already paid on 25 January 2012 pursuant to signing of Exclusivity Agreement (as per KNM's announcement on 25 January 2012) and released to PHL on exchange of the SPA.
(ii)	Deposit	2,000,000	Payable to PHL's solicitors' client account upon signing of this SPA and released in the manner described in paragraph (e) below.
(iii)	Condition Satisfaction Payment	2,500,000	Payable to PHL's solicitors' client account within 5 Business Days upon obtainment of the approval from Bank Negara Malaysia and released in the manner described in paragraph (e) below.
(iv)	Balance Payment	20,000,000	Payable to PHL's solicitors' client account on completion and released to PHL provided that (i) if KMK disagrees with the Management Accounts and believes there has been an overpayment, then the amount that is believed to have been overpaid shall be retained in or repaid to PHL's solicitors' client account pending the outcome of any adjustment to be made to the Management Accounts and (ii) GBP3 million will be retained in PHL's solicitors' client account in accordance with paragraph 2(g) below.
	Consideration	25,000,000*	

*\*Subject to adjustment as explained in paragraph 2(b) above.*

(e) The Exclusivity Fee, Deposit and Condition Satisfaction

Payment would be returned to KMK in the following events:-

- (i) Exclusivity Fee- In the event that PHL fails to proceed to Completion.
- (ii) Deposit - At any time on or before Completion, if:-
  - (aa) KMK were to terminate the SPA pursuant to their rights as contained therein; or
  - (bb) PHL fails to proceed to Completion.
- (iii) Condition Satisfaction Payment - At any time on or before Completion, if:-
  - (aa) KMK were to terminate the SPA pursuant to their rights as contained therein; or
  - (bb) PHL fails to proceed to Completion.

The Exclusivity Fee, Deposit and Condition Satisfaction Payment will be released to PHL in all other events, including where the agreement terminates as a result of any of the conditions referred to in paragraph 2(c) not being satisfied.

(f) Subject to the satisfaction of the Conditions, completion of the sale and purchase transaction as stipulated in the SPA shall take place on 25 April 2012 or such other date as the parties may mutually agree ("Completion").

KMK may by written notice to PHL extend the date for Completion to 6 June 2012; subject to the following:-

- (i) the payment on the date of the said notice, of interest at the rate of 8% per annum on all amounts payable by KMK to PHL at Completion; and
- (ii) the release of the Deposit and the Condition Satisfaction Payment to PHL on the date of the said notice.

(g) Out of the amounts paid by KMK at Completion, GBP3.0 million shall be retained in PHL's solicitors' client account for 12 months following which it shall be released to PHL together with all interest accrued on such amount in the event no claim for breach of the SPA is brought by KMK against PHL.

(h) KMK may (but without prejudice to any other remedies it may have) require specific performance by PHL of its obligations to sell the Sale Shares and complete the transaction.

### **3. BASIS OF PURCHASE CONSIDERATION**

The basis of the valuation was arrived at based on “as-is, where-is” and “willing-buyer-willing-seller” basis and after taking into consideration the NAV.

There are no liabilities, including contingent liabilities and guarantees, in PIL to be assumed by KNM or KMK in respect of this transaction.

#### **4. SOURCE OF FUNDING**

KNM intends to fund the Proposed Acquisition in cash through internally generated funds and/or bank borrowings. The exact mix of internally generated funds and bank borrowings will be decided by KNM’s management at a later stage. KNM’s management will opt for the most optimum mix taking into consideration the Group’s gearing level, interest costs as well as internal cash requirements for its business.

#### **5. RATIONALE**

The Proposed Acquisition will enable KNM to indirectly own the Land for the development of the 80MWe Waste to Energy Plant (as referred to in our earlier announcement dated 21 December 2010) at the abovementioned purchase price to give more certainty for project completion.

#### **6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

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

The Proposed Acquisition does not affect the share capital of KNM.

By virtue of KMK holding 100% of the entire issued and paid-up share capital of PIL upon completion, PIL shall become a wholly-owned subsidiary of KNM.

##### **6.2 Earnings**

The Proposed Acquisition is not expected to have any material effect on the consolidated earnings of KNM for the financial year ending 31 December 2012.

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

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

##### **6.4 Net Assets**

Subject to the acquisition’s final fair valuation, we do

not expect the Proposed Acquisition to have a material effect on the consolidated net assets of KNM for the year ending 31 December 2012.

#### 6.5 Gearing

The Proposed Acquisition is expected to increase the consolidated gearing of KNM for the financial year ending 31 December 2012 where the materiality hinges on the purchase sum funding structure as mentioned in paragraph 4 hereof.

### **7. RISK FACTORS**

The Proposed Acquisition is subject to certain risks mainly in the oil, gas, petrochemicals, mineral, power, environmental, renewable energy and biotechnology industries in the market places. These include changes in general economic conditions such as, but not limited to, inflation, taxation, foreign exchanges, interest rates, labour and material supply, changes in business and operating conditions such as, but not limited to, government and statutory regulations and deterioration in prevailing market conditions. The Proposed Acquisition does not alter the risk profile of KNM as KNM Group is already operating in these industries and hence would continue to be exposed to risk factors that they currently face whilst operating in the industry.

Although KNM Group with its vast experience 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 and/or KMK.

### **8. 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 Proposed Acquisition.

### **9 DIRECTORS' STATEMENT**

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

### **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 Proposed Acquisition is 10.72%.

This announcement is dated 8 February 2012.