

General Announcement
Reference No **KG-120125-E0706**

Amended Announcement

(Please refer to the earlier announcement reference number: KG-120125-A4751)

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **25/01/2012**

Type : **Announcement**
Subject : **OTHERS**
Description : **EXCLUSIVITY AGREEMENT BETWEEN KMK POWER SDN BHD
(A WHOLLY OWNED SUBSIDIARY OF KNM GROUP BERHAD)
AND POPLAR HOLDINGS LIMITED**

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, KMK Power Sdn Bhd (“KMK”) had on 25 January 2012 entered into an Exclusivity Agreement (“Agreement”) with Poplar Holdings Limited for the grant of exclusivity by PHL to KMK to conclude the proposed purchase of the entire issued share capital of Poplar Investments Limited (“Sale Shares”) for GBP25 million (approximately RM120 million) (“Proposed Transaction”).

2. INFORMATION ON THE PARTIES

KMK was incorporated as a private limited company under the laws of Malaysia on 30 July 1994. Its registered address is at 15Jalan Dagang SB4/1, Taman Sungei Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. KMK is presently a dormant company.

Poplar Holdings Limited (“PHL”) was incorporated as a private limited company on 20 August 2010. Its registered address is at Fort Anne, Douglas, Isle of Man. PHL is an investment holding company and is presently the registered holder of the entire issued and paid-up capital of Poplar Investments Limited (“PIL”).

PIL was incorporated as a private limited company on 19 August 2010. Its registered address is at Fort Anne, Douglas, Isle of Man. PIL holds a piece of vacant development land measuring approximately 55 acres known as land at Storey's Bar Road, Peterborough, England and registered under

title no. CB223664 (the "Land").

3. INFORMATION ON SALE SHARES AND LAND

(a) Sale Shares

The Sale Shares comprise (one) 1 ordinary share in PIL.
The Sale Shares are presently unencumbered.

(b) Land

The Land is vacant with no building or structures attached.
The Land is presently unencumbered.

The Proposed Transaction if entered into, will be fully settled in cash through internally generated funds and/or bank borrowings.

4. SALIENT DETAILS OF THE AGREEMENT

Salient details of the Agreement are as follows:-

a) Exclusivity Period

The exclusivity period shall commence from today, 25 January 2012 until and including 25 April 2012 unless extended by mutual agreement of KMK and PHL in order to complete the Proposed Transaction.

b) Exclusivity Fee

In consideration of PHL granting the Exclusivity Period, KMK has paid the sum of GBP500,000 (approximately RM2.4 million) upon signing of the Agreement.

The Exclusivity Fee shall form part of the purchase price in respect of the Proposed Transaction, if parties are able to come to terms in respect of the same.

c) Refund of Exclusivity Fee

The Exclusivity Fee is only refundable where PHL is unable to enter into the Proposed Transaction (due to legal or other circumstances beyond its reasonable control) other than as a consequence of the failure of the parties to agree mutually accepted terms for the Proposed Transaction (it being agreed by the parties that they shall act in good faith and use their respective reasonable endeavours to agree the terms for the Proposed Transaction and shall not wilfully frustrate negotiations resulting in the failure to agree on the terms for the Proposed Transaction).

d) Expiry of the Agreement

The Agreement will expire (without prejudice to any right or remedy in connection with any outstanding breach), upon which KMK and PHL will each be released from their respective obligations under the Agreement, on the earliest of the following:-

(i) KMK failing to sign the definitive agreement in respect of the Proposed

Transaction by 8 February 2012;

(ii) KMK failing to procure and/or obtain the following approvals in respect of the Proposed Transaction:-

(aa) Approval of the Board of Directors of KNM by 28 February 2012;

(bb) Approval of the shareholders of KNM (if applicable) by 3 April 2012;

(cc) Approval of the Malaysian Central Bank by 2 April 2012;

(iii) KMK deciding that it no longer wishes to proceed with the Proposed Transaction;

(iv) The expiry of the Exclusivity Period.

e) Specific Performance

KMK shall have the right for specific performance under the Agreement.

f) Restriction on Dealings

During the term of this agreement, PHIL nor PIL or any of PHL or PIL's employees, agents or advisors (as PHL shall procure) will, other than with the consent of the KMK, directly or indirectly:

(i) solicit or otherwise encourage an offer for part of or the whole of the Sale Shares or all or any part of the Property from any person including any individual, corporate body, partnership or unincorporated association or trust other than KMK or a company which is a subsidiary of KMK (a "Third Party"); or

(ii) enter into, re-start, continue or otherwise participate in discussions or negotiations with any Third Party in connection with a possible offer for the Sale Shares or the Property; or

(iii) supply information to any Third Party relating to PIL or the Property which might lead to an offer for the Sale Shares or the Property; or

(iv) permit any person other than KMK (or a person acting on KMK's behalf) to view or obtain a survey or valuation of the Property; or

(v) dispose of any of the Sale Shares or the Property or enter into any agreement or arrangement to do so.

5. RATIONALE

The rationale for this Agreement is to secure exclusive rights during the Exclusivity Period, to purchase the Sale Shares and 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 proposed purchase price.

6. PROPOSED TRANSACTION

Barring any unforeseen circumstances, KMK and PHL are expected to enter into a definitive agreement in relation to the Proposed Transaction within the Exclusivity Period mentioned above.

In the event of the above, a further announcement will be made by the Company detailing among others, the salient terms and conditions of the Proposed Transaction.

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 Agreement.

8. DIRECTORS' STATEMENT

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

9. 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.

This announcement is dated 25 January 2012.