

**Circular/Notice to Shareholders**  
Reference No **KG-110606-33567**

Company Name : **KNM GROUP BERHAD**  
Stock Name : **KNM**  
Date Announced : **07/06/2011**

Subject : Part A - Statement in relation to Proposed Renewal of Shareholders' Mandate  
for Share Buy-Back; and

Part B - Circular to Shareholders in relation to Proposed Shareholders' Mandate  
for Recurrent Related Party Transactions of a revenue or trading nature

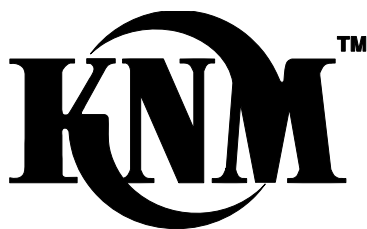
Contents :  [KNM's Circular to Shareholders.pdf](#)

**THIS STATEMENT/CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of Part A of this Statement/Circular pertaining to the Proposed Share Buy-Back Mandate (as defined herein) as Bursa Securities has prescribed it as an exempt circular. Bursa Securities has only conducted limited review on the contents of Part B of this Statement/Circular pertaining to the Proposed Recurrent RPT Mandate (as defined herein).

Bursa Securities takes no responsibility for the contents of this Statement/Circular and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement/Circular.



**KNM GROUP BERHAD**

(Company No. 521348-H)

**PART A**

**STATEMENT**

in relation to

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK**

**PART B**

**CIRCULAR TO SHAREHOLDERS**

in relation to

**PROPOSED SHAREHOLDERS' MANDATE FOR  
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The above proposals will be tabled as Special Business at KNM Group Berhad's ("KNM") 9<sup>th</sup> Annual General Meeting ("9<sup>th</sup> AGM") to be held on Wednesday, 29 June 2011 at 10.00 a.m. at Hang Li Po Room, Level 4, Mines Wellness Hotel, Jalan Dulang, MINES Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia. Notice of the 9<sup>th</sup> AGM together with the Form of Proxy, are set out in the Annual Report 2010 of KNM.

The Form of Proxy must be completed and deposited at the registered office of KNM at 15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time fixed for the 9<sup>th</sup> AGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 9<sup>th</sup> AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	27 June 2011 at 10.00 a.m.
Date and time of the 9 <sup>th</sup> AGM	:	29 June 2011 at 10.00 a.m.

This Statement/Circular is dated 7 June 2011

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Statement/Circular:

Act	:	Companies Act 1965, including any amendment that may be made from time to time.
AGM	:	Annual General Meeting.
Board or the Directors	:	Board of Directors of KNM.
Bursa Securities	:	Bursa Malaysia Securities Berhad.
CMSA	:	Capital Markets and Services Act 2007.
Director	:	Has the meaning given in section 4 of the Act and section 2(1) of the CMSA. For the purposes of the Proposed Recurrent RPT Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director or a chief executive of KNM or its subsidiary.
Interested Related Parties	:	Related Parties who are interested in the Proposed Recurrent RPT Mandate.
KNM or the Company	:	KNM Group Berhad.
KNM Group or the Group	:	KNM and its subsidiaries.
KNM Shares or Shares	:	Ordinary shares of RM1.00 each in KNM.
Listing Requirements	:	Bursa Securities Main Market Listing Requirements, including any amendment that may be made from time to time.
Major Shareholder	:	<p>Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of KNM or any other corporation which is KNM's subsidiary as defined under paragraph 1.01 of the Listing Requirements and reproduced hereinunder:</p> <p>A major shareholder means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:</p> <p>(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or</p> <p>(b) 5% or more of the aggregate of the nominal amounts of all the voting shares where such person is the largest shareholder of the corporation.</p> <p>For the purpose of this definition, "interest in shares" shall have the meaning given in section 6A of the Act.</p>
Market Day	:	Any day between Mondays and Fridays (both inclusive) which Bursa Securities is open for the trading of securities.
NA	:	Net Assets.
Person Connected	:	<p>Shall be as defined under paragraph 1.01 of the Listing Requirements and reproduced hereinunder.</p> <p>A person connected in relation to a Director or Major Shareholder means such person who falls under any one of the following categories:</p> <p>(a) a family member of the Director or Major Shareholder which shall include his spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his child (including adopted child and stepchild), brother or sister;</p>

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**DEFINITIONS (cont'd)**

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Person Connected (cont'd)	:	(b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a family member of the Director or Major Shareholder is the sole beneficiary;
		(c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;
		(d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
		(e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
		(f) a body corporate is or its director(s) which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
		(g) a body corporate or its director(s) whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
		(h) a body corporate in which the Director, Major Shareholder or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
		(i) a body corporate which is a related corporation.
Proposed Recurrent RPT Mandate or Proposed 2011 RRPT Mandate	:	Proposed shareholders' mandate for Recurrent RPTs as disclosed in this Statement/Circular.
Proposed Share Buy-Back Mandate	:	Proposed renewal of the authorisation for KNM to purchase its own Shares, which when aggregated with the Shares already purchased previously and retained as Treasury Shares, up to a maximum of ten percent (10%) of its issued and paid-up capital.
Purchased Shares	:	Shares purchased pursuant to the Company's share buy-back exercise.
Related Party or Related Parties	:	Director(s), Major Shareholder(s) or Person(s) Connected.
Related Party Transaction(s) or RPT(s)	:	Transaction(s) entered into by the Group which involves the interest, direct or indirect, of Related Party(ies).
Recurrent RPT(s)	:	A Related Party Transaction(s) which is/are recurrent, of a revenue or trading nature and which is/are necessary for day-to-day operations of KNM Group.
RM and sen	:	Ringgit Malaysia and sen respectively.
Substantial Shareholder(s)	:	A person who has an interest or interests in one or more voting Shares and the nominal amount of that Shares, or the aggregate of the nominal amounts of those Shares, is not less than 5% of the aggregate of the nominal amounts of all voting Shares as defined under section 69(D)(1) of the Act. "Interest in Shares" shall have the meaning given in section 6A of the Act.
Treasury Shares	:	Purchased Shares which are or will be retained as treasury shares.
2010 RRPT Mandate	:	The shareholders' mandate obtained at the Company's 8 <sup>th</sup> AGM on 23 June 2010 for KNM Group to enter into recurrent related party transactions as disclosed in the preceding year's circular to shareholders dated 1 June 2010 from even date, and shall expire at the conclusion of the forthcoming 9 <sup>th</sup> AGM to be held on 29 June 2011.

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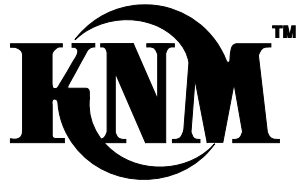
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**PART A**  
**STATEMENT**

in relation to

**PROPOSED SHARE BUY-BACK MANDATE**



## **KNM GROUP BERHAD**

(Company No. 521348-H)

### **STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK**

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#### **1. INTRODUCTION**

At the 8<sup>th</sup> AGM held on 23 June 2010, the Company had obtained shareholders' approval for the renewal of authority for the Company to purchase KNM Shares up to ten percent (10%) of the issued and paid-up share capital of KNM. The said authorisation shall, in accordance with the Listing Requirements, expire at the conclusion of the 9<sup>th</sup> AGM unless a renewal of the mandate is obtained from shareholders.

On 27 April 2011, the Board announced the Company's intention to seek its shareholders' authorisation for the Proposed Share Buy-Back Mandate at the 9<sup>th</sup> AGM.

The purpose of this Statement is to provide you with the relevant information of the Proposed Share Buy-Back Mandate, and to seek your approval for the resolution to be tabled at the forthcoming 9<sup>th</sup> AGM of the Company as set out in Appendix I of this Statement/Circular.

#### **2. DETAILS OF PROPOSED SHARE BUY-BACK MANDATE**

The Board seeks shareholders' approval for the renewal of the authority for the Company to purchase KNM Shares through stockbroker(s) and/or hold from time to time, and at any time up to ten percent (10%) of the issued and paid-up share capital of KNM for the time being quoted on Bursa Securities.

The Proposed Share Buy-Back Mandate is subject to section 67A of the Act and Part IIIA of the Companies Regulations 1966, and shall be effective upon the passing of the relevant Ordinary Resolution at the forthcoming 9<sup>th</sup> AGM.

The Proposed Share Buy-Back Mandate will continue to be in force until the conclusion of the next AGM of the Company unless a renewal of authority conferred is obtained from shareholders; or upon the expiration of the period within which the next AGM is required by law to be held pursuant to section 143(1) of the Act (but shall not extend to such extension that may be allowed pursuant to section 143(2) of the Act); or revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occurs first.

Pursuant to the Listing Requirements, the Company may only purchase its own Shares at a price which is not more than fifteen percent (15%) above the weighted average market price for KNM Shares for the five (5) Market Days immediately before the purchase, and the Company may only resell the Treasury Shares on the market of Bursa Securities at:

- (a) a price which is not less than the weighted average market price for KNM Shares for the five (5) Market Days immediately before the resale; or
- (b) a discounted price of not more than five percent (5%) to the weighted average market price for KNM Shares for the five (5) Market Days immediately before the resale provided that:
  - (i) the resale takes place no earlier than thirty (30) days from the date of purchase; and
  - (ii) the resale price is not less than the cost of purchase of the shares being resold.

The Directors may deal with the Purchased Shares, partially or entirely, at their discretion in the following manner:

- (a) cancel the Purchased Shares; and/or
- (b) retain the Purchased Shares as Treasury Shares; and/or
- (c) distribute the Treasury Shares as dividends to the shareholders ("Share Dividends"); and/or
- (d) resell the Treasury Shares on the market of Bursa Securities in accordance with the Listing Requirements; and/or
- (e) any other manner as prescribed by the applicable rules, regulations and orders made pursuant to the Act, the Listing Requirements and any other relevant authority for the time being in force.

The Company will ensure that any purchase of KNM Shares or resale of its Purchased Shares and/or Treasury Shares by the Company is effected only on the market of Bursa Securities.

The actual number of KNM Shares to be purchased depends upon the stock market sentiment, the retained earnings and share premium of the Company as well as the financial resources available to the Company.

## **2.1 RATIONALE**

The potential benefits of the Proposed Share Buy-Back Mandate, if implemented, to the Company and its shareholders are as follows:

- (a) The Group is able to utilise its surplus financial resources that the Group has no immediate use to purchase KNM Shares when the price is deemed undervalued.
- (b) The Proposed Share Buy-Back may stabilise the supply, demand and price of KNM Shares in the open market thereby supports its fundamental values.
- (c) Treasury Shares can be distributed as Share Dividends or be resold on the market of Bursa Securities at a higher price with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company.

## **2.2 POTENTIAL ADVANTAGES AND DISADVANTAGES**

The potential advantages of the Proposed Share Buy-Back Mandate are outlined in section 2.1 of this Statement.

The potential disadvantages of the Proposed Share Buy-Back Mandate, if implemented, are as follows:

- (a) The Proposed Share Buy-Back Mandate will reduce the financial resources of the Company and might result in the Group forgoing other alternative investment opportunities which may emerge in the future.
- (b) As the Proposed Share Buy-Back Mandate is subject to the retained profits and/or share premium of the Company, it may result in the reduction of financial resources available for distribution to the shareholders of the Company in the immediate future.

The Board is mindful of the interests of the Company and that of its shareholders in undertaking the Proposed Share Buy-Back Mandate. The Proposed Share Buy-Back Mandate is not expected to cause any potential material disadvantage to the Company and its shareholders as any share buy-back exercise shall be undertaken after an in-depth consideration of the financial resources of and resultant impacts on the Group.

## **2.3 FUNDING**

The Proposed Share Buy-Back Mandate will be financed through internal funds of the Company and/or external borrowings. The maximum amount of funds to be allocated for the Proposed Share Buy-Back Mandate is limited to the retained earnings and/or share premium of the Company. Based on the latest audited financial statements of the Company as at 31 December 2010, the retained earnings and share premium of KNM were respectively RM39.32 million and RM 319.43 million.

In the event that the Company purchases its own Shares using external borrowings, the Board shall ensure the Company has sufficient funds to repay external borrowings and the repayment will not have any material effect on the cash flow of the Group.

## 2.4 EFFECTS

In the event the Proposed Share Buy-Back is implemented in full, the proforma effects on the share capital, NA, working capital, earnings, dividends and shareholdings of Directors and Substantial Shareholders are as follows:

### 2.4.1 Share Capital

The Proposed Share Buy-Back Mandate is not expected to have any effect on the issued and paid-up share capital of KNM if the Purchased Shares are retained as Treasury Shares but the rights attaching to the Treasury Shares as to voting, dividends and participation in other distribution or otherwise will be suspended. While these Purchased Shares are retained as Treasury Shares, the Act prohibits such Treasury Shares be taken in calculating the number or percentage of Shares in the Company for any purpose whatsoever on substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for a meeting and results of a vote on resolution at a meeting.

On the assumption that the Purchased Shares (up to ten percent (10%) of the issued and paid-up share capital of KNM and including the KNM Shares previously purchased and currently retained as Treasury Shares) are cancelled, the issued and paid-up share capital of KNM will be as follows:

	No. of KNM Shares at RM1.00 each	RM
Existing issued and paid-up share capital of KNM as at 18 May 2011 (including the existing Treasury Shares)	1,001,092,593	1,001,092,593
Number of Purchased Shares to be cancelled pursuant to the Proposed Share Buy-Back Mandate	(100,109,259)	(100,109,259)
Resultant issued and paid-up share capital upon full implementation of the Proposed Share Buy-Back Mandate	900,983,334	900,983,334

### 2.4.2 NA

The Proposed Share Buy-Back Mandate is likely to reduce the NA per share the Company and the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase, and will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For Purchase Shares which are retained as Treasury Shares, the NA of the Group will increase upon the resale of these Treasury Shares, assuming that a gain has been realized. The quantum of increase in NA will depend on the actual selling price of Treasury Shares and the number of Treasury Shares resold.

### 2.4.3 Working Capital

The Proposed Share Buy-Back Mandate will reduce the cashflow and working capital of the Company, the quantum of which depends on the purchase price and the actual number of Purchased Shares.

On the other hand, if Treasury Shares are resold, then the cashflow and working capital of the Company will increase. The quantum of increase depends on the actual selling price and the number of Treasury Shares resold.

### 2.4.4 Earnings

The effect of the Proposed Share Buy-Back Mandate on the consolidated earnings of KNM depends on the purchase price, the number of Purchased Shares and the effective funding cost to the Company in implementing the Proposed Share Buy-Back Mandate.

## 2.4.5 Dividends

Barring any unforeseen circumstances, the Board does not expect, if the Proposed Share Buy-Back Mandate were to be implemented in full, would materially affect any declaration or recommendation of dividends by the Company. The actual dividend rate to be declared and paid will depend on, amongst others, the actual results of the Group, its cash reserves, capital commitment and future funding requirements.

## 2.4.6 Shareholdings of Directors and Substantial Shareholders

The effect of the full implementation of the Proposed Share Buy-Back Mandate on the shareholdings of Directors and Substantial Shareholders is set out as follows:

Directors	Before the Proposed Share Buy-Back Mandate (excluding the Treasury Shares held as at 18 May 2011)				After the Proposed Share Buy-Back Mandate (assuming 10% of the share capital of KNM were purchased and cancelled)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ir Lee Swee Eng	12,426,186	1.27	222,917,560 <sup>a</sup>	22.79	12,426,186	1.38	222,917,560 <sup>a</sup>	24.74
Lim Yu Tey	875,000	0.09	-	-	875,000	0.10	-	-
Dato' Ab Halim bin Mohyiddin	1,362,500	0.14	-	-	1,362,500	0.15	-	-
Datuk Karownikaran @ Karunakaran a/l Ramasamy	-	-	-	-	-	-	-	-
Gan Siew Liat	4,197,500	0.43	222,917,560 <sup>b</sup>	22.79	4,197,500	0.47	222,917,560 <sup>b</sup>	24.74
Chew Fook Sin	3,057,300	0.31	17,960,727 <sup>c</sup>	1.84	3,057,300	0.34	17,960,727 <sup>c</sup>	1.99
Ng Boon Su	-	-	-	-	-	-	-	-

Substantial Shareholders	Before the Proposed Share Buy-Back Mandate (excluding the Treasury Shares held as at 18 May 2011)				After the Proposed Share Buy-Back Mandate (assuming 10% of the share capital of KNM were purchased and cancelled)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Inter Merger Sdn Bhd	204,956,833	20.95	-	-	204,956,833	22.75	-	-
Ir Lee Swee Eng	12,426,186	1.27	222,917,560 <sup>a</sup>	22.79	12,426,186	1.38	222,917,560 <sup>a</sup>	24.74
Gan Siew Liat	4,197,500	0.43	222,917,560 <sup>b</sup>	22.79	4,197,500	0.47	222,917,560 <sup>b</sup>	24.74
Employees Provident Fund Board	104,702,013	10.70	-	-	104,702,013	11.62	-	-
Elliott Capital Advisors, L.P.	-	-	49,012,200 <sup>d</sup>	5.01	-	-	49,012,200 <sup>d</sup>	5.44

Notes:

a Deemed interested by virtue of his indirect interest in Inter Merger Sdn Bhd ("IMSB") and direct interest in Tegas Klasik Sdn Bhd ("TKSB").

b Deemed interested by virtue of her indirect interest in IMSB and interest of her spouse, Ir Lee Swee Eng.

c Deemed interested by virtue of his direct interest in TKSB.

d Deemed interested pursuant to section 6A of the Companies Act 1965.

## 2.5 PURCHASE, RESALE AND CANCELLATION OF KNM SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

During the financial year ended 31 December 2010, the Company had purchased 21,110,000 KNM Shares at par value of RM0.25 each prior to completion of the share consolidation exercise whereby every 4 KNM shares of RM0.25 were consolidated into 1 KNM Share of RM1.00 each effective from 8 December 2010, and there were no resale and cancellation of any Purchased Shares.

As at 18 May 2011, a total of 22,991,275 KNM Shares at par value of RM1.00 each were purchased and retained as Treasury Shares, the details of which have been disclosed in the Annual Report 2010 of KNM.

## 2.6 PUBLIC SHAREHOLDING SPREAD

As at 18 May 2011, the public shareholding spread of the Company was 71.79%. The Board is mindful of the requirement to maintain the public shareholdings spread of at least twenty-five percent (25%) and will continue to be mindful of the said requirement prior to any share buy-back exercise.

**2.7 IMPLICATIONS IN RELATION TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2010 (“THE CODE”)**

The Board does not anticipate any implication relating to the Code (as may be amended or modified from time to time) even if the allowed maximum number of KNM Shares is purchased pursuant to the authority granted under the Proposed Share Buy-Back Mandate.

However, in the event that the obligation of Substantial Shareholders and/or persons acting in concert is triggered due to the Proposed Share Buy-Back Mandate, the affected Substantial Shareholders and/or persons acting in concert may seek a waiver under section 219 of the CMSA subject to the relevant conditions being met since the increase of their shareholdings is inadvertent and is a result of an action beyond their direct participation.

**3. APPROVAL REQUIRED**

The Proposed Share Buy-Back Mandate is subject to the approval of the shareholders of KNM at its forthcoming 9<sup>th</sup> AGM.

**4. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED**

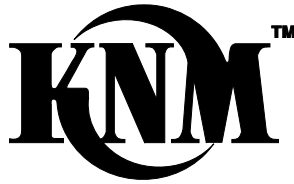
Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the Proposed Share Buy-Back Mandate, none of the Directors or Substantial Shareholders or Persons Connected has any interest, direct or indirect, in the Proposed Share Buy-Back Mandate or resale of Treasury Shares, if any.

**5. DIRECTORS’ RECOMMENDATION**

Having considered all aspects of the Proposed Share Buy-Back Mandate, the Board is of the opinion that this proposal is in the best interest of KNM. Accordingly, the Board recommends that you vote in favour of the resolution in respect of the Proposed Share Buy-Back Mandate to be tabled at the forthcoming 9<sup>th</sup> AGM.

This Statement is dated 7 June 2011.

**PART B**  
**CIRCULAR TO SHAREHOLDERS**  
in relation to  
**PROPOSED RECURRENT RPT MANDATE**



**KNM GROUP BERHAD**  
(Company No. 521348-H)

**Registered Office:**  
15 Jalan Dagang SB 4/1  
Taman Sungai Besi Indah  
43300 Seri Kembangan  
Selangor Darul Ehsan  
Malaysia

7 June 2011

**Directors:**

Ir Lee Swee Eng, *Executive Chairman / Chief Executive Officer*  
Lim Yu Tey, *Senior Independent Non-Executive Director*  
Dato' Ab Halim bin Mohyiddin, *Independent Non-Executive Director*  
Datuk Karownikaran @ Karunakaran a/l Ramasamy, *Independent Non-Executive Director*  
Gan Siew Liat, *Executive Director*  
Chew Fook Sin, *Executive Director*  
Ng Boon Su, *Executive Director*

**To the Shareholders of KNM Group Berhad**

Dear Sir/Madam,

**PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1. INTRODUCTION**

At the 8<sup>th</sup> AGM of the Company held on 23 June 2010, the Company had obtained a mandate from its shareholders for Recurrent RPTs pursuant to the Listing Requirements. The authority granted pursuant to the shareholders' mandate obtained at the 8<sup>th</sup> AGM shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming 9<sup>th</sup> AGM of the Company.

On 27 April 2011, the Board announced the Company's intention to seek shareholders' approval for the Proposed Recurrent RPT Mandate at the 9<sup>th</sup> AGM.

The purpose of this Circular is to provide you with details of the Proposed Recurrent RPT Mandate and to seek your approval for the relevant Ordinary Resolution to be tabled at the forthcoming 9<sup>th</sup> AGM of the Company as set out in Appendix I of this Statement/Circular.

**2. DETAILS OF PROPOSED RECURRENT RPT MANDATE**

**2.1 LISTING REQUIREMENTS**

Paragraph 10.08 of the Listing Requirements stipulates the obligations of a listed issuer to comply in relation to related party transactions. However, pursuant to paragraph 10.09 of the Listing Requirements and Practice Note 12, a listed issuer may seek a shareholders' mandate in respect of recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal or more than the threshold prescribed below:
  - (i) the consideration, value of assets, capital outlay or costs of the recurrent related party transaction is RM1 million or more; or
  - (ii) any one of the percentage ratios of such recurrent related party transaction is 1% or more,
 whichever is the higher;
- (c) the listed issuer will issue circular to shareholders in relation to the shareholders' mandate including the information as may be prescribed by Bursa Securities; the draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders and/or interested person connected with a director or major shareholder; and where it involves the interest of a person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions; and an interested director or interested major shareholder must ensure that the persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) an immediate announcement is made to Bursa Securities when the actual value of a recurrent related party transaction entered into by the listed issuer, exceeds the estimated value of the recurrent related party transaction disclosed in the circular to shareholders by 10% or more, and the announcement must include the information as prescribed by Bursa Securities.

Where a listed issuer has procured a shareholders' mandate pursuant to paragraph 10.09 of the Listing Requirements and Practice Note 12, the provisions of paragraph 10.08 will not apply.

## **2.2 VALIDITY PERIOD**

The Proposed Recurrent RPT Mandate, if approved at the forthcoming 9<sup>th</sup> AGM of the Company, will take effect from the passing of the relevant Ordinary Resolution at the 9<sup>th</sup> AGM and the authority conferred by the Proposed Recurrent RPT Mandate will continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the forthcoming 9<sup>th</sup> AGM at which the Proposed Recurrent RPT Mandate is obtained unless by an ordinary resolution passed at the next AGM of the Company, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to section 143(1) of the Act (but must not extend to such extensions as may be allowed pursuant to section 143(2) of the Act); or
- (c) revoked or varied by ordinary resolution passed by the shareholders of KNM in a general meeting,

whichever is the earlier.

## **2.3 PRINCIPAL ACTIVITIES OF KNM GROUP**

KNM is principally engaged in investment holding and provision of management services whilst its subsidiaries are principally involved in the following:

- (a) provision of design, engineering, procurement, mechanical assembly & erection, commissioning, manufacturing, fabrication, technical & project management, technical advisory & consultancy, business development, non-destructive testing, project manpower, thermal & mechanical design, sales & marketing, distribution, construction management, electrical and instrumentation works, maintenance and other support services of process equipment, systems and facilities, including but not limited to pressure vessels, jacketed pressure vessels, reactors, columns & towers, drums, heat exchangers, air finned coolers, process gas waste heat boilers, high capacity industrial boilers, specialty shell & tube heat exchangers, plate heat exchangers, welded plate type heat exchangers, plate bundle for exchangers, air-cooled heat exchangers, heat exchange systems, condensers, spheres, process tanks, mounded bullets, process skid packages, skid mounted assemblies, specialised structural assemblies, module assemblies, process pipe systems, storage tanks, heat recovery steam generators, feed water heaters, turnkey storage facilities, plant facilities, piping & ducting and general facilities for oil, gas, petrochemicals, mineral process, energy, biofuels, desalination, textile, pharmaceutical, food, aerospace & research industries and/or plants worldwide;

- (b) provision of process technology, operation & maintenance and turnkey services for biofuels and seeds extraction plants, and related investment in renewable energy industry;
- (c) provision of qualifying services under overseas headquarters status include management, treasury, financial advisory, technical support, marketing, business development, procurement and other related functions;
- (d) provision of sulphur removal & recovery technology related services;
- (e) provision of process, planning, fabrication, distribution, trading, installation, maintenance and other related industrial services of machines, assets, apparatuses and miscellaneous components;
- (f) provision of system engineering, industrial fabrication, assembly and sales services of machines, and construction of compressors, containers, silos and systems for conveyor technique;
- (g) planning for construction, delivery and installation of generating plants, and provision of related maintenance and other support services;
- (h) develop, process and distribute membranes, membrane modules and components;
- (i) production of platforms, towers, column pressure pipes, large barrels, boilers, thermal transformers, large tanks and cooling fans;
- (j) provision of management and technical advisory, license and trademark services;
- (k) provision of funding & treasury and other related services;
- (l) property investment;
- (m) investment holding;
- (n) provision of jacking of tanks, catalyst change-out and chemical cleaning works; and
- (o) provision of design, engineering, procurement, construction and commissioning and other related services for oil, gas, petrochemical, minerals processing, biofuel, energy, pharmaceutical, food industry and oleochemical industries.

## 2.4 NATURE OF RECURRENT RPTs AND CLASS OF RELATED PARTIES

The nature of the Recurrent RPTs and the class of Related Parties having interest in the Recurrent RPTs to be entered by KNM Group, for which the Proposed 2011 RRPT Mandate or Proposed Recurrent RPT Mandate is sought, are as follows:

	Proposed 2011 RRPT Mandate or Proposed Recurrent RPT Mandate				2010 RRPT Mandate	
	Nature of Recurrent RPTs	Transacting companies	Interested Related Parties	Estimated value <sup>&gt;</sup> (RM)	Estimated value <sup>*</sup> (RM)	Actual value <sup>@</sup> (RM)
(i)	Lease/tenancy of land and/or premises, and related/administrative facilities from/to transacting company <sup>#1</sup>	Inter Merger Sdn Bhd <sup>1</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Chew Fook Sin <sup>c</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup>	3,500,000	3,500,000	1,395,986
(ii)	Provision/supply of equipment, plants and machineries and other support services	IMT O&G Solutions Sdn Bhd <sup>2</sup>	Azmi bin Sa'ad <sup>f</sup>	1,000,000	1,000,000	16,972

	Proposed 2011 RRPT Mandate or Proposed Recurrent RPT Mandate				2010 RRPT Mandate	
	Nature of Recurrent RPTs	Transacting companies	Interested Related Parties	Estimated value <sup>&gt;</sup> (RM)	Estimated value * (RM)	Actual value <sup>@</sup> (RM)
(iii)	Provision/receipt of general construction, civil, mechanical, engineering and other support services	IM Bina Sdn Bhd <sup>3</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Chew Fook Sin <sup>c</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup>	20,000,000	30,000,000	4,166,193
(iv)	<ul style="list-style-type: none"> <li>▪ Provision/receipt of general construction, civil, mechanical, engineering and other support services</li> <li>▪ Lease/tenancy of land and/or premises, and related/administrative facilities from/to transacting company <sup>#2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Tofield Realty Development Corporation <sup>4</sup></li> <li>▪ Tofield Contractors Inc <sup>5</sup></li> </ul>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Chew Fook Sin <sup>c</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup> Asiavertek Sdn Bhd <sup>g</sup>	2,000,000	30,000,000	341,261
(v)	<ul style="list-style-type: none"> <li>▪ Provision/receipt of mechanical and engineering, general administrative and other support services</li> <li>▪ Provision/receipt of qualifying services under overseas headquarters (OHQ) status and other support services</li> </ul>	KPS Technology & Engineering LLC <sup>6</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Chew Fook Sin <sup>c</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup>	10,000,000	20,000,000	2,256,827

Notes:

<sup>></sup> The estimated aggregate value of Recurrent RPTs under Proposed 2011 RRPT Mandate during the validity period (as disclosed in this Statement/Circular) based on historical and/or current actual transactions and/or management forecast. The actual value may vary from the estimated value.

\* The estimated aggregate value in relation to 2010 RRPT Mandate ("2010 RRPT Mandate's Estimated Value") as disclosed in the preceding year's circular to shareholders dated 1 June 2010.

<sup>@</sup> The actual value transacted during the validity period of 2010 RRPT Mandate i.e. from 23 June 2010 up to 30 April 2011, being the latest practicable date before printing of this Statement/Circular ("2010 RRPT Mandate's Actual Value").

None of the 2010 RRPT Mandate's Actual Value has exceeded 2010 RRPT Mandate's Estimated Value by 10% or more during the validity period of 2010 RRPT Mandate.

<sup>#</sup> All tenancy transactions are for a term of not more than three (3) years and no rental payment is to be made on a lump sum basis, including but not limited to the following transactions, as the case may be:

<sup>#1</sup> Renting of office premises at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor, Malaysia from transacting company with a rental of RM75,240 per month.

<sup>#2</sup> Renting of staff accommodation at 5604-50 Ave, Tofield, AB TOB4JO, Canada from transacting company with a rental of 10,833 Canadian Dollars per month.

### **Principal activities of the transacting companies**

	<b>Transacting companies</b>	<b>Principal activity(ies)</b>
1.	<i>Inter Merger Sdn Bhd</i>	<i>Investment holding, provision of management and technical consultancy services.</i>
2.	<i>IMT O&amp;G Solutions Sdn Bhd</i>	<i>General trading.</i>
3.	<i>IM Bina Sdn Bhd</i>	<i>Provision of civil construction and engineering services.</i>
4.	<i>Tofield Realty Development Corporation</i>	<i>Investment holding.</i>
5.	<i>Tofield Contractors Inc.</i>	<i>Provision of civil construction and engineering services.</i>
6.	<i>KPS Technology &amp; Engineering LLC</i>	<i>Provision of sulphur removal and recovery services for oil, gas, energy and power industries.</i>

### **Nature of relationship of the Interested Related Parties with KNM Group**

- (a) *Ir Lee Swee Eng is a director of KNM Group, Inter Merger Sdn Bhd, Tofield Realty Development Corporation, Tofield Contractors Inc. and Asiavertek Sdn Bhd. He is a major shareholder of KNM, KPS Technology & Engineering LLC (direct interest: 10.81%; indirect interest: 64.87%), Inter Merger Sdn Bhd (indirect interest: 80%), Tegas Klasik Sdn Bhd (direct interest: 40%) and Asiavertek Sdn Bhd (direct interest: 50%; indirect interest: 50%). Ir Lee Swee Eng is the spouse of Gan Siew Liat and the brother-in-law of Chew Fook Sin.*
- (b) *Gan Siew Liat is a director of KNM Group, Inter Merger Sdn Bhd, Tofield Realty Development Corporation, Tofield Contractors Inc. and Asiavertek Sdn Bhd. She is a major shareholder of KNM, Inter Merger Sdn Bhd (indirect interest: 80%), Tegas Klasik Sdn Bhd (indirect interest: 40%) and Asiavertek Sdn Bhd (direct interest: 50%; indirect interest: 50%). Gan Siew Liat is the spouse of Ir Lee Swee Eng and the sister-in-law of Chew Fook Sin.*
- (c) *Chew Fook Sin is a director of KNM Group and Tegas Klasik Sdn Bhd. He is a major shareholder of Tegas Klasik Sdn Bhd (direct interest: 23.15%). Chew Fook Sin is the brother-in-law of Ir Lee Swee Eng and Gan Siew Liat.*
- (d) *Inter Merger Sdn Bhd is a major shareholder of KNM and the holding company of IM Bina Sdn Bhd (98%). It is a person connected with Ir Lee Swee Eng (indirect interest: 80%) and Gan Siew Liat (indirect interest: 80%) by virtue of their interests in the company.*
- (e) *Tegas Klasik Sdn Bhd is a shareholder of KNM. It is a person connected with Ir Lee Swee Eng (direct interest: 40%), Gan Siew Liat (indirect interest: 40%) and Chew Fook Sin (direct interest: 23.15%) by virtue of their major interests in the company.*
- (f) *Azmi bin Sa'ad is a director of KNM Process Systems Sdn Bhd (a wholly-owned subsidiary of KNM) and a director and major shareholder of IMT O&G Solutions Sdn Bhd (direct interest: 50%).*
- (g) *Asiavertek Sdn Bhd is the holding company of Tofield Realty Development Corporation (100%) and Tofield Contractors Inc (100%). It is a person connected with Ir Lee Swee Eng (direct interest: 50%; indirect interest: 50%) and Gan Siew Liat (direct interest: 50%; indirect interest: 50%) by virtue of their interests in the company.*

### **3. RATIONALE FOR PROPOSED RECURRENT RPT MANDATE**

It is envisaged that in the normal course of the Group's businesses, the Recurrent RPTs to be entered with the transacting companies as disclosed in section 2.4 above are necessary for the Group's day-to-day operations and likely to occur with some degree of frequency. These Recurrent RPTs are in the ordinary course of business of the Group and undertaken at arm's length basis; on normal commercial terms; on terms which are not, in the Company's opinion, more favourable to the Related Parties than those generally available to the public; and not to the detriment of the minority shareholders of the Company.

Some of the key benefits to the Group entering into Recurrent RPTs are as follows:

- (a) The Recurrent RPTs may be time sensitive, hence it will be impractical to seek shareholders' approval on an *ad hoc* basis before entering into such Recurrent RPTs. By obtaining the Proposed Recurrent RPT Mandate and/or renewal of the same on an annual basis, the necessity to convene separate general meetings to seek shareholders' approval as and when such Recurrent RPTs occur will not arise. This will substantially reduce the time, administrative requirements, inconvenience and expenses associated therewith without adversely affecting the business opportunities available to the Group.
- (b) To facilitate transacting in expeditious manner for the provision of products and/or services which are necessary for its day-to-day operations and time sensitive in nature to meet business needs without compromising the corporate objectives of the Group and adversely affecting the business opportunities available to the Group.

- (c) Given some transacting companies are involved in complementary nature of businesses that of the Group and the long-standing and cordial business relationship, the close co-operation between the Group and the transacting companies has reaped mutual benefits by synergizing and tapping the established business and functional expertise within. The transacting companies are reliable business partners and/or products and services providers of the Group who fulfill its business needs and quality expectations even at a short notice.

#### **4. EFFECTS OF PROPOSED RECURRENT RPT MANDATE**

The Proposed Recurrent RPT Mandate is not expected to have any effect on the share capital, NA, earnings of the Group and shareholdings of Directors and Major Shareholders of the Company.

#### **5. THRESHOLD FOR APPROVAL OF RECURRENT RPTS**

There are no specific thresholds for approval of Recurrent RPTs within the Group. However, all Recurrent RPTs are subject to the review and/or approval of the appropriate level of authority pursuant to the procedures as disclosed in section 6 below set by the Executive Directors and/or senior management (such as delegated general managers or department managers, depending on the type of transactions), to ensure the Recurrent RPTs will be carried out on arm's length basis; on transaction price and on terms not more favourable to the Related Parties than those generally available to the public; and are not detriment of the minority shareholders.

#### **6. REVIEW PROCEDURES FOR RECURRENT RPTS**

KNM has established adequate procedures to ensure that the Recurrent RPTs are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies; are not more favourable to the Related Parties than those generally available to the public; and are not to the detriment of minority shareholders.

The procedures, *inter alia*, are as follows:

- (a) The management of the Group is kept informed of the procedures applicable to the Recurrent RPTs to ensure that Recurrent RPTs will be entered into after taking into account the exclusivity of the distributorship, pricing, quality, expertise required and other related factors.
- (b) Records of all Recurrent RPTs are maintained and reports thereof are circulated to the Audit Committee on quarterly basis for the Audit Committee's notation, review and monitoring of such Recurrent RPTs.
- (c) Review of the procedures governing Recurrent RPTs entered into by the Group, the approval required, compliance and reporting of such Recurrent RPTs are incorporated in the annual internal audit plan.
- (d) In the event a Recurrent RPT to be entered into by the Group involves the interest, direct or indirect of a member of the Board and/or Audit Committee, the Director concerned shall abstain from deliberation and voting in respect of this Recurrent RPT.

Currently, whenever practicable and/or feasible, at least two other contemporaneous transactions with unrelated third parties for similar products and/or services will be obtained and used as comparison, to determine whether the price and terms offered to or by the related parties are fair and reasonable and comparable to those offered to or by other unrelated third parties for the same or substantially similar type of products or services. In the event that quotation or comparative pricing from unrelated third parties cannot be possibly obtained due to unavailability of unrelated third party vendors or customers for similar products or services, and/or the product or service is a proprietary item, the management will determine the transaction price in the manner as mentioned in section 6(a) above and ensure that the Recurrent RPT is not detrimental to the Company and the Group, and the minority shareholders of the Company.

## 7. STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee has seen and reviewed the procedures set forth in section 6 above and is of the view that:

- (a) the said procedures are sufficient to ensure that the Recurrent RPTs are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- (b) the Group has in place adequate procedures and processes to monitor, track and identify Recurrent RPTs in a timely manner, and such procedures and processes are being reviewed quarterly or as and when necessary so as to ensure the procedures are in complied with the relevant guidelines and policies.

## 8. APPROVAL REQUIRED

The Proposed Recurrent RPT Mandate is subject to the approval being obtained from the shareholders of the Company at its forthcoming 9<sup>th</sup> AGM.

## 9. INTERESTS OF INTERESTED RELATED PARTIES

Save as disclosed below, none of the other Directors, Major Shareholders or Persons Connected has any interest, direct or indirect, in the Proposed Recurrent RPT Mandate.

The direct and indirect shareholdings of the Interested Related Parties in the Company as at 18 May 2011 are as set out below:

Interested Related Parties	Direct		Indirect	
	No. of Shares	% <sup>#</sup>	No. of Shares	% <sup>#</sup>
Ir Lee Swee Eng	12,426,186	1.27	222,917,560 <sup>a</sup>	22.79
Gan Siew Liat	4,197,500	0.43	222,917,560 <sup>b</sup>	22.79
Chew Fook Sin	3,057,300	0.31	17,960,727 <sup>c</sup>	1.84
Inter Merger Sdn Bhd	204,956,833	20.95	-	-
Tegas Klasik Sdn Bhd	17,960,727	1.84	-	-
Azmi bin Sa'ad	-	-	-	-
Asiavertek Sdn Bhd	-	-	-	-

Notes:

# Percentage interest is based on the total issued and paid-up share capital of the Company less Treasury Shares held as at 18 May 2011.

a Deemed interested by virtue of his indirect interest in Inter Merger Sdn Bhd ("IMSB") and direct interest in Tegas Klasik Sdn Bhd ("TKSB").

b Deemed interested by virtue of her indirect interest in IMSB and interest of her spouse, Ir Lee Swee Eng.

c Deemed interested by virtue of his direct interest in TKSB.

Accordingly, the abovementioned Directors who being Interested Related Parties in the Proposed Recurrent RPT Mandate have abstained and/or will abstain from Board deliberations on the resolution pertaining to the Proposed Recurrent RPT Mandate.

The abovementioned interested Directors and Major Shareholders will abstain and will ensure the Persons Connected also abstain from voting on the resolution pertaining to the Proposed Recurrent RPT Mandate, in respect of their direct and/or indirect shareholdings in the Company.

Further, where the Persons Connected with Directors and/or Major Shareholders have any interest, direct or indirect, in the Proposed Recurrent RPT Mandate, the Directors and/or Major Shareholders concerned will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution approving the Proposed Recurrent RPT Mandate.

Despite the Recurrent RPTs as set out in section 2.4 of this Circular involved several different Related Parties or classes of Related Parties, the Interested Related Parties have agreed that the Company may table one resolution to obtain the Proposed Recurrent RPT Mandate for all such Recurrent RPTs.

**10. DIRECTORS' RECOMMENDATION**

Having considered all aspects of the Proposed Recurrent RPT Mandate, the Directors except Ir Lee Swee Eng, Madam Gan Siew Liat and Mr Chew Fook Sin, are of the opinion that the Proposed Recurrent RPT Mandate is in the best interest of the Group.

With the exception of Ir Lee Swee Eng, Madam Gan Siew Liat and Mr Chew Fook Sin who are interested in the Proposed Recurrent RPT Mandate in the manner as set out in sections 2.4 and 9 of this Circular, and have therefore abstained from making any recommendation in respect of the Recurrent RPTs in which their interests are involved, the Board recommends that you vote in favour of the Ordinary Resolution on the Proposed Recurrent RPT Mandate to be tabled at the forthcoming 9<sup>th</sup> AGM of the Company.

**11. AGM**

The resolutions pertaining to the Proposed Share Buy-Back Mandate and the Proposed Recurrent RPT Mandate are set out in the Notice of the Company's 9<sup>th</sup> AGM, which is sent to you together with this Statement/Circular. An extract of the said resolutions is enclosed as Appendix I of this Statement/Circular.

The 9<sup>th</sup> AGM of the Company will be held on Wednesday, 29 June 2011 at 10.00 a.m. at Hang Li Po Room, Level 4, Mines Wellness Hotel, Jalan Dulang, MINES Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.

If you are unable to attend and vote in person at the forthcoming 9<sup>th</sup> AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy enclosed in the Company's Annual Report 2010 in accordance with the instructions contained therein and deposit the Form of Proxy at the registered office of the Company no less than forty-eight (48) hours before the time set for the 9<sup>th</sup> AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 9<sup>th</sup> AGM should you subsequently wish to do so.

**12. FURTHER INFORMATION**

Shareholders of the Company are advised to refer to Appendix II for further information.

Yours faithfully  
For and on behalf of the Board of  
**KNM GROUP BERHAD**

Dato' Ab Halim bin Mohyiddin  
Independent Non-Executive Director

(1) **Ordinary Resolution 7**  
**Proposed renewal of shareholders' mandate for share buy-back**

**"THAT** subject to the Company's compliance with all the applicable rules, regulations, orders and guidelines made pursuant to the Companies Act 1965 ("the Act"), the Company's Memorandum and Articles of Association and Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"), approval be and is hereby given to the Company to purchase at any time such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors in their absolute discretion deem fit and expedient in the interest of the Company ("Proposed Share Buy-Back Mandate") provided that:

- (i) the aggregate number of ordinary shares which may be purchased and retained as treasury shares by the Company at any point of time pursuant to the Proposed Share Buy-Back Mandate shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company;
- (ii) the amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back Mandate shall not exceed the retained earnings and/or share premium of the Company as at 31 December 2010; and
- (iii) the shares so purchased by the Company pursuant to the Proposed Share Buy-Back Mandate may at the discretion of the Directors be:
  - (a) retained as treasury shares; and/or
  - (b) cancelled; and/or
  - (c) resold on the market of Bursa Securities in accordance to the Listing Requirements; and/or
  - (d) distributed as dividends to the shareholders; and /or
  - (e) in any other manner as prescribed by the applicable rules, regulations and orders made pursuant to the Act, the Listing Requirements and any other relevant authority for the time being in force;

**AND THAT** such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Share Buy-Back Mandate will continue to be in force until the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or the expiration of the period within which the next Annual General Meeting is required to be held pursuant to section 143(1) of the Act (but must not extend to such extensions as may be allowed pursuant to section 143(2) of the Act); or until the authority is revoked or varied by a resolution passed by the shareholders in a general meeting, whichever occurs first;

**AND THAT** the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to implement and give effect to the Proposed Share Buy-Back Mandate."

(2) **Ordinary Resolution 8**  
**Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

**"THAT** approval be and is hereby given to the Company and/or its subsidiaries ("KNM Group") to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of KNM Group ("Related Parties") as specified in section 2.4 of the Circular to Shareholders dated 7 June 2011 provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to Related Parties than those generally available to the public; and
- (iv) are not to the detriment of minority shareholders,

("Proposed Recurrent RPT Mandate");

**AND THAT** such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Recurrent RPT Mandate will continue to be in force until the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or the expiration of the period within which the next Annual General Meeting is required to be held pursuant to section 143(1) of the Act (but must not extend to such extensions as may be allowed pursuant to section 143(2) of the Act); or until the authority is revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is the earlier;

**AND THAT** the Directors of the Company be and are hereby empowered to complete and to do all such acts and things including executing all such documents as may be required as they may consider expedient or necessary to give effect to the Proposed Recurrent RPT Mandate.”

## 1. Responsibility statement

This Statement/Circular has been seen and approved by the Directors of the Company who collectively and individually accept full responsibility for the accuracy of the information given therein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement in this Statement/Circular misleading.

## 2. Material contracts

Save as disclosed below, neither KNM nor its subsidiaries has entered into any material contracts (not being contracts entered into in the ordinary course of business of the Group) within the two (2) years immediately preceding the date of this Statement/Circular:

- (a) Memorandum of Agreement dated 29 July 2009 (“MOA”) between KNM Process Systems Sdn Bhd (“KNMPS”), a wholly-owned subsidiary of KNM Group Berhad (“KNM”) and the Societe Des Hydrocarbures Du Tchad (“SHT”) to establish a 60% (KNMPS) : 40% (SHT) joint venture company (“JVCo”) whereby the JVCo will be granted a 5-year concession to develop, operate and maintain the Sedigi Oilfield Facilities in Chad; KNM will undertake a 24-month EPCC contract with an estimated value of USD220.0 million (about RM777.0 million); and the JVCo will also award the training, operations and maintenance of the facilities to KNMPS for the concession period. Both parties agreed to execute a joint venture operating agreement by 31 August 2009 subject to further feasibility studies and detailed proposal to be undertaken by KNMPS.

On 1 September 2009, KNMPS announced that KNMPS had sought for an extension of time up to 30 November 2009 to complete the feasibility studies and to finalize salient terms of the contract details with SHT. The MOA was subsequently treated as lapsed on 1 December 2009 since KNMPS had not reached any agreement with SHT regarding KNMPS’s request for an extension of time and on the salient terms of the contract details with SHT. There is no financial impact and no further obligation on either party in respect of the said MOA.

- (b) Memorandum of Agreement for Co-operation dated 25 January 2010 between KNM and Litwin SA, a company based in France to form a joint venture company known as Litwin Asia Pacific Sdn Bhd on 51% (KNM) : 49% (Litwin SA) basis aimed to enable Litwin SA and KNM to co-operate on a mutually beneficial and exclusive basis in relation to securing and executing steam power plants, coal-fired power plants, cogeneration and trigeneration plants, combined cycle plants, waste-to-energy plant, and such other business opportunities and projects in the Asia Pacific region.
- (c) (i) Trust Deed dated 10 November 2010 between KNM and Equity Trust (Malaysia) Sdn Bhd (“Equity Trust”);
- (ii) Programme Agreement dated 10 November 2010 between KNM, RHB Investment Bank Berhad (“RHB”) and Standard Chartered Saadiq Berhad (“SCB”);
- (iii) Depository and Paying Agency Agreement dated 10 November 2010 between KNM, Equity Trust, Bank Negara Malaysia and RHB;
- (iv) Declaration of Trust (Designated Accounts) dated 10 November 2010 between KNM and Equity Trust; and
- (v) Deed of Definitions dated 10 November 2010 between KNM, Equity Trust, RHB and SCB,

in relation to the issuance of up to RM1,500 million in nominal value of Islamic Commercial Papers and/or Islamic Medium Term Notes.

- (d) Shareholders Agreement dated 1 December 2010 between KNM International Sdn Bhd (“KNMI”), a wholly-owned subsidiary of KNM and Aveng (Africa) Limited (“AVENG”) towards, *inter alia*, establishing a joint-venture company known as KNM Grinaker-LTA (Proprietary) Limited (“KGL”) on 49.9% (KNMI) : 50.1% (AVENG) basis; and KGL shall enter into a Management and Technology Licence Agreement with KNMI, whereby KNMI shall grant the exclusive and non-transferrable licence right to KGL in respect of the fabrication of certain identified KNM products.

- (e) Joint Venture Agreement dated 13 December 2010 between KNM and Petrosab Logistik Sdn Bhd ("PETROSAB") towards, *inter alia*, the establishment of a joint venture company to be known as KNM Petrosab Sdn Bhd ("KNMP") to act as an investment holding company on 51% (KNM) : 49% (PETROSAB) basis; and KNMP shall form project companies to target oil and gas projects in Sabah, whereby KNMP had on 13 December 2010 invested in two (2) ordinary shares of RM1.00 each in KNM Petrosab Engineering Sdn Bhd being one of the project companies.

### **3. Material litigation**

Neither the Company nor its subsidiaries, as at the date of this Statement/Circular, is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant. The Directors are not aware of any proceeding, pending or threatened against the Company and/or its subsidiaries or any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Company and/or its subsidiaries.

### **4. Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company from the date of this Statement/Circular up to and including the date of the 9<sup>th</sup> AGM:

- (a) Memorandum and Articles of Association of the Company;
- (b) Audited consolidated financial statements of the Company for the past two (2) financial years ended 31 December 2009 and 31 December 2010; and
- (c) Material contracts referred to in paragraph 2 of this Appendix II.