

General Announcement

Reference No **CU-060425-63767**

Submitting Merchant Bank : ASEAMBANKERS MALAYSIA BERHAD
Company Name : **KNM GROUP BERHAD**
Stock Name : KNM
Date Announced : 25/04/2006

Type : **Announcement**
Subject : **KNM Group Berhad ("KNM" or "the Company")**

Proposed private placement of up to 15,787,848 new ordinary shares of RM0.50 each in KNM Group Berhad ("Placement Shares"), representing up to 10% of the issued and paid-up share capital of the Company at an issue price to be fixed ("Proposed Private Placement").

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1. Introduction

On behalf of the Board of Directors of KNM ("Board"), Aseambankers Malaysia Berhad is pleased to announce that the Company proposes to implement the Proposed Private Placement.

2. Details of the Proposed Private Placement

The Proposed Private Placement involves the issuance of up to 15,787,848 Placement Shares, which represents a total of up to 10% of the issued and paid-up share capital of KNM at an issue price to be fixed at a later date. The Proposed Private Placement may be implemented in multiple tranches. The Placement Shares shall be placed out to places in accordance with the Policies and Guidelines on the Issue/Offer of Securities issued by the Securities Commission ("SC").

The Company shall determine and fix the issue price of the Placement Shares at a date to be determined after all approvals for the Proposed Private Placement have been obtained, which shall be issued at a discount not exceeding 5% to the 5-day weighted average market price ("WAP") of the Company's shares. For illustrative purposes only, based on a discount of not more than 5% to the 5-day WAP of RM5.0794 (as at 24 April 2006), the Proposed Private Placement will raise gross proceeds of up to RM76,182,681.

The proceeds to be raised from the Proposed Private Placement is proposed to be utilised to finance the working capital requirements of the KNM Group as well as to pay expenses relating to the Proposed Private Placement.

The maximum number of 15,787,848 Placement Shares above have been determined based on the issued and paid-up share capital of KNM as at 24 April 2006 of RM75,817,800 comprising 151,635,600 shares in the Company and assuming all options under the ESOS exercisable as at 24 April 2006 are exercised (6,242,880 shares) and the Proposed Bonus Issue (as announced on 20 March 2006) has not been implemented.

The above has not taken into account the adjustments to the number of Placement Shares to be issued in the event the Proposed Private Placement or any part thereof is implemented after the implementation of the Proposed Bonus Issue. In such circumstances, the total number of Placement Shares as well as the issue price of the Placement Shares made hereafter will be adjusted for the effects of the Proposed Bonus Issue. The adjustments shall be made such that the size of the Proposed Private Placement remains up to 10% of the issued and paid-up share capital of KNM and the gross proceeds to be raised remain unchanged, subject to effects of rounding.

For illustrative purposes, in the event that the entire Proposed Private Placement is implemented after the entitlement date(s) of the Proposed Bonus Issue, the maximum number of Placement Shares as well as the issue price of the Placement Shares will be adjusted from 15,787,848 Placement Shares to 23,681,772 Placement Shares (with a par value of RM0.50 each) and RM4.8254 each to RM3.2169 each, respectively.

The Placement Shares shall, upon allotment and issue, rank pari passu with the existing shares in the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the allotment of the Placement Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions. Subject to the above, the Placement Shares shall be entitled to participate in the Proposed Bonus Issue.

3. Rationale for the Proposed Private Placement

The Proposed Private Placement will enable the KNM Group to raise funds for the working capital requirements of the KNM Group. The proceeds to be raised from the Proposed Private Placement is also proposed to be utilised to defray expenses to be incurred in relation to the Proposed Private Placement.

4. Effects of the Proposed Private Placement

4.1 Issued and Paid-up Share Capital

The proforma effects of the Proposed Private Placement on the issued and paid-up share capital of the Company are shown in **Table 1**.

4.2 Net Assets ("NA") and NA Per Share

The proforma effects of the Proposed Private Placement on the NA and NA per share of the KNM Group are shown in **Table 2**.

4.3 Earnings and Earnings Per Share ("EPS")

The Proposed Private Placement is not expected to materially contribute to the earnings of the KNM Group for the financial year ending 31 December 2006. However, it is expected to contribute positively to the future earnings of the KNM Group via interest savings from the portion of the borrowings which otherwise would have been required to finance the working capital requirements of the KNM Group.

4.4 Substantial Shareholders' Shareholdings

The proforma effects of the Proposed Private Placement on the

shareholdings of the substantial shareholders in the Company are shown in **Table 3**.

5. Conditions of the Proposed Private Placement

The Proposed Private Placement is subject to approvals being obtained from the following -

- (i) the SC;
- (ii) the SC (on behalf of the Foreign Investment Committee);
- (iii) the Ministry of International Trade and Industry, where applicable; and
- (vi) any other authorities and/or parties, where applicable.

6. Directors' and Substantial Shareholders' Interests

To the best knowledge of the Directors and substantial shareholders of the Company, none of the Directors and/or substantial shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposed Private Placement.

7. Directors' Opinion

The Board, after careful deliberation, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

8. Timing of submission to the SC and MITI

Applications to the SC and MITI for the Proposed Private Placement are expected to be made within 3 months from the date of this announcement.

9. Adviser

Aseambankers Malaysia Berhad has been appointed as the adviser to the Company for the Proposed Private Placement.

This announcement is dated 25 April 2006.

