

General Announcement

Reference No **KG-070412-63582**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **12/04/2007**

Type : **Announcement**
Subject : **Joint Venture and Shareholders Agreement between KNM International Sdn Bhd and Themar Aqaria Ltd Co**

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1. Introduction

KNM Group Berhad (**KNM** or **Company**) wishes to announce that KNM International Sdn Bhd Sdn Bhd (**KNMI**), a wholly owned subsidiary of the Company had on 12 April 2007 entered into a Joint Venture and Shareholders Agreement (**JVA**) with Themar Aqaria Ltd Co (**Themar**), a company based in Saudi Arabia, to design, manufacture, fabricate, construct, assemble, commission and maintain process equipment for the oil, gas and petrochemicals industries.

2. Details of the JVA

(a) Business activities

KNMI and Themar shall jointly undertake business activities in relation to designing, manufacturing, fabricating, construction, assembly, commission and maintenance of process equipment, mounted bullets, pressure vessels, heat exchangers, skid mounted assemblies, process piping systems, storage tanks, specialized structural assemblies and module assemblies for the oil, gas and petrochemicals industries (**Business**).

(b) Joint venture company

KNMI and Themar shall incorporate and subscribe for shares in a joint venture company (**JVC**) which will undertake the Business. The JVC shall be known as Saudi KNM Ltd, or such other name approved by KNMI and the relevant authority in Saudi Arabia.

(c) Agreed shareholding

51% equity interest in the JVC will be held by KNMI (**KNMI Shares**) and 49% equity interest will be held by Themar (**Themar Shares**).

(d) Authorised, issued and paid up share capital of the JVC

(i) The JVC's authorised share capital shall be Saudi Arabia

Riyal (**SAR**)1,000,000.00.

(ii) The JVC's issued and paid up share capital shall be SAR300,000.00.

(iii) The KNMI Shares to be allotted and issued to KNMI shall be shall be paid by KNMI in cash or in kind acceptable by the parties on the completion date of the JVA.

(iv) The Themar Shares to be allotted and issued to Themar shall be paid by Themar in cash or in kind acceptable by the parties on the completion date of the JVA.

(e) Board composition

The board of directors of JVC shall comprise 3 directors nominated by KNMI and 2 directors nominated by Themar.

(f) Other salient terms and conditions of the JVA

(i) Chairman of the board of directors, directors and management -

(aa) The Chairman of the Company, appointed on a non-executive basis, shall be nominated by Themar and approved by the Board of Directors.

(bb) The Managing Director of the Company, appointed as the chief executive officer, shall be nominated by KNMI and approved by the Board of Directors.

(cc) The Chief Financial Officer of the Company, appointed as the chief of finance, shall be nominated by Themar and approved by the Board of Directors.

(dd) The Chief Operating Officer of the Company, appointed as the chief of operations, shall be nominated by KNMI and approved by the Board of Directors.

(ee) The Board of Directors shall appoint 4 executives, two from each party and establish an Executive Committee, which shall be responsible to review and recommend to the board of directors all matters relating to budget, business plan and strategy.

(ii) Trademark and engineering fees -

KNMI shall grant the JVC the right to use KNMI's trademark, which right shall be exclusive for Saudi Arabia and the JVC shall have no right to grant to any third party without KNMI's written approval. KNMI shall provide through its parent company technical know-how and design drawings for all air fin coolers, waste heat boilers and heat exchangers and pressure vessels for an engineering fee to be decided on a project to project basis.

(iii) Technical services -

KNMI shall provide technical services to the JVC as required on a project to project basis and the JVC shall pay KNMI's parent company in accordance with actual tariffs and rates applicable or prevailing market rates at the country of origin.

(iv) Financing -

(aa) Themar shall procure the requirements of the JVC for working capital to finance the Business are met by borrowings from banks and other similar sources on the most favourable terms reasonably obtainable as to interest, repayment and security, but without allowing a prospective lender a right to participate in the share capital of the JVC as a condition of making the loan for the necessary funds.

(bb) Upon completion of the JVA, the parties shall provide the JVC with additional funds if required as advances for the day to day operations of the JVC, which shall be repaid as soon as the JVC secures borrowings from banks and other similar sources.

(v) Guarantees -

The aggregate amount of liability arising under guarantees, indemnities and covenants given by the parties, whether jointly or severally, to secure the indebtedness and obligations of the JVC for the proper purposes of the Business shall be shared by the parties in proportion to each party's shareholding in the JVC.

(vi) Completion of the JVA -

(aa) The completion of the JVA will take place on the day falling 7 days after the unconditional date. The unconditional date is the date where all the condition precedents of the JVA have been fulfilled or waived.

(bb) If any of the conditions set out in the JVA are not obtained within 5 months from the date of the JVA or such later time as the parties may agree, the parties may terminate the JVA.

3. Conditions precedent

The JVA is subject to and conditional upon the following -

(a) The application and receipt of a license from the Saudi Arabian General Investment Authority for the incorporation of the JVC in accordance with the JVA.

(b) The incorporation and issue of the commercial registration certificate of the JVC.

(c) The approval or non-objection of any relevant authorities to the subscription by KNMI of the KNMI Shares, if so required by the relevant authorities.

(d) The approval of the board of directors and shareholders of KNMI, for the subscription of the KNMI Shares in accordance with the JVA.

(e) The approval or non-objection of any relevant authorities to the subscription by Themar of the Themar Shares, if so required by the relevant authorities.

(f) The approval of the board of directors and shareholders of Themar, for the subscription of the Themar Shares in accordance with the JVA.

(g) The completion of the subscription and issue of the KNMI Shares and the Themar Shares to KNMI and Themar respectively free from all encumbrances and the registration of KNMI and Themar respectively as the registered shareholder of the KNMI Shares and Themar Shares respectively.

(h) The approval of any other relevant authorities or persons deemed necessary by the parties.

4. Information on KNMI

(a) Incorporation

KNMI was incorporated on 10 May 2002 and commenced operations in 2003.

(b) Authorised, issued and paid-up share capital

KNMI has an authorised share capital of RM5,000,000 comprising 4,700,000 ordinary shares of RM1.00 each and 300,000 redeemable preference shares of RM1.00 each, of which 1,000,000 ordinary shares are issued and fully paid up.

(c) Registered address

KNMI's registered address is 15, Jalan Dagang SB4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan.

(d) Principal activities

KNMI is principally involved in the provision of management, technical advisory, license and trademark services to related companies and related investments abroad.

5. Information on Themar

Themar is a company incorporated under the laws of Saudi Arabia with its business address at P.O. Box 1977 Al-Khobar, Postal Code 31952, Saudi Arabia.

6. Rationale for the JVA

The JVA will enable the KNM Group to strengthen its presence in the biggest crude oil producing nation in the world and gain better access to future oil, gas and petrochemicals projects undertaken in Saudi Arabia with a reputable industrial partner in the Kingdom.

It is also the KNM Group's intention to establish a manufacturing base in Saudi Arabia to undertake oil, gas and petrochemicals projects in Saudi Arabia. This facility will complement the KNM Group's manufacturing facility in the Jebel Ali Free Zone in Dubai, United Arab Emirates, which is currently operating at maximum capacity.

The joint venture and shareholders arrangement with Themar will provide substantial benefits in achieving the objectives of the KNM Group in Saudi Arabia.

7. Effect of the JVA

(a) Share Capital and Substantial Shareholdings

The JVA will not have any impact on the issued and paid-up share capital and the substantial shareholdings of the Company.

(b) Earnings

Barring unforeseen circumstances, the Business to be undertaken by the JVC is expected to contribute positively to the earnings of the KNM Group in the financial year ending 31 December 2008 and future financial years.

(c) Net assets

The JVA will not have any material impact on the net assets of the Company.

8. Conditions precedent of the JVA

Save as disclosed above, the JVA is not subject to any approvals from regulatory authorities in Malaysia or elsewhere.

9. Directors' and substantial shareholders' interest

None of the directors and/or substantial shareholders of the Company and persons connected to the directors and substantial shareholders of the Company has any interest, direct or indirect, in the JVA.

10. Document for inspection

The JVA may be inspected at the registered office of the Company at 15, Jalan Dagang SB4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan during normal business hours from Mondays to Fridays, except public holidays, for a period of 3 months from the date of this announcement.

This announcement is dated 12 April 2007.