

General Announcement

Reference No **KG-080109-67516**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **09/01/2008**

Type : **Announcement**
Subject : **PROPOSED ACQUISITION OF 100% INTEREST IN ELIMETAL N.V., BELGIUM**

Contents :
Announcement

Contents :
KNM Group Berhad (KNM) Proposed acquisition by KNM Group Berhad of 100% equity interest in Ellimetal N.V. of Belgium for a total consideration of Euro 20 Million (Proposed Acquisition)

1. Introduction

The Board of Directors of KNM wishes to announce that KNM Group Berhad (**KNM** or **Purchaser**) had on 8 January 2008 entered into a Master Agreement (**MA**) with Ellimetal International N.V. (**Vendor**) to acquire 100% equity interest in its wholly owned subsidiary Ellimetal NV (Ellimetal) for a consideration sum of Euro 20 Million (**Consideration**).

2. Details of the Proposed Acquisition

KNM proposes to acquire the entire equity interest in Ellimetal from the Vendor for the Consideration.

The Proposed Acquisition is subject to –

- (a) The Purchaser and the Vendor enter into a definitive Sale and Purchase Agreement;
- (b) Completion of legal and financial due diligence on Ellimetal to the satisfaction of the Purchaser;
- (c) Shareholders' (if necessary) and Board of Directors' approval of the Purchaser;
- (d) Regulatory approvals in Malaysia, Belgium and elsewhere (if required), including approvals of other relevant authorities, where applicable.

The Consideration is expected to be funded through a combination of internally generated funds and borrowings and was arrived at on a willing-buyer willing-seller basis after taking into consideration -

- (i) the potential future earnings of Ellimetal;
- (ii) the historical performance of Ellimetal; and
- (iii) the current financial position of Ellimetal.

The Proposed Acquisition is not expected to give rise to any additional financial commitment to put Ellimetal on-stream. The detailed terms and conditions of the Proposed Acquisition will be finalised and announced upon the execution of the Sale and Purchase Agreement.

2.1 Information on Ellimetal

Ellimetal was established in 1964 in Belgium and involved in manufacturing of process equipment for the oil, gas, petrochemicals and chemical industries. It operates from two plants, one in Meeuwen with 72,500 sqm total plant area and 22,000 sqm of covered area and another plant in Genk with total plant area of 31,960 sqm and covered area of 9,200 sqm.

2.2 Salient terms of the MA

The salient terms of the MA include the following -

(a) KNM shall acquire the shares free from all liens, pledges, charges and other encumbrances whatsoever and with all rights now or hereafter attaching thereto or accruing thereon from the completion date of the Proposed Acquisition, including without limitation, all bonuses, rights, dividends and other distributions declared, paid or made thereof;

(b) The audited profit (net of tax) for the year 31 December 2008 shall not be less than Euro 2.5 Million (Profit Guarantee). In the event that it deviates more than 10% (negative) the purchase consideration shall be adjusted as follows:

Actual Audited Profit After Tax for 2008 divide by Profit Guarantee (less 10% deviation allowed) multiply by Euro 20 Million subject to a minimum payment of 75% of the purchase consideration;

(c) The vendor agree to a non-competition clause for a period of 5 years from date of completion;

(d) Mr Lambert Geerkens shall continue as Managing Director for a period of 2 years without compensation (compensation already inputed in the consideration sum);

(e) Identified key personnel agree to a minimum of 2 years service contract with the Company from Date of Completion;

(f) That any of the Vendor companies with business dealings with Ellimetal shall be done on arms length basis;

(g) The purchaser shall have full and exclusive rights to the name of "Ellimetal" and that Vendor shall cease to use the name "Ellimetal" on completion;

(h) That 75% of the purchase consideration sum shall be paid on completion;

(i) That 25% of the purchase consideration shall be made to either a stakeholder or a bank guarantee that shall be released to Vendor on the completion of the audit for

financial year 2008 subject to Profit Guarantee being achieved and/or reduction of purchase consideration if applicable.

2.4 Liabilities to be assumed

KNM is not expected to assume any liabilities of Ellimetal under the Proposed Acquisition. Any existing liabilities of Ellimetal will be settled by Ellimetal in the normal course of business.

Further details of Ellimetal, including the financial data and original dates and cost of investment will be announced upon the execution of the Sale and Purchase Agreement in relation to the Proposed Acquisition.

3. Rationale for the Proposed Acquisition

The Proposed Acquisition will allow the KNM Group to enhance its presence through manufacturing of process equipment for the Oil & Gas, Petrochemicals and Chemical industries in Belgium and Europe. It also offers the Group to move up the value chain on additional product lines.

4. Effects of the Proposed Acquisition

The Proposed Acquisition will not have any effect on the share capital and substantial shareholdings of KNM as the Proposed Acquisition will not involve any issuance of securities by KNM. The proforma effects of the Proposed Acquisition on the net assets, gearing and dividends of KNM will only be determined upon finalisation of the terms of the Proposed Acquisition. A detailed announcement will be made in due course upon finalisation of the aforesaid terms.

The Proposed Acquisition is expected to contribute positively to the future earnings of the KNM Group.

5. Conditions of the Proposed Acquisition

The Proposed Acquisition is conditional upon -

- (a) the completion of due diligence to be carried out by KNM and its advisers, with results satisfactory to KNM at its sole discretion;
- (b) the signing of the Sale & Purchase Agreement by KNM;
- (c) the approvals of other relevant authorities, where applicable.

6. Directors' and substantial shareholders' Interest

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

7. Other matters

An announcement in compliance with the relevant provisions

of Bursa Malaysia Securities Listing Requirements will be made in due course upon finalisation of the terms of the Proposed Acquisition and execution of the Sale and Purchase Agreement.

8. Documents for inspection

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

This announcement is dated 9 January 2008.