

General Announcement

Reference No **KG-080312-62841**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **12/03/2008**

Type : **Announcement**
Subject : **Operating Agreement in relation to KPS Technology & Engineering LLC**
Contents : **Further to our announcements dated 12 February 2008 and 21 February 2008, KPS Inc (KPS), a indirect wholly-owned subsidiary of KNM Group Berhad (KNM or Company) and Lee Swee Eng (LSE), the Company's Managing Director, entered into an Operating Agreement (OA) with David K Stevens (DKS), a patent holder for sulphur removal and recovery technology for oil and gas applications, with over 20 years' relevant experience.**

The OA is in respect of the management and operating arrangements for KPS Technology & Engineering LLC (KTE).

Announcement Details :

1. Introduction

1.1 KPS Inc, an indirect wholly-owned subsidiary of the Company, and LSE entered into an OA with DKS.

1.2 The OA is in respect of KTE.

2. Details of the OA

The salient terms and conditions of the OA are consistent with the terms of the MOA between KNM Process Systems Sdn Bhd (**KNMPS**) and DKS dated 12 February 2008 (**MOA**), save for the following -

2.1 Parties

KNMPS, a wholly-owned subsidiary of the Company assigned all its covenants, duties, obligations, rights and interests under the MOA to KPS.

2.2 Capital contribution

The contributing members are KPS (USD600,000.00), LSE (USD100,000.00), DKS (provision of services) and other members (provision of services).

3. Information on KNMPS

(a) Incorporation

KNMPS was incorporated on 28 June 1990 and commenced operations the same year.

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

(i) Authorised share capital

KNMPS has an authorised share capital of RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each.

(ii) Issued and paid-up share capital

KNMPS has an issued and fully paid up share capital of RM3,100,000.00 comprising 3,100,000 ordinary shares of RM1.00 each.

(c) Registered address

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

(d) Principal activities

KNMPS is principally involved in the design, engineering, procurement and manufacturing of process equipment and process plants, including without limitation pressure vessels, reactors, columns and towers, drums, heat exchangers, air finned coolers, process gas waste heat boilers and specialised shell and tube heat exchangers, condensers, spheres, process tanks, mounded bullets, process units, turnkey storage facilities and turnkey biodiesel plants as well as technical and project management services in relation to process equipment, plant facilities and general facilities for the oil, gas, petrochemicals, minerals processing and renewable energy industries worldwide.

4. Information on KPS

(a) Incorporation

KPS was incorporated in Alberta, Canada on 20 February 2008. KPS Inc has not commenced operations since its date of incorporation.

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

KPS has an authorized, issued and paid up share capital of 100 Class A shares of Canadian Dollars (CAN) 0.10 each.

KNM Corp is the sole subscriber of the 100 Class A shares.

(c) Registered address

KPS's registered address is at 2900, 10180-101 Street,
Edmonton, Alberta, Canada T5J 3V5.

(d) Principal activities

KPS is intended to be involved principally as an investment holding company in Canada.

5. Information on KTE

(a) Incorporation

KTE was incorporated in Kansas, United States of America on 1 February 2008. KTE has not commenced operations since its date of incorporation.

(b) Capital contribution

The members subscribed for a single class of limited liability company interest in KTE in the proportion agreed in the MOA, either by way of money and other property or in exchange for services.

(c) Registered address

KTE's registered address is at 4634 W 70th Street, Prairie Village, Kansas, 66208, United States of America.

(d) Principal activities

KPS Inc is intended to undertake sulphur removal and recovery and provide services to clients in the oil, gas and energy/power industries in relation to sulphur removal and recovery technology.

6. Rationale for the OA

The OA was signed to regulate the covenants, duties, obligations, rights and interests of the parties to the OA, to facilitate the smooth management of the day to day affairs and operations of KTE.

7. Effects of the OA

7.1 Share Capital and Substantial Shareholdings

The OA does not have any impact on the issued and paid-up share capital and the substantial shareholdings of KNM as the proposed joint venture does not involve any issuance of securities by KNM.

7.2 Earnings

The OA is expected to facilitate the positive contribution to the future earnings of the KNM Group.

7.3 Net Assets

The OA does not have any impact on the net assets of KNM.

8. Conditions precedent of the OA

The OA is not subject to any approvals from regulatory authorities in Malaysia or elsewhere.

9. Directors' and substantial shareholders' interest

Lee Swee Eng declares his interest in the OA. Gan Siew Liat is deemed interested by virtue of her spouse, Lee Swee Eng's interest in the OA.

Save as disclosed, none of the other directors and/or substantial shareholders and persons connected to the directors and substantial shareholders has any interest, direct or indirect, in the OA.

10. Document for inspection

The OA may be inspected at the registered office of KNM 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 March 2008.