

General Announcement

Reference No **KG-091120-52393**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : 24/11/2009

Type : Announcement
Subject : INVESTMENTS IN COMPANIES IN THAILAND

Contents : Investments in companies in Thailand.

Announcement Details :

1. INTRODUCTION

The Board of Directors of KNM Group Berhad (“KNM” or “the Company”) is pleased to announce that:

(a) KNM International Sdn Bhd (“KNMI”) and KNM Renewable Energy Sdn Bhd (“KNMRE”), both wholly-owned subsidiaries of the Company, had on 24 November 2009 respectively completed its subscription for 960 and 20 ordinary shares of THB100 each in Kimma Thai Co., Ltd (“**Kimma**”), representing 48% and 1% equity interest respectively in Kimma for a total cash consideration of THB98,000 (equivalent to RM9,917.60 based on exchange rate of THB1.00 : RM0.101514) [**“Investment No. 1”**];

(b) Kimma, KNMI and KNMRE and had on 24 November 2009 respectively completed its subscription for 20,400, 19,200 and 400 ordinary shares of THB100 each in KNM Projects (Thailand) Co., Ltd (“**KNMPT**”), representing 51%, 48% and 1% equity interest respectively in KNMPT for a total cash consideration of THB4,000,000 (equivalent to RM404,800 based on exchange rate of THB1.00 : RM0.101514) [**“Investment No. 2”**],

(hereinunder collectively referred to as “Investments”).

2. INFORMATION ON KIMMA, KNMPT, KNMI and KNMRE

Kimma was incorporated on 10 November 2009 as a private limited company under the laws of Thailand and having its registered address at 16/23-24 Soi Sukhumvit 19 (Wattana), Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok 10110, Thailand. Its registered and paid up capital is THB200,000 comprising 2,000 ordinary shares of THB100 each. It is currently dormant but will principally be an investment holding company. Upon completion of Investment No. 1, Kimma will be 49% owned by KNM (through KNMI and KNMRE) and 51% owned by Spiral Galaxy Co., Ltd. KNMPT was incorporated on 17 November 2009 as a private limited company under the laws of Thailand and having its registered address at

19/125 Sukhumvit Suite ,13th Floor, Soi Sukhumvit 13 (Saeng Chan), Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok 10110, Thailand. Its registered capital is THB4,000,000 comprising 40,000 ordinary shares of THB100 each. KNM Projects (Thailand) Co., Ltd is currently dormant but will be principally involved in the provision of design, engineering, procurement, construction and commissioning and all other related services for the oil, gas, petrochemical, minerals processing, biofuel and energy industries. Upon completion of Investment No. 2, KNMPT will be 49% owned by KNM (through KNMI and KNMRE) and 51% owned by Kimma.

KNMI was incorporated on 10 May 2002 as a private limited company under the laws of Malaysia. Its registered address and principal place of business are at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor. Its authorized capital is RM5,000,000 divided into 4,700,000 ordinary shares of RM1.00 each and 300,000 Redeemable Preference Shares of RM1.00 each; and its issued and paid-up capital is RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each. KNMI is a wholly-owned subsidiary of KNM and its principal activities are provision of management, technical advisory, licence and trademark services to international related companies and related international investments.

KNMRE was incorporated on 4 October 2006 as a private limited company under the laws of Malaysia. Its registered address and principal place of business are at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor. Its authorized capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each and its issued and paid-up capital is RM2.00 divided into 2 ordinary shares of RM1.00 each. KNMRE is a wholly-owned subsidiary of KNM and is currently dormant.

3. DETAILS OF THE INVESTMENTS

The shares are subscribed for at par value of THB100 each and the total consideration of THB200,000 for Investment No. 1 and THB4,000,000 for Investment No. 2 shall be fully settled in cash through internally generated funds and/or shareholders' advances.

There are no further liabilities to be assumed by KNMI or KNMRE.

4. RATIONALE FOR THE INVESTMENTS

The Investments are mainly to facilitate project bids and tenders in Thailand which is in line with KNM's overall objective of expanding and growing the businesses of KNM and its group of companies worldwide.

5. FINANCIAL EFFECTS OF THE INVESTMENTS

5.1 Share Capital

Investment No. 1 and Investment No. 2 do not affect the share capital of KNM.

5.2 Earnings

Both Investments No. 1 and No. 2 are not expected to have any material effect on the consolidated earnings of KNM and its group of companies for the financial year ending 31 December 2009.

5.3 Substantial Shareholders' Shareholdings

Investment No. 1 and Investment No. 2 do not affect the substantial shareholders' shareholdings in KNM.

5.4 Net Assets ("NA") and Gearing

Both Investments No. 1 and No. 2 will not have any material effect on the consolidated NA and gearing of KNM and its group of companies for the year ending 31 December 2009.

6. RISK FACTORS

The Investments are subject to certain risks mainly in the oil, gas, petrochemical, mineral processing, biofuel and energy industries in Thailand. These include changes in general economic conditions such as, but not limited to inflation, taxation, foreign exchanges, interest rates, labour and material supply, changes in business and operating conditions such as, but not limited to government and statutory regulations and deterioration in prevailing market conditions.

The Investments do not alter the risk profile of KNM as KNM Group is already operating in these industries and hence would continue to be exposed to risk factors that they currently face whilst operating in the industry.

Although KNM Group with its vast experience may undertake efforts to mitigate the various risks, there is no assurance that any change in the above factors will not have a material adverse effect on the business and operations of KNM, KNMI and/or KNMRE.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors, major shareholders, persons connected to the Directors or persons connected to the major shareholders of the Company has any interest, direct or indirect, in Investment No. 1 and/or Investment No. 2.

8. DIRECTORS' STATEMENT

Having considered all aspects of Investment No. 1 and Investment No. 2, the Board of Directors is of the opinion that both Investment No. 1 and Investment

No. 2 are in the best interest of the Company.

9. CONDITION OF THE INVESTMENTS

Investment No. 1 and Investment No. 2 are not subject to the approvals of any governmental authority and the shareholders of KNM.

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio pursuant to paragraph 10.02(g) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements applicable to Investment No. 1 is 0.001% and for Investment No. 2 is 0.022%.