

## General Announcement

Reference No **KG-100129-33304**

Company Name : **KNM GROUP BERHAD**  
Stock Name : **KNM**  
Date Announced : **29/01/2010**

Type : **Announcement**  
Subject : **INVESTMENTS IN COMPANIES IN HONG KONG**

Contents : **INVESTMENTS IN COMPANIES IN HONG KONG**

Announcement Details :

### **1. INTRODUCTION**

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

(a) The Company had on 22 January 2010 invested and completed its subscription for 100 ordinary shares of HK\$1.00 each in KNM China Pte Limited (“**KNM China**”), representing 100% equity interest for a total cash consideration of HK\$100 (equivalent to RM44 based on the exchange rate of HK\$1.00 : RM0.44) (“Investment No. 1);

(b) KNM China and BORSIG GmbH, a wholly-owned subsidiary of the Company, had on 29 January 2010 invested and completed its respective subscriptions for 70 and 30 ordinary shares of HK\$1.00 each in BORSIG Valves (China) Pte Limited (“**BVC**”), representing 70% and 30% equity interest respectively in BVC for a total cash consideration of HK\$100 (equivalent to RM44 based on the exchange rate of HK\$1.00 : RM0.44) (“Investment No. 2); and

(c) KNM China and BORSIG ZM Compression GmbH (“**BORSIG ZM**”), a wholly-owned subsidiary of the Company, had on 29 January 2010 invested and completed its respective subscriptions for 70 and 30 ordinary shares of HK\$1.00 each in BORSIG Compression (China) Pte Limited (“**BCC**”), representing 70% and 30% equity interest respectively in BCC for a total cash consideration of HK\$100 (equivalent to RM44 based on the exchange rate of HK\$1.00 : RM0.44) (“Investment No. 3),

(hereinunder collectively referred to as “Investments”).

## **2. INFORMATION ON KNM China, BVC, BCC, BORSIG GmbH AND BORSIG ZM**

KNM China was incorporated on 22 January 2010 as a private limited company under the laws of Hong Kong and having its registered address at 1903, 19/F Trend Centre, 29-31 Cheung Lee Street, Chai Wan, Hong Kong. Its authorised share capital is HK\$100,000 comprising 100,000 ordinary shares of HK\$1.00 each and its paid-up share capital is HK\$100. It is currently dormant but will principally be an investment holding company. Upon completion of Investment No. 1, KNM China will be a wholly-owned subsidiary of KNM.

BVC was incorporated on 29 January 2010 as a private limited company under the laws of Hong Kong and having its registered address at 1903, 19/F Trend Centre, 29-31 Cheung Lee Street, Chai Wan, Hong Kong. Its authorised share capital is HK\$100,000 comprising 100,000 ordinary shares of HK\$1.00 each and its paid-up share capital is HK\$100. It is currently dormant but will principally be an investment holding company. Upon completion of Investment No. 2, BVC will effectively be a wholly-owned subsidiary of KNM.

BCC was incorporated on 29 January 2010 as a private limited company under the laws of Hong Kong and having its registered address at 1903, 19/F Trend Centre, 29-31 Cheung Lee Street, Chai Wan, Hong Kong. Its authorised share capital is HK\$100,000 comprising 100,000 ordinary shares of HK\$1.00 each and its paid-up share capital is HK\$100. It is currently dormant but will principally be an investment holding company. Upon completion of Investment No. 3, BCC will effectively be a wholly-owned subsidiary of KNM.

BORSIG GmbH was incorporated as a private limited company under the laws of Germany on 10 December 2002. Its registered address is at Egellsstrasse 21, 13507 Berlin, Germany. It is mainly involved in provision of advisory and administration services, and investment holding. BORSIG GmbH is a wholly-owned subsidiary of BORSIG Beteiligungsverwaltungsgesellschaft mbH, which in turn is ultimately owned by KNM via Deutsche KNM GmbH and KNM Process Systems Sdn Bhd. Its authorized capital is EUR100,000 divided into 2,000 ordinary shares of EUR50.00 each and its issued and paid-up capital is EUR100,000.

BORSIG ZM was incorporated as a private limited company under the laws of Germany on 16 August 2004. Its registered address and principal place of business is at Egellsstrasse 21, 13507 Berlin, Germany. It is mainly involved in provision of system engineering, industrial fabrication, assembly services as well as sale of machines and construction of every type, in particular compressors, container construction, silo and conveyor technique. Its authorized capital is EUR25,000 divided into 500 ordinary shares of EUR50.00 each and its issued and paid-up capital is EUR25,000. BORSIG ZM is a wholly owned subsidiary of Borsig GmbH, which in turn is ultimately owned by KNM via Borsig Beteiligungsverwaltungsgesellschaft, Deutsche KNM GmbH and KNM Process Systems Sdn Bhd.

## **3. DETAILS OF THE INVESTMENTS**

The shares are subscribed for at par value of HK\$1.00 each and the total consideration of HK\$100 for Investment No. 1, Investment No. 2 and Investment No. 3 respectively shall be fully settled in cash through internally generated funds.

There are no further liabilities to be assumed by KNM, BORSIG GmbH or BORSIG ZM.

#### **4. RATIONALE FOR THE INVESTMENTS**

KNM China together with BVC and BCC will spearhead KNM Group of Companies' ("the Group" or "KNM Group") investments and further expansion into China in the manufacturing of BORSIG compressors and ball valves as part of the BORSIG's strategy.

#### **5. FINANCIAL EFFECTS OF THE INVESTMENTS**

##### **5.1 Share Capital**

The Investments do not affect the share capital of KNM.

##### **5.2 Earnings**

The Investments are not expected to have any material effect on the consolidated earnings of KNM and the BORSIG Group for the financial year ending 31 December 2010.

##### **5.3 Substantial Shareholders' Shareholdings**

The Investments do not affect the substantial shareholders' shareholdings in KNM.

##### **5.4 Net Assets and Gearing**

The Investments are not expected to have any material effect on the consolidated net assets and gearing of KNM and the BORSIG Group for the year ending 31 December 2010.

#### **6. RISK FACTORS**

The Investments are subject to certain risks mainly in the oil, gas, petrochemical, mineral processing, biofuel and energy industries in Asian Region. 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, BORSIG GmbH and/or BORSIG ZM.

## **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 the Investments.

## **8. DIRECTORS' STATEMENT**

Having considered all aspects of the Investments, the Board of Directors is of the opinion that the Investments are in the best interest of the Company.

## **9. CONDITION OF THE INVESTMENTS**

The Investments 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 , Investment No. 2 and Investment No. 3 is 0.00000002% respectively.