

Company Name : **KIG GLASS INDUSTRIAL BERHAD**
Stock Name : **KIG**
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**EXECUTION OF RESTRUCTURING AGREEMENT PURSUANT TO THE
COMPANY'S PROPOSED RESTRUCTURING SCHEME IN
COMPLIANCE WITH PRACTICE NOTE 17/2005**

Contents :

1. INTRODUCTION

On 8 November 2005, KIG Glass announced that it is an affected listed issuer under Practice Note 17/2005. On 13 December 2005, AmMerchant Bank Berhad (a member of AmInvestment Group) ("**AmMerchant Bank**"), on behalf of KIG Glass, announced the execution of the Agreement To Negotiate between KIG Glass and Permintex Holdings Sdn Bhd ("**PHSB**") on the same date ("**Agreement To Negotiate**") for KIG Glass and PHSB to negotiate exclusively with each other with the objective of restructuring KIG Glass which generally involves the acquisition of certain subsidiaries of PHSB by a new company to be incorporated ("**Newco**") and the transfer of the listing status of KIG Glass to Newco. The validity of the Agreement To Negotiate was subsequently extended by mutual agreement to 13 May 2006.

On behalf of the Board of Directors of KIG Glass ("**Board**"), AmMerchant Bank wishes to announce that the Company has today entered into a Restructuring Agreement with PHSB and Permintex Berhad, a wholly-owned subsidiary of PHSB ("**Permintex**") in respect of the reverse take-over of KIG Glass by PHSB through Permintex ("**Agreement**"). Pursuant thereto, the Agreement To Negotiate shall be deemed terminated without any liability or claim by one party against the other in respect thereof.

2. DETAILS OF THE PROPOSALS

The proposals to be undertaken pursuant to Section 176 of the Companies Act, 1965 ("**Act**") shall entail the following :-

2.1 Proposed Acquisitions

It is proposed for Permintex to acquire PHSB's equity shareholdings in Permintex Industries Sdn Bhd ("**PISB**"), Permintex Sanko Technologies Sdn Bhd ("**PSTSB**"), Permintex Electronic Sdn Bhd ("**PESB**") and Permintex Research & Development Sdn Bhd ("**PRD**") for an aggregate purchase consideration of RM83,163,586. The purchase consideration shall be satisfied by the issuance of 166,327,171 new ordinary shares of RM0.50 each in Permintex ("**Permintex Shares**") to PHSB.

(PISB, PSTSB, PESB and PRD are collectively referred to as "**White Knight Companies**")

The number of ordinary shares of RM1.00 in the White Knight Companies to be acquired ("**Sale Shares**") together with the indicative purchase considerations are set out in **Table 1** of the Appendix to this announcement.

2.2 Proposed Shareholders' Scheme

Pursuant to Section 64 of the Act, the existing issued and paid-up share capital of KIG of RM163,033,000 comprising 163,033,000 ordinary shares of RM1.00 each ("**Shares**") will be reduced to RM8,151,650 comprising 163,033,000 ordinary shares of RM0.05 each representing a capital reduction of RM0.95 or 95.0% for every existing KIG Glass Shares ("**Proposed Capital Reduction**").

Thereafter, twenty (20) ordinary shares of RM0.05 each will be consolidated into one (1) Share ("**Consolidated Share**") resulting in 8,151,650 Consolidated Shares ("**Proposed Consolidation**"). The Proposed Capital Reduction and the Proposed Consolidation shall be at the sole discretion of KIG Glass.

The Proposed Capital Reduction and the Proposed Consolidation will give rise to a credit of RM154,881,350 which will be utilised to reduce KIG Glass' accumulated losses.

Upon completion of the Proposed Capital Reduction and the Proposed Consolidation, every one (1) Consolidated Share will be exchanged with two (2) new Permintex Shares, resulting in the issuance of 16,303,300 new Permintex Shares totaling RM8,151,650 in value, to KIG Glass' existing shareholders. As a result, KIG Glass will become a wholly-owned subsidiary of Permintex.

It is the intention of Perminex to acquire and hold KIG Glass exclusively for the implementation of the Proposals with a view of its subsequent disposal to a special purpose vehicle as further explained in Section 2.6 hereunder.

2.3 Proposed Debt Settlement

Subject to proof of debt, the total debts owing to the secured and unsecured creditors which are outstanding as at 31 December 2005 ("**Cut-Off Date**") is estimated to be RM96,884,230. KIG Glass shall negotiate with its secured and unsecured creditors (including creditors of KIG Glass' subsidiaries with corporate guarantee from KIG Glass) ("**Scheme**")

Creditors") and convene meetings with the Scheme Creditors to obtain approval of the scheme of arrangement and compromise under Section 176 of the Act through a voting process, to settle the debts due and owing to them .

Prior to the date of the meeting, all Scheme Creditors are required to submit their proof of debt to confirm their debts and for adjudication. Based on the proof of debts which have been adjudicated, the Scheme Creditors are entitled to vote, either personally or through a proxy, at the creditors meeting. Should they fail to file their proof of debt prior to the creditors meeting, they shall have no claims against KIG Glass or its subsidiaries after the Proposed Debt Settlement is sanctioned by the High Court of Malaya or any other court of competent jurisdiction ("**Court**").

The scheme will involve settlement on the following principal terms :-

(i) All interest, penalties accrued and other charges in connection with any failure to pay or delay in payment of the indebtedness, costs, charges, expenses, fees and other incidental payments thereto accruing as from the Cut-Off Date shall be waived.

(ii) Subject to proof of debt, the total amount of secured debts as at the Cut-Off Date is RM53,363,484 and it will be partially settled in cash by the disposal of KIG Glass' assets presently charged to the secured creditors with the estimated security value totaling RM23,000,000. The remaining portion of RM30,363,484 will be deemed as unsecured debts to be settled in accordance with sub-paragraph (iii) below. The net amount of RM30,363,484 ("**Shortfall Amount**") will be adjusted accordingly in the event that the disposal proceeds of the KIG Glass' security assets is more or less than the estimated amount of RM23,000,000;

(iii) Subject to proof of debt, the total amount of unsecured debts as at the Cut-Off Date is RM73,884,230 and it will be settled by way of issuance of up to 16,696,700 new Permintex Shares totaling RM8,348,350 in value as full settlement of the entire unsecured debts wherein the 16,696,700 Permintex Shares shall at all times be the maximum amount of Permintex Shares to be issued by Permintex to satisfy the entire unsecured debts;

(iv) The secured creditors shall continue to retain all of their existing rights to proceed with foreclosure proceedings under their respective security documents and the National Land Code or take other enforcement actions against the security parties for the realisation of KIG Glass' assets which are held as security ("**Collateral Assets**"). In the event that that the Collateral Assets are realised for an amount

exceeding their estimated security values, such surplus shall be utilised to meet the Shortfall Amount which is owing to the secured Scheme Creditors first and if there is any surplus remaining after settling the Shortfall Amount, the said surplus will be applied towards settling rateably debts due to the unsecured Scheme Creditors;

(v) For avoidance of doubt, the Scheme Creditors shall have no further recourse whatsoever to KIG Glass and its shareholders for any shortfall in recovery of amounts owing as at the Cut-Off Date after the Proposed Debt Settlement;

(vi) In relation to the issuance of the Permintex Shares pursuant to the Proposed Debt Settlement, all outstanding debts owing, credit facilities, debentures, and other contracts and all claims whatsoever owing by KIG Glass and in respect of any corporate guarantees, indemnities and undertakings provided or given by KIG Glass in respect of any credit facility shall be (and shall be deemed to be), fully and irrevocably settled, satisfied, released, discharged and cancelled by the issuance of the Permintex Shares, and KIG Glass shall be (and will be deemed to be) irrevocably released from its obligations, claims and liabilities in respect of all such claims subject to subparagraph (iv) above, where the Scheme Creditors shall retain their rights, including but not limited to rights to enforce the Collateral Assets against KIG Glass or any security party to pursue and recover all sums remaining outstanding and owing to them under the credit facilities;

(vii) Subject to the issuance of the Permintex Shares, the Scheme Creditors shall take such actions and file such documents as may be necessary or appropriate or may be reasonably required by KIG Glass to terminate and discontinue any legal, execution or any other proceedings against KIG Glass with respect to such claims with no orders or requirements as to reimbursement of costs; and

(viii) As from the issuance of the new Permintex Shares, all previous arrangements, compromises, commitments and negotiations entered into between KIG Glass and the Scheme Creditors shall be superseded by this Proposed Debt Settlement.

The Proposed Debt Settlement shall give rise to a waiver of RM26,932,644 or 50.47% and RM38,603,236 (excluding Shortfall Amount) or 88.70% of the total secured debts and unsecured debts respectively.

2.4 Proposed Placement

PHSB shall place out up to 26,798,153 Permintex Shares to identified investors who qualify as public in order to meet the 25% public spread required for Permintex's listing on the Main Board of the Bursa

Securities, at the placement price to be determined. The proceeds from the Proposed Placement will accrue to PHSB. No part of the proceeds will be received by Permintex.

2.5 Proposed Transfer of Listing Status

KIG Glass shall be de-listed from the Main Board of the Bursa Securities and Permintex will be admitted to the Official List of the Bursa Securities with the listing of and quotation of its entire enlarged issued and paid-up share capital in place of KIG Glass, on the Main Board of the Bursa Securities.

2.6 Proposed Disposal

Upon de-listing of KIG Glass, Permintex shall dispose the entire issued and paid-up share capital of KIG Glass to a special purpose vehicle for a nominal sum of RM1.00 for liquidation purposes. KIG Glass will not be a subsidiary of Permintex upon completion of the Proposals.

The Proposed Acquisitions, Proposed Shareholders' Scheme, Proposed Debt Settlement, Proposed Placement, Proposed Listing and The Proposed Disposal are inter-conditional upon each other.

(Collectively referred to as "**Proposals**")

3. SALIENT TERMS OF THE AGREEMENT

The salient terms of the Agreement are, inter-alia, as follows :-

(i) The total purchase consideration for the Proposed Acquisitions shall be on the basis of eight (8) times of the net profit after tax ("**PAT**") of the unaudited financial statements of the White Knight Companies for the financial year ended 31 December 2005 in the proportion of the Sale Shares to the issued Shares of the White Knight Companies which is to be satisfied by the issuance of the Permintex Shares to PHSB;

(ii) The aggregate unaudited PAT for the financial year ended 31 December 2005 based on the proportion of the Sale Shares to the total issued Shares of the White Knight Companies is RM10,395,448 ("**Proportionate Unaudited PAT**"). In the event that the Unaudited PAT differs from the aggregate audited PAT for the financial year ended 31 December 2005 based on the proportion of the Sale Shares to the total issued Shares of the White Knight Companies on completion of the audit ("**Proportionate Audited PAT**"), the purchase consideration and the Permintex Shares shall be adjusted in the following manner :-

(a) if the difference between the Proportionate Unaudited PAT and the Proportionate Audited PAT ("**PAT Difference**") is less than 1% of the Proportionate Unaudited PAT or RM103,954, no adjustments shall be made to the purchase

consideration and new Permintex Shares to be issued;
or

(b) if the PAT Difference is more than RM103,954, the purchase consideration and new Permintex Shares to be issued shall be adjusted accordingly based on the issue price of RM0.50 per Permintex Share;

(iii) In the event that the Securities Commission ("**SC**") shall revise the purchase consideration and / or the consideration shares to be issued to PHSB and subject always to the acceptance by the parties thereto of such revision, the number of the consideration shares to be issued and allotted to PHSB shall be adjusted accordingly to reflect the purchase consideration as revised by the SC;

(iv) The total value of the new Permintex Shares to be issued pursuant to the Proposed Shareholders' Scheme and the Proposed Debt Settlement shall be subject to negotiation, but in any way shall not exceed the total sum of RM16,500,000 of the issued and paid-up share capital of Permintex;

(v) The new Permintex Shares to be issued pursuant to the Proposals shall, upon allotment and issue, rank pari passu in all respects with the existing Permintex Shares, except that they shall not be entitled to participate in any dividends, rights, allotments and / or any other distributions that may be declared, where the entitlement date precedes the date of allotment of the new Permintex Shares;

(vi) The Proposals shall be subject to and conditional upon the fulfillment of the following conditions precedent (hereinafter collectively referred to as "**Approvals**") within the period of **eight (8) months** from the date of the Agreement or such other extended date as the parties may mutually agree :-

(a) approval of the SC, Unit Pematuhan Ekuiti, Jabatan Pengambilan dan Percantuman of the SC ("**FIC**"), Ministry of International Trade and Industry ("**MITI**") and all other appropriate authorities including for the purchase of the Sale Shares and / or issuance and allotment of the Permintex Shares to PHSB, existing shareholders of KIG Glass and the Scheme Creditors, as the case maybe;

(b) approval-in-principle of the Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the admission of Permintex to the Official List of Bursa Securities in place of KIG Glass and the listing and quotation of the entire issued and paid-up share capital of Permintex on the Main Board of the Bursa Securities;

(c) approval of KIG Glass' shareholders at an Extraordinary General Meeting and at a meeting to be convened pursuant to an order of the Court under Section 176 of the Act;

(d) each class of Scheme Creditors at their respective

- meetings to be convened pursuant to an order of the Court in accordance with Section 176 of the Act;
- (e) the sanction of the Court pursuant to Section 176 of the Act;
- (f) obtaining the approval of any other relevant authority, if necessary; and
- (g) KIG Glass, PHSB and Permintex being satisfied that-
- (1) the aggregate audited PAT for the financial year ended 31 December 2005 of the White Knight Companies is not less than RM12,004,575; and
 - (2) the price earnings ratio of the Permintex group of companies upon listing is not more than eight (8) times.

4. ADDITIONAL DETAILS ON THE PROPOSED ACQUISITIONS

4.1 Basis of Arriving At The Purchase Consideration

The purchase consideration of RM83,163,586 was arrived at on a willing-buyer-willing-seller basis after taking into consideration, inter-alia, the following :-

- (i) historical PAT of the White Knight Companies for the past five (5) years, in particular PHSB's share of the unaudited PAT for the financial year ended 31 December 2005 of RM10,395,448;
- (ii) future earnings potential of the White Knight Companies;
- (iii) prospects of the White Knight Companies' and industry outlook; and
- (iv) valuation of other comparable companies listed on Bursa Securities, which are principally involved in businesses similar, but not exactly, to that of the White Knight Companies.

4.2 Shares Acquired Free From Encumbrances

The Sale Shares shall be acquired by Permintex free from all mortgage, charge, caveat, pledge, lien, assignment, hypothecation, title retention, right of set-off or any security whatsoever, howsoever created or arising whatsoever and with all rights now or hereafter attaching thereto or accruing thereon as from completion of the Proposed Acquisitions including without limitation, all bonuses, rights, dividends and other distributions declared, paid or made thereof and upon the terms and conditions of the Agreement.

4.3 Basis Of Determining The Issue Price Of The New Permintex Shares

The issue price of RM0.50 for the new Permintex Shares is based on the par value of the Permintex Shares.

4.4 Liabilities To Be Assumed

Permintex will not assume any liabilities pursuant to the Proposed Acquisitions. The existing liabilities of the White Knight Companies will be settled by them in the normal course of business.

4.5 Details Of PHSB

PHSB was incorporated in Malaysia on 6 May 1997 under the Act as a private limited company. As at the date of this announcement, the authorised share capital of PHSB is RM10,000,000 comprising 10,000,000 Shares, all of which have been issued and fully paid-up.

PHSB is principally an investment holding company. Through its subsidiaries (including the White Knight Companies), it is principally involved in manufacturing of automotive parts, manufacturing of electrical parts, oil and gas and general trading services.

As at the date of this announcement, the directors of PHSB are Mohd Zin Bin Baharom, Ahmad Umar Alisan and Ir Raizal Othman, who are also substantial shareholders of PHSB, who collectively hold the entire equity interest in PHSB.

4.6 Original Cost Of Investment

The original cost of investment of PHSB in the White Knight Companies is RM13,933,402. The details of the cost of investment including the date thereof are set out in **Table 2** of the Appendix to this announcement.

4.7 Moratorium On Shares

Pursuant to Chapter 12 of the Policies and Guidelines on Issue/Offer of Securities ("**SC Guidelines**"), for acquisitions resulting in a change in dominant shareholders / board of directors, a moratorium on disposal will be imposed on 50% of the consideration securities to be received by PHSB of the assets to be injected ("**Moratorium Shares**"). Accordingly, upon such a condition being imposed by the SC on PHSB, it will not be allowed to sell, transfer or assign the Moratorium Shares for one (1) year from the date the Moratorium Shares are listed on the Bursa Securities.

5. INFORMATION ON THE WHITE KNIGHT COMPANIES

5.1 Background Information

5.1.1 PISB

PISB was incorporated in Malaysia on 6 May 1993 under the Act as a private limited company. The authorised share capital of PISB is RM10,000,000 comprising 10,000,000 Shares, all of which are currently issued and fully paid-up.

As at the date of this announcement, PHSB holds 9,500,000 Shares in PISB representing 95% of PISB's issued and paid-up share capital whilst its joint venture partner,

Furukawa Electric Company, Japan holds the remaining 500,000 Shares representing 5% of PISB's issued and paid-up share capital.

The company is principally involved in wire harnessing mainly for automotive parts such as wire engine, wire engine room, wire floor and wire instrument panel. PISB has two (2) production plants located in Jeniang and Jitra, Kedah. At present, the production capacity is up to one thousand two hundred (1,200) car sets of wire harness per day. PISB's customers are primarily automobile manufacturers such as Perusahaan Otomobil Kedua Sdn Bhd ("**Perodua**") and Perusahaan Otomobil Nasional Berhad ("**PROTON**").

PISB's audited results for the past five (5) financial years ended 31 December 2004 as well as the unaudited results for the financial year ended 31 December 2005 are set out in **Table 3 (i)** of the Appendix to this announcement.

5.1.2 PSTSB

PSTSB was incorporated in Malaysia under the Act on 3 November 1999 as a private limited company under the name of Permintex Technologies Sdn Bhd. The company assumed its present name on 12 August 2004 upon establishment of the joint venture with Sanko Gosei, Japan. The authorised share capital of PSTSB is RM5,000,000 comprising 5,000,000 Shares, of which 4,212,002 Shares are currently issued and fully paid-up.

The shareholders of PSTSB and their respective shareholdings are as follows :-

- (i) PHSB holding 2,948,400 Shares representing 70% equity interest in PSTSB;
- (ii) Sanko Gosei, Japan holding 842,400 Shares representing 20% equity interest in PSTSB; and
- (iii) Mitsui Co. Ltd holding 421,200 Shares representing 10% equity interest in PSTSB.

PSTSB is principally involved in the assembly of plastic automotive parts namely instrument panels. At present, the company is mainly supplying instrument panels to Perodua for "Kancil", "Kelisa" and "MyVI" models.

PSTSB's audited results for the past five (5) financial years ended 31 December 2004 as well as the unaudited results for the financial year ended 31 December 2005 are set out in **Table 3 (ii)** of the Appendix to this announcement.

5.1.3 PESB

PESB was incorporated in Malaysia on 29 December 1997 under the Act as a private limited company. The authorised share capital of PESB is RM1,000,000 comprising 1,000,000 Shares, of which 985,000 Shares are currently issued and fully paid-up. PESB is a wholly-owned subsidiary of PHSB.

PESB is principally a manufacturer of electrical and electronic appliances, such as street lantern, electronic ballast and photo electric control unit, mainly for Tenaga Nasional Berhad. In addition, since early 2005, PESB started to manufacture plastic automotive parts such as meter hood, center cluster, glove compartment, floor consoles and steering column cover for automotive manufacturers such as Perodua. The company also supplies certain child plastic parts to PSTSB to be assembled into the instrument panels.

PESB's audited results for the past five (5) financial years ended 31 December 2004 as well as the unaudited results for the financial year ended 31 December 2005 are set out in **Table 3 (iii)** of the Appendix to this announcement.

5.1.4 PRD

PRD was incorporated in Malaysia on 23 September 2003 under the Act as a private limited company. The authorised share capital of PESB is RM500,000 comprising 500,000

Shares, all of which are currently issued and fully paid-up. PRD is a wholly-owned subsidiary of PHSB. PRD principally carries out research and development work such as design, engineering, styling, prototyping and management of mould development for instrument panels and electrical and electronic appliances.

PRD's audited results for the financial year ended 31 December 2004 as well as the unaudited results for the financial year ended 31 December 2005 are set out in **Table 3 (iv)** of the Appendix to this announcement.

5.2 Prospects

Upon completion of the Proposals, KIG Glass will have a new core business via transfer of its listing status to Permintex, which are principally involved in the manufacturing and assembly of automotive parts.

In the first seven (7) months of 2005, output and sales of transport equipment increased and recorded double-digit growth of 10.2% and 25.5% respectively (January – July 2004 : 5.2% ; 0.1%). The growth was led by higher production of commercial vehicles, motorcycles and scooters as well as higher capacity passenger cars, which increased by 42.8%, 20.4% and 5.8% respectively. The turnaround was attributable to rising incomes of Malaysian consumers, launching of new models with improved designs and features and attractive financing facilities. Stronger bookings for popular new models further spurred the industry's performance. Impressive sales were also recorded in the domestic automotive parts and components market, which rebounded significantly by 21.9% during the first seven (7) months of 2005 (January – July 2004 : - 4.8%).

Meanwhile, exports of transport equipment maintained its strong pace, growing by 20.3% during the first seven (7) months of 2005 (January – July 2004 : 43.5%), arising from increasing overseas demand for automotive parts and components such as oil filters, wipers, absorbers and suspension systems. Export markets for Malaysia's automotive parts are the United States of America, Taiwan, Thailand, Singapore and Indonesia.

Following recovery in global electronics demand in the second (2nd) half of 2005, growth of the manufacturing sector is anticipated to grow by 4.9%

(2005 : 4.8%). The landscape of the manufacturing sector is expected to change in tandem with new developments and the shift towards technology-drive manufacturing processes with more research and development activities. New developments include advanced technologies such as nanotechnology, biotechnology and advanced manufacturing practices, which encompass high knowledge-content processing technologies. These developments are expected to contribute positively to growth of the manufacturing sector.

(Source :Economic Report 2005/2006)

Despite overall reduction in the import and excise duties under the National Automotive Policy ("**NAP**") released in March 2006, PROTON and Perodua are expected to benefit pursuant to the grants and incentives on research and development, protection through restriction on approved permits, stricter measures on under-declared vehicles and more stringent measures on manufacturing licence. In addition, local cars' sales may not be significantly affected as there will still be price differential between national and non-national cars. Accordingly, the White Knight Companies remain positive on the industry outlook for the automotive industry and expects to benefit from the growth of the industry.

The prospects of Permintex and the White Knight Companies ("**Permintex Group**") is further boosted by its long establishment in the local automotive business and its close and long-term business relationships with Perodua and PROTON. Permintex Group expects to leverage on the good relationships to secure a higher share of Perodua and PROTON's future demand for instrument panels and wire harness.

5.3 Risk Factors

The risk factors relating to the White Knight Companies include, inter-alia, dependency on certain major customers namely Perodua and PROTON, dependency on skilled workforce, rising costs of labour and raw materials, competition and changes in government policies and regulatory constraints.

6. RATIONALE FOR THE PROPOSALS

KIG Glass and its subsidiaries ("**KIG Group**") have been unable to repay their debts due to their poor financial position and loss-making businesses since 2002. In addition, both the subsidiaries of KIG Glass, namely Zibo Jiali Royalex Glass Co. Ltd and Zibo Jiali Glass Industry Co. Ltd have ceased operations in 2004 and 2005 respectively and are in the process of being struck off and voluntary bankruptcy respectively. As at 31 December 2005, the KIG Group's accumulated losses stood at RM285.8 million. The shareholders' funds of the KIG Group was in deficit of approximately RM93.0 million whilst its total borrowings amounted to approximately RM103.5 million. To this end,

KIG Glass had on 2 November 2004 and 8 November 2005 announced its status as an affected listed issuer pursuant to Practice Note 1/2001 and Practice Note 17/2005 of the Listing Requirements respectively. In the absence of a plan to regularise its financial condition, KIG Glass would likely face the prospects of de-listing. In this respect, the Board has decided to embark on the Proposals which are formulated to provide a better recovery to the shareholders and creditors / lenders of KIG Glass.

In order to isolate the White Knight Companies from any known and unknown liabilities of KIG Group, a new company, i.e. Permintex was incorporated as a new holding company to assume the listing status of KIG Glass. The Proposed Acquisitions will allow the White Knight Companies, with proven track record and better prospects, to generate immediate and stable source of revenue, profit and cash flow to Permintex.

The Proposed Shareholders' Scheme will enable the existing shareholders of KIG Glass to recover some shareholders' value instead of zero value in the event of liquidation and participate in the future profitability of Permintex upon injection of the White Knight Companies. Similarly, the Proposed Debt Settlement will enable the Scheme Creditors to receive better returns than they would have, under a liquidation scenario.

As part of the listing of Permintex, Permintex shall place up to 26,798,153 Shares to identified investors in order to meet the public shareholding spread requirement for the listing of its Shares on the Bursa Securities.

The Proposed Disposal is to enable Permintex to dispose KIG Glass and its subsidiaries in order to facilitate the restructuring process and also for Permintex to focus on its new business without the burden of KIG Group's remaining debt.

7. CONDITIONS OF THE PROPOSALS

The Proposals are conditional upon, inter-alia, the following approvals :-

- (i) SC including for the listing and quotation of the Permintex Shares to be issued pursuant to the Proposed Acquisitions, Proposed Shareholders' Scheme and Proposed Debt Settlement;
- (ii) the FIC ;
- (iii) the MITI;
- (iv) each class of Scheme Creditors at a meeting to be convened pursuant to an order of the Court in accordance with Section 176 of the Act;
- (v) the shareholders of KIG Glass at an extraordinary general meeting and at a meeting to be convened pursuant to an order of the Court pursuant to Section 176 of the Act;
- (vi) the sanction of the Court pursuant to Section 176 of the Act;
- (vii) the approval-in-principle of the Bursa Securities for the admission of Permintex to the Official List of Bursa Securities in place of KIG Glass and the listing and quotation of the enlarged issued and paid-up share capital of Permintex on the Main Board of the Bursa Securities;

(viii) the approval of any other relevant authorities or parties, if required.

8. EFFECTS OF THE PROPOSALS

The effects of the Proposals are as follows:

8.1 Share Capital

The changes to the issued and paid-up share capital of KIG Glass and Permintex as a result of the Proposals are set out in **Table 4** of the Appendix to this announcement.

8.2 Net Assets and Gearing

The proforma effects of the Proposals on the net assets and gearing of KIG Group and Permintex Group are set out in **Table 5** of the Appendix to this announcement.

8.3 Earnings

The Proposals are not expected to have any material effect on the earnings of the Permintex Group for the financial year ending 31 December 2006 as the Proposals are only expected to be completed by the first (1st) quarter of 2007. The Proposals are expected to contribute positively to the earnings of Permintex Group in the future years.

8.4 Substantial Shareholders' Shareholdings

The proforma effects of the Proposals on the substantial shareholders' shareholdings in KIG Glass and Permintex are set out in **Table 6** of the Appendix to this announcement.

8.5 Dividends

In view of the timing of the completion of the Proposals, which is expected to be in the financial year ending 31 December 2007, KIG Glass will not be declaring any dividend in respect of the current financial year ending 31 December 2006.

8.6 Group Structure

The diagrams depicting the existing structure of KIG Group and the structure of the Permintex Group after the completion of the Proposals are set out in **Table 7** of the Appendix to this Announcement.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

All the Directors of KIG Glass namely Agus Nursalim, Lam Tin Sing, Ab. Rahman bin Mohammed and Nik Norzrul Thani bin Nik Hassan Thani are Scheme Creditors (directors' fees only in respect of Ab. Rahman bin Mohammed and Nik Norzrul Thani bin Nik Hassan Thani) and will be entitled to the new Permintex Shares pursuant to the Proposed Debt Settlement. Agus Nursalim and Lam Tin Sing are also shareholders of KIG Glass, and will be entitled to new Permintex Shares pursuant to the Proposed Shareholders' Scheme.

In view that they are Scheme Creditors, the directors are deemed interested in the Proposals and they shall abstain from voting on the resolutions pertaining to the Proposals at the extraordinary general meeting and the shareholders' and creditors' meetings to be convened

pursuant to an order of the Court in accordance with Section 176 of the Act. The interested Directors will also ensure that persons connected to them will abstain from voting on the resolutions pertaining to the Proposals at the relevant meetings.

Save for the interests disclosed above, none of the Directors and / or major shareholders and / or persons connected with them, has any interest, direct or indirect, in the Proposals.

10. DEPARTURE FROM SC GUIDELINES

To the best knowledge of the Board, The Proposals do not depart from the SC Guidelines.

11. DIRECTORS' STATEMENT

Having considered the rationale and the effects of the Proposals, and after due and careful deliberation, the Board is of the opinion that the Proposals are in the best and long-term interest of the KIG Group.

12. APPOINTMENT OF ADVISER AND ESTIMATED TIME FRAME FOR SUBMISSION AND COMPLETION

AmMerchant Bank has been appointed as the Adviser for the Proposals. The application to the authorities will be made within two (2) months from the date of this announcement, whilst the Proposals are expected to be completed by the first (1st) quarter of 2007.

13. INSPECTION OF DOCUMENT

The Agreement will be available for inspection at the Company's registered office during normal business hours for a period of three (3) months from the date of this announcement.