

General Announcement

Reference No **KG-090803-46FFF**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **03/08/2009**

Type : Reply to query
Reply to Bursa : IJ-090731-40677
Malaysia's Query
Letter - Reference ID

Subject : Reply to Bursa Securities' queries dated 31 July 2009 in relation to the Company's announcement dated 30 July 2009 and entitled "Memorandum of Agreement between KNM Process Systems Sdn Bhd ("KNMPS") and Societe Des Hydrocarbures Du Tchad S.A. ("The National Oil Corporation of Chad")"
Contents : In reply to the queries received from Bursa Securities Malaysia Berhad vide its letter dated 31 July 2009 (ref: IJ-090731-40677), the Company wishes to inform that:-

1. The Total Capital and Investment Outlay

The total capital and investment outlay by KNM Process Systems Sdn Bhd ("KNMPS"), in the joint venture operating company ("JVCo") has not been finalized subject to detailed studies and proposals. Once determined, it will be apportioned based on 60:40 equity split.

2. Source of Funds

The source of funds by KNMPS in financing its investment in the JVCo will be from internally generated funds and/or borrowings.

3. EPCC Contract

The EPCC Contract will be awarded to KNMPS by the JVCo.

4. Feasibility Studies

A detailed study is currently being undertaken by KNMPS pending finalisation of the Joint Venture Operating Agreement ("JVOA"). Further details of the terms and conditions of the JVOA will be announced and disclosed accordingly at the appropriate time once the JVOA is finalised.

5. Financial Effects

The financial effects of the joint venture and award of EPCC Contract are expected to contribute positively to the KNM Group for financial year 2010 onwards.

6. Risk Factors and Prospects

i. The risk factors involved in undertaking the joint venture and EPCC Contract are:-

- a. country risk and political risk
- b. volatility in commodity prices
- c. project funding and financing risks

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ii. The prospects of the project will be rewarding and potentially opens up other opportunities as the Societe Des Hydrocarbures Du Tchad S.A. ("SHT") and Chad has large potentials in oil and gas activities.
: We refer to your Company's announcements dated 30 July 2009, in respect of the aforesaid matter.

In this connection, kindly furnish Bursa Malaysia Securities Berhad ("Bursa Securities") with the following additional information for public release:-

The total capital and investment outlay by KNMPS in the joint venture operating company ("JVCo");
The source of funds by KNMPS in financing its investment in the JVCo;
Whether the EPCC Contract by The National Oil Corporation of Chad is awarded directly to KNMPS or via the JVCo;
Whether KNM Group has undertaken any feasibility studies on the joint venture and the outcome of the same;
The financial effects of the joint venture and the award of EPCC Contract on KNM Group; and
The prospects and risks factors involved in undertaking the joint venture and EPCC Contract.

Please furnish Bursa Securities with your reply within one (1) market day from the date hereof.

Yours faithfully

CHONG FUI TZY
Head, Issuers
Listing Division
Regulation

HTH/IJ
copy to:- Head, Market Surveillance, Securities Commission (via fax)