

General Announcement

Reference No **KG-090219-66046**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **19/02/2009**

Type : Reply to query
Reply to Bursa Malaysia's : IJ-090218-39286
Query Letter - Reference ID

Subject : **REPLY TO BURSA SECURITIES'S QUERIES DATED 18 FEBRUARY 2009**

Contents : In reply to the queries received from Bursa Securities Malaysia Berhad ("Bursa Securities") vide its letter dated 18 February 2009 (ref: IJ-090218-39286), the Company wishes to inform that:-

1. Total Oil Sands Value

The total order value of the oil sands project in Canada as at to-date is about RM286.116 million.

2. Cancellation Date and Compensation Terms

a. KNM Process Equipment Inc. ("KNMPE"), a wholly owned subsidiary of the Group received the cancellation notice for convenience from Petro-Canada Oil Sands Inc. on 22 December 2008, for the supply of Columns and Pressure Vessels for Fort Hills Energy L.P. ("FHELP") of Canada amounting to about CAD6.388 (RM18.78) million (based on the exchange rate of CAD1.00 : RM2.94). The Client has adequately compensated KNMPE for the termination.

b. FBM Hudson Italiana S.p.A. ("FBMHI"), a wholly owned subsidiary of the Group received the cancellation notices for convenience from Petro-Canada Oil Sands Inc. on 16 December 2008, for the supply of Feed/Effluent Heat Exchangers for FHELP amounting to about EUR12.453 (RM58.28) million (based on the exchange rate of EUR1.00 : RM4.68). The Client has confirmed payment of adequate compensation to FBMHI for the termination.

3. Financial Impact

The financial impacts arising out of the above cancellations and compensation to the cash flow and net profit of the Group is positive but not material.

4. Other Cancellation

KNM Process Systems Sdn Bhd ("KNMPS"), a wholly owned subsidiary of the Group received the cancellation notice for convenience on 23 January 2009 from BASF South East Asia Pte Ltd for the supply of Reactors and Spare Parts for BASF Polyol Plant amounting to about USD2.197 (RM7.54) million (based on the exchange rate of USD1.00 : RM3.43). KNMPS is expected to be compensated adequately according to the Purchase Order Terms.

The financial impact arising out of this cancellation and compensation to the cash flow and net profit of the Group is expected to be positive but not material.

5. Total Order Book

The total Order Book value secured by the Group as at to-date is about RM3.9 billion.

This announcement is dated 19 February 2009.

Query Letter
content

: We refer to your Company's announcement dated 17 February 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 order value of the oil sands project in Canada;
The date the cancellation notices was received by the Company;
The terms of compensation arising from the cancellation of the RM80 million oil sands contracts;
The financial impact to your Group, arising from the abovementioned cancellation;
Whether the Company has received any cancellation notices as of todate other than the abovementioned cancellation. If yes, to state the total order value cancelled and the details thereof; and
The total value of the order book secured by your Company todate.

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)