

General Announcement

Reference No **KG-111011-B520C**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **11/10/2011**

Type : **Announcement**
Subject : **OTHERS**

Description : **MATERIAL CONTRACT SECURED BY KNM GROUP BERHAD'S SUBSIDIARY AMOUNTING TO APPROXIMATELY RM638 MILLION**

Announcement Details/Table Section :

1. Introduction

KNM Group Berhad (“**KNM**”) is pleased to announce that its wholly owned subsidiaries, led by KNM Process Systems Sdn Bhd (“**KNMPS**”), had on 11 October 2011 secured a conditional EPCC award for the engineering, procurement, construction and commissioning of a Waste to Energy Plant with capacity to process up to 1,000 tons per day of municipal solid waste for generation of a minimum of 40 MW of gross electrical energy in Karadiyana, Thumbowila, Kesbewa, Colombo, Sri Lanka (“**the Project**”) on turnkey EPCC basis (“**Conditional EPCC Award**”) amounting to USD200 million (equivalent to approximately RM638 million based on the exchange rate of USD1.00 : RM3.19) from Orizon Renewable Energy (Private) Limited (“**ORE**”), a subsidiary of Octagon Consolidated Berhad (“**Octagon**”).

The Conditional EPCC Award is subject to inter alia, the following conditions:-
Signing of definitive agreement (“**EPCC Contract**”), based on terms and conditions acceptable to the parties including the financiers of the project by December 2011.

Effective date of the EPCC Contract to be 60 days after the Financial Close, wherein all the financing/facility agreements are entered into with the Financiers of the Project and funds are ready to be drawdown.

The Project, which involves the generation of renewable energy from municipal solid waste at the Project site covering up to 20 acres of land in Karadiyana, is to be implemented under Public Private Partnership between ORE and the Waste

Management Authority of Western Province, an agency under the Government of Sri Lanka. Further details on the Project can be obtained from Octagon's announcement on 6 October 2011.

2. Information on KNMPS and ORE

KNMPS was incorporated as a private limited company under the laws of Malaysia on 28 June 1990. Its registered address is at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan. KNMPS is principally involved in the design, engineering, procurement and manufacturing of process equipment, including without limitation pressure vessels, reactors, columns and towers, drums, heat exchangers, air finned coolers, process gas waste heat boilers and specialised shell and tube heat exchangers, condensers, spheres, process tanks, mounded bullets, process skid packages and turnkey storage facilities as well as technical and project management services in relation to process equipment, plant facilities and general facilities for the oil, gas, petrochemicals, minerals processing and renewable energy industries worldwide.

ORE was incorporated as a private limited company under the laws of Sri Lanka on 18 September 2009. Its registered address is at 101, Inner Flower Road, Colombo 03, Sri Lanka. ORE is principally involved in the business of collection and disposal of mixed municipal solid waste, to develop the Project which is involved in the generation of electrical energy from the mixed municipal solid waste and operate and maintain the said plant for the duration of the concession period.

3. Directors' and major shareholders' interest

None of the directors or major shareholders of KNM, or any persons connected to them, has any direct or indirect interest in the above Project.

4. Effect of the Project

The Project is not expected to have any material impact to KNM Group's financial performance for year ending 31 December 2011. However, it is expected to contribute positively to KNM Group's earnings for the financial years ending 31 December 2012, 2013 and 2014.

5. Risk Factors

The Project is subject to certain risks mainly in the power and renewable energy

industries and legislation on clean energy in the Sri Lanka. 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 Project may not achieve financial close.

The Project does 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 and/or KNMPS.

This announcement is dated 11 October 2011.