

General Announcement

Reference No **KG-110729-54021**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **29/07/2011**

Type : Reply to query
Reply to Bursa : IJ-110728-36135

Malaysia's Query
Letter - Reference ID
Subject

: REPLY TO BURSA SECURITIES'S QUERIES DATED 28 JULY 2011 ON HEADS OF AGREEMENTS WITH ZECON BERHAD ("ZECON") AND GULF ASIAN PETROLEUM SDN BHD ("GAP")
Description : In reply to the queries received from Bursa Securities Malaysia Berhad ("Bursa Securities") vide its letter dated 28 July 2011 (ref: IJ-110728-36135), the Company wishes to inform that:-

Q1. The equity interests to be held by the respective parties in the EPC Consortium for the Refinery/Polypropylene Project and the joint venture company that will undertake the operation and maintenance of the Storage Project facilities respectively.

KNM's Reply:

For the Refinery/Polypropylene Project:
The equity interest of the respective parties in the EPC Consortium has not been finalized. Further announcement will be made upon finalization.

For the Storage Project:
The Joint Venture Company for the Operation and Maintenance is also not finalized yet as GAP and KNM are still in discussion with a reputable operator as its partner. Further announcement will be made upon finalization.

Q2. The total capital and financial commitment required by your Company for the Refinery/Polypropylene Project and Storage Project ("Projects").

KNM's Reply:

For the Refinery/Polypropylene Project:
The EPC Consortium will be holding equity up to RM540 million of which will be shared between the EPC Consortium members, the share

of which has NOT been finalized.

For the working capital during construction of this Refinery/Polypropylene Project, the share of USD5.0 billion Project Value for KNM and the financing structure for this Refinery/Polypropylene Project has not been finalized.

For the Storage Project:
KNM will subscribe 30% of the RM200 million equity which is equivalent to RM60 million in equity.

For the working capital during construction of this Storage, KNM will arrange a Sukuk issuance of up to RM1.5 billion provided GAP arranged a financial guarantee from a local investment fund for the same amount and period. The Sukuk will be retired upon completion of the Storage Project from the long term loan (s) to be provided by the local and/or international financial institutions to GAP.

Q3. The effects of the Projects on the Group's gearing taking into consideration the financing requirements of the Projects which includes Project Financing, issuance of Sukuk, etc.

KNM's Reply:

The effect of the Projects on the Group's Gearing has not been finalized since the EPC scope participation for the Refinery/Polypropylene Project has not been finalised. However, the gearing of the Group is expected to increase due to working capital requirements for the Projects.

Q4. The prospects and viability of the Projects.

KNM's Reply:

The demand for storage and refinery in the region is expected to grow as the oil demand for Asia Pacific is growing significantly, driven by demands from China.

The location chosen by GAP in Teluk Ramunia is located along a major global shipping lane that is a busy passage way for crude oil supplies and markets.

Q5. Whether a feasibility report was undertaken for the Projects. If yes,

to name the expert who prepared the report and a summary of conclusion of the report.

KNM's Reply:

Yes, the feasibility study for the Refinery/Polypropylene Project has been conducted for GAP by UOP Limited, UK.

The proposal for the Storage Project was evaluated in-house by GAP where the best options based on the proposed Refinery/Polypropylene Project's requirements and market needs were developed and proposed.

The conclusion of the studies show that the Projects are feasible.

Q6. A statement to confirm on whether shareholders' approval or relevant authorities' approval is required for the proposed involvement in the Projects.

KNM's Reply:

For the Refinery/Polypropylene Project:

No shareholders' or relevant authorities' approvals are required for KNM's involvement in the EPC Consortium by KNM. However, shareholders' approval may be required depending on the quantum of equity participation by KNM in this Refinery/Polypropylene Project which has not been finalized.

For the Storage Project:

Shareholders' or relevant authorities' approvals are not required for the proposed involvement in both the equity and the EPC Consortium by KNM for the Storage Project.

This announcement is dated 29 July 2011.

Query Letter
content

: We refer to the Company's announcement dated 26 July 2011, 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 equity interests to be held by the respective parties in the EPC Consortium for the Refinery/Polypropylene Project and the joint venture company

that will
undertake the operation and maintenance of the Storage Project facilities
respectively;
The total capital and financial commitment required by your Company
for the
Refinery/Polypropylene Project and Storage Project ("Projects");
The effects of the Projects on the Group's gearing taking into
consideration
the financing requirements for the Projects which includes Project
Financing,
issuance of Sukuk etc;
The prospects and viability of the Projects;
Whether a feasibility report was undertaken for the Projects. If yes, to
name
the expert who prepare the report and a summary of conclusion of the
report; and
A statement to confirm on whether shareholders' approval or relevant
authorities' approval is required for the proposed involvement in the
Projects.

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

Yours faithfully

HENG TECK HENG
Head, Issuers
Listing Division
Regulation

HTH/IJ

copy to:- General Manager & Head, Market Surveillance, Securities
Commission
(via fax)

Announcement Details/Table Section :