

OTHERS Proposed Issuance of Bonds in Thailand of up to USD80 Million equivalent in Thai Baht (the "Proposed Thai Bonds") guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank ("CGIF")

KNM GROUP BERHAD

Type	Announcement
Subject	OTHERS
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1.0 INTRODUCTION

The Board of Directors of KNM Group Berhad (“**KNM**”) is pleased to announce that United Overseas Bank (Malaysia) Bhd as the Principal Adviser has on 26 September 2016, made the lodgement in respect of the Proposed Thai Bonds with the Securities Commission Malaysia.

2.0 BACKGROUND

KNM Renewable Energy Sdn Bhd (“**KNMRE**”) had on 19 May 2016 completed the acquisition of the entire equity interest in Asia Bio-Fuels Ltd and Asia Biofuels II Ltd (**ABL Group**); whereby, upon completion, the ABL Group owns a combined 72% equity interest in Impress Ethanol Co Ltd (“**IEL**”) and a 49% equity interest in Impress Farming Co Ltd (“**IFL**”).

Construction of IEL’s Phase 1 bio-ethanol plant with a production capacity of 200,000 litres ethanol per day is ongoing. The construction of Phase 2 of the bio-ethanol plant for an additional 200,000 litres ethanol per day is expected to commence by H1/2017 due to the favourable ethanol market demand in Thailand.

Accordingly, KNMG is proposing to undertake the Proposed Thai Bonds to *inter alia* raise the funds required by IEL.

3.0 UTILISATION OF PROCEEDS FROM THE PROPOSED THAI BONDS

Proceeds from the Proposed Thai Bonds will be utilised by KNM to provide a foreign currency lending to IEL, which will in turn use the Proposed Thai Bonds proceeds for the purposes of amongst others, financing future expansion and working capital expenses for its bio-ethanol plants.

4.0 GUARANTOR OF THE PROPOSED THAI BONDS

The Proposed Thai Bonds will be guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“**CGIF**”).

With the credit guaranteed from CGIF, the Proposed Thai Bonds has been assigned a credit rating of “AAA/Stable” (Triple A/Stable Outlook) by TRIS Rating Co., Ltd. (“**TRIS**”).

5.0 FINANCIAL IMPACT

5.1 Interest expense

The Proposed Thai Bonds is expected to be fully issued by December 2016. The total costs related to the Proposed Issuance to be incurred in Q4/2016 is estimated at approximately RM1.1 million.

The interest payments shall be dependent on the final coupon rates to be fixed.

5.2 Gearing ratio

The gearing ratio of KNM as at 31 December 2015 is 0.27 (per KNM's audited accounts for financial year ended 31 December 2015). After the completion of the Proposed Thai Bonds, the total debts will increase from RM 718.5 million as at 31 December 2015 to approximately RM1,038.5 million and the gearing ratio is expected to increase to 0.38 based on the total equity as at 31 December 2015.

None of the Directors and/or major shareholders of KNM and/or person connected with them have any interest, whether direct or indirect, in the Proposed Thai Bonds.

Having considered all aspects of this transaction, the Board of Directors is of the opinion that the acceptance of the Proposed Thai Bonds is in the best interest of KNM and its group of companies.

This announcement is dated 26 September 2016.