

OTHERS Agreement for EPCC of 300,000 LPD Impress Ethanol Plant, Thailand - Expansion Project ("IEL Phase 2") in Thailand amounting to THB1,273 million (equivalent to approximately RM159 million)

KNM GROUP BERHAD

Type	Announcement
Subject	OTHERS
Description	Agreement for EPCC of 300,000 LPD Impress Ethanol Plant, Thailand - Expansion Project ("IEL Phase 2") in Thailand amounting to THB1,273 million (equivalent to approximately RM159 million)

1. Introduction

KNM Group Berhad ("**KNM**") is pleased to announce that on 11 May 2017, its wholly-owned subsidiary, KNM Process Systems Sdn Bhd ("**KNMPS**") and its affiliated company, KNM Projects (Thailand) Co. Ltd ("**KNMPT**"), had collectively secured a substantial contract from Impress Ethanol Co. Ltd ("**IEL**") to undertake the Engineering, Procurement, Construction and Commissioning ("**EPCC**") of the 300,000 liters per day ("**LPD**") Impress Ethanol Plant – Expansion Project ("**IEL Phase 2**") located at Chachaengsao Province, Thailand (the "**Contract**") amounting to THB1,273 million (equivalent to approximately RM159 million based on the exchange rate of THB100 : RM12.52). The construction duration of the IEL Phase 2 Project is about 18 months.

KNMPS has built the Phase 1 – 200,000 LPD fuel-grade Ethanol Production Plant for IEL; whereby, IEL now intends to expand and increase its ethanol production capacity to 500,000 LPD.

2. Information on KNMPS, KNMPT and IEL

KNMPS was incorporated as a private limited company under the laws of Malaysia on 28 June 1990 with an issued and paid up capital of RM1,600,000,000 comprising 1,600,000 ordinary shares. 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 specialized 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. KNMPS is a wholly owned subsidiary of KNM.

KNMPT was incorporated on 17 November 2009 as a private limited company under the laws of Thailand. Its registered capital is THB4,000,000 comprising 40,000 ordinary shares of THB100 each. KNMPT is principally involved in the provision of design, engineering, procurement, construction and commissioning and all other related services for the oil, gas, petrochemical, minerals processing, biofuel and energy industries and it is effectively a 74% owned subsidiary of KNM.

IEL was incorporated in Thailand on 22 May 2007 as a private limited company under the laws of Thailand. Its registered capital is THB942,000,000 comprising 94,200,000 ordinary shares of THB10 each. IEL is principally involved as a manufacturer and distributor of alcohol/ethanol or fuel from agricultural products and it is effectively a 72% owned subsidiary of KNM.

3. Approvals

The award is not subject to the approval of the shareholders of KNM or any regulatory authority in Malaysia or elsewhere.

4. Directors' and major shareholders' interest

None of the directors and/or major shareholders of KNM, and/or any persons connected with them, have any direct or indirect interest in the said Contract.

5. Effect of the IEL Phase 2 Project

Upon completion, the IEL Phase 2 Project is expected to yield positive returns in line with KNM's long term strategic direction of generating sustainable and recurring income streams from its renewable energy businesses for KNM Group.

6. Risk Factors

The Contract is subject to certain risks mainly in the power, oil, gas, petrochemical, and energy industries. These include changes in general economic conditions such as, but not limited to inflation, environmental, health and safety regulations, 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.

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 these industries.

Although KNM Group with its vast experience may undertake efforts to mitigate the various risk factors, there is no assurance that any change in the above risk factors will not have a material adverse effect on the business and operations of KNM, KNMPS and/or KNMPT.

This announcement is dated 12 May 2017.