

OTHERS Additional Award of Contracts to KNM Process Systems Sdn Bhd amounting to RM52.170 million for the RDMP RU-V Balikpapan Project

KNM GROUP BERHAD

Type	Announcement
Subject	OTHERS
Description	Additional Award of Contracts to KNM Process Systems Sdn Bhd amounting to RM52.170 million for the RDMP RU-V Balikpapan Project

1. Introduction

KNM Group Berhad (“KNM”) is pleased to announce that its wholly-owned subsidiary, KNM Process Systems Sdn Bhd (“KNMPS”), had today entered into three (3) Contract Agreements which are all dated 23 September 2019 (“**Contracts**”) with RDMP Balikpapan Jo (“**Client**”) for the design, engineering and supply of Pressure Vessels (comprising of the Pressure Vessel 2, 4 and 6 respectively) for the RDMP RU-V Balikpapan Project located at Balikpapan, East Kalimantan, Republic of Indonesia as operated by PT Pertamina (Persero) (collectively referred to as the “RDMP RU-V Balikpapan Project”) for a total combined amount of USD12.445 million (equivalent to approximately RM52.170 million based on the exchange rate of USD1.00 : RM4.192) (“**Transaction**”).

The supply and delivery duration of the Transaction would be for a combined targeted total period no later than end of May 2021.

This Transaction is additional and if combined with the earlier disclosed two (2) contracts award also received by KNMPS as was announced on 1 October 2019 for the RDMP RU-V Balikpapan Project, would make the combined contract awards received by KNM to a current total amount of RM107.794 million.

2. Information About the Parties

KNMPS was incorporated as a private limited company under the laws of Malaysia on 28 June 1990. 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 inclusive of solar PV installation work and solar leasing.

The Client is a joint organization established in the Republic of Indonesia by PT Rekayasa Industri and Hyundai Engineering Co. whom has been awarded the Main Contract for the engineering, procurement and construction for the RDMP RU-V Balikpapan Project by PT Pertamina (Persero).

3. Financial Effect of the Transaction

The Transaction is expected to contribute positively to KNM's earnings for the financial years ending 31 December 2019, 31 December 2020 and also 31 December 2021.

4. Risk Factors

The Transaction is subject to certain commercial and financial 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 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 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 and/or KNMPS.

5. Approvals

The Transaction is not subject to the approval of the shareholders of KNM or any regulatory authority in Malaysia or in any other country.

6. Directors' Statement

Having considered all aspects of the Transaction, the Board of Directors is of the opinion that the Transaction is in the best interest of KNM.

7. 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 Transaction.

8. Documents for Inspection

Details of the Transaction are available for inspection at the registered office of KNM at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia for three (3) months from date of this Announcement during normal business hours from Mondays to Fridays.

This announcement is dated 2nd October 2019.