

**NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) : FUND RAISING KNM GROUP BERHAD ("KNM" OR THE "COMPANY") PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED ORDINARY SHARES IN KNM**

KNM GROUP BERHAD

Type	Announcement
Subject	NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) FUND RAISING
Description	KNM GROUP BERHAD ("KNM" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED ORDINARY SHARES IN KNM

On behalf of the Board of Directors of KNM, M&A Securities Sdn Bhd wishes to announce that the Company proposes to undertake a private placement of up to 10% of the issued ordinary shares in KNM ("Proposed Private Placement").

Further information on the Proposed Private Placement is disclosed in the attachment herein.

This announcement is dated 15 January 2021.

Please refer attachment below.

**Attachments**

[KNM - Private Placement 150121.pdf](#)

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## **KNM GROUP BERHAD ("KNM" OR THE "COMPANY")**

### **PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED ORDINARY SHARES IN KNM**

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#### **1. INTRODUCTION**

On behalf of the Board of Directors of KNM ("**Board**"), M&A Securities Sdn Bhd ("**M&A Securities**") wishes to announce that the Company proposes to undertake a private placement of up to 296,923,400 new ordinary shares in KNM ("**KNM Shares**" or "**Shares**"), representing not more than 10% of the issued ordinary shares in KNM ("**Proposed Private Placement**").

The Proposed Private Placement shall be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**") approved by the shareholders of KNM at the 18<sup>th</sup> Annual General Meeting ("**AGM**") of the Company held on 13 August 2020 which authorises the Board to issue new KNM Shares not exceeding 20% of the total number of issued shares of the Company ("**20% General Mandate**"). The 20% General Mandate, unless revoked or varied by the Company at a general meeting, shall continue to be in force until the conclusion of the next AGM of the Company.

Further details of the Proposed Private Placement are set out in the ensuing sections.

#### **2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT**

As at 14 January 2021, being the last practicable date preceding the date of this announcement ("**LPD**"), KNM has:

- (a) an issued share capital of RM2,005,610,754 comprising 2,969,234,280 KNM Shares (excluding 23,341,275 Shares held as treasury shares by the Company) ("**Treasury Shares**"); and
- (b) 214,992,300 outstanding employees' share option scheme ("**ESOS Options**").

The Proposed Private Placement will entail the issuance of up to 296,923,400 new KNM Shares ("**Placement Shares**"), representing not more than 10% of the existing number of issued Shares as at the LPD (before the exercise of ESOS Options and excluding Treasury Shares). For the avoidance of doubt, any increase in the number of issued Shares arising from the resale of Treasury Shares or exercise of the ESOS Options will not affect the number of Placement Shares to be issued under the Proposed Private Placement.

Subject to the prevailing market conditions and depending on investors' interest at the point of implementation, the Proposed Private Placement may be implemented in a single or multiple tranche(s) within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or such other approved extended period.

On 20 November 2020, the Company completed a private placement exercise of 269,184,800 new Shares pursuant to the 20% General Mandate ("**Previous Private Placement**").

The Proposed Private Placement complies with Paragraph 6.03(1) of the Listing Requirements and the "Additional Temporary Relief Measures to Listed Issuers" granted by Bursa Securities on 16 April 2020, which states that a listed issuer shall not issue more than 20% of its total issued shares (excluding treasury shares) unless shareholders' approval is obtained.

##### **2.1 Basis of arriving at the issue price of the Placement Shares**

The issue price of each tranche of the Placement Shares, where applicable, shall be determined separately and fixed by the Board at a later date after obtaining the relevant approvals for the Proposed Private Placement. The Board will take into consideration amongst others, the prevailing

market conditions and the provisions of Paragraph 6.04(a) of the Listing Requirements, in determining the issue price of the Placement Shares at a discount of not more than 10% to the volume weighted average market price of KNM Shares for the five (5) market days ("**5D-VWAMP**") immediately preceding the price fixing date(s).

For illustrative purposes, assuming the Placement Shares are issued at an indicative issue price of RM0.185 per Placement Share ("**Indicative Issue Price**"), this represents a discount of approximately 8.19% to the 5D-VWAMP of KNM Shares up to and including the LPD of RM0.2015 per KNM Share. Based on the Indicative Issue Price, the Proposed Private Placement will raise gross proceeds of RM54,930,829. The mechanism to determine the issue price of each tranche of the Placement Shares shall be determined separately in accordance with market-based principles.

## **2.2 Placement arrangement**

The Placement Shares will be placed to independent investor(s) ("**Placees**"), where the Placees shall be person(s) or party(ies) who/which qualify under Schedule 6 and Schedule 7 of the Capital Markets and Services Act 2007, who shall be identified at a later date.

In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Shares will not be placed to the following parties:

- (a) the interested director, interested major shareholder, interested chief executive of KNM or a holding company of KNM, or interested persons connected with such director, major shareholder or chief executive of KNM; and
- (b) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to the prevailing market conditions and depending on investors' interest at the point of implementation, the Proposed Private Placement may be implemented in a single or multiple tranche(s) within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or such other approved extended period.

## **2.3 Ranking of the Placement Shares**

The Placement Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing issued KNM Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, for which the relevant entitlement date is prior to the date of allotment and issuance of the Placement Shares and the Placement Shares will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission and otherwise.

## **2.4 Listing of and quotation for the Placement Shares**

KNM shall make an application to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

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## 2.5 Utilisation of proceeds

For illustrative purposes, the placement proceeds to be raised from the Proposed Private Placement of RM54,930,829 (based on the Indicative Issue Price) are expected to be utilised by KNM and its subsidiaries ("KNM Group" or "Group") in the following manner:

Details	Notes	Amount RM'000	#Expected timeframe for utilisation of proceeds
Payment for procurement of raw materials and consumables, payment to sub-contractor/suppliers for fabrication and site works, professional services and logistic expenses	(a)	33,631	Within 6 months
Repayment of bank borrowings	(b)	20,000	Within 3 months
Estimated expenses for the Proposed Private Placement	(c)	1,300	Within 1 month
<b>Total</b>		<b><u>54,931</u></b>	

### Notes:

# From the listing date of Placement Shares on the Main Market of Bursa Securities.

(a) Under the Previous Private Placement, the Company had raised a total amount of RM44.46 million, of which a total amount of RM43.37 million has been earmarked to finance the ongoing fabrication works of the Group's process equipment contracts mainly in Myanmar, Vietnam, Malaysia, Bahrain and Thailand.

As such, the additional proceeds of RM33.63 million to be raised from the Proposed Private Placement has been earmarked to finance the other ongoing fabrication works of the Group's process equipment contracts mainly in Indonesia, Malaysia and Guyana, in the following manner:

No.	Details	RM'000
(i)	Purchase of raw materials and consumables such as steel plates used to fabricate the pressure vessels, fitting, forgings, electrodes for welding, sand blasting materials, industrial gas and related components for its fabrication works, and applicable import duties	22,960
(ii)	Payment to subcontractors and other suppliers engaged by KNM Group for performing fabrication and site works as well as related services in the process equipment contracts secured, such as project management fees, product certification fees, engineering design cost, non-destructive testing and other related services	5,000
(iii)	Payment of logistical expenses for shipping of raw materials and delivery of process equipment which includes port clearance charges, forwarding and shipping fees, transportation cost and other related costs	5,671
	<b>Total</b>	<b><u>33,631</u></b>

- (b) The Company intends to utilise up to RM20.00 million of the proceeds raised to repay its bank borrowings. As at 30 November 2020, the Company has total bank borrowings of RM1.36 billion, which comprise mainly bank overdrafts, bankers acceptances, bill payables, revolving credit, term loans and hire purchase. Based on the average annual interest rate of 4.6%, the additional repayment of bank borrowings amounting to RM20.00 million is expected to result in an annual gross interest savings of approximately RM0.92 million per annum to the Group. However, the repayment priority of the above bank borrowings has not been determined at this juncture and will depend on the relative cost of borrowing of the above facilities at the time of utilisation.
- (c) The estimated expenses consist of fees payable to the relevant authorities, advisory and placement fees as well as other miscellaneous expenses to be incurred pursuant to the Proposed Private Placement.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the issue price of the Placement Shares and actual number of Placement Shares issued. Any excess of the actual proceeds raised will be adjusted against the utilisation for the working capital requirements of the Group.

Pending the full utilisation of the proceeds raised from the Proposed Private Placement, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institutions or in short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as the Group's additional working capital.

### **3. RATIONALE**

The Proposed Private Placement will enable the Group to raise additional funds as set out in Section 2.5 above.

After due consideration of the various options available, the Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise funds for the Group due to the following reasons:

- (a) the Proposed Private Placement will enable the Group to raise funds mainly for the Group's ongoing fabrication works for the process equipment contracts secured expeditiously in a more cost-effective manner as opposed to other fund raising options as well as to reduce the Group's overall bank borrowings;
- (b) the Proposed Private Placement is expected to strengthen the shareholders and capital base of the Group;
- (c) the Proposed Private Placement will serve as additional source of funding for the Group without incurring interest expenses as compared to borrowings; and
- (d) the Proposed Private Placement will improve the liquidity and financial flexibility of the Group by strengthening its financial position.

Save as disclosed below, the Board confirms that the Company has not implemented any other fund raising exercise within the 12 months preceding the date of this announcement:

- (a) The Company has raised a total amount of RM10,117,382 arising from the exercise of the 91,976,200 ESOS Options into 91,976,200 KNM Shares from 1 January 2020 up to the LPD. The proceeds raised arising from the exercise of the ESOS Options has been utilised in the following manner:

Details	Amount (RM'000)
Repayment of bank borrowings	8,935
Working capital requirements	1,182
<b>Total</b>	<b>10,117</b>

- (b) On 20 November 2020, the Company completed the Previous Private Placement, raising a total of RM44.55 million. As at the LPD, the said proceeds have been utilised as follows:

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of Previous Private Placement	Proposed utilisation (based on actual amount raised) RM'000	Actual utilisation up to the LPD RM'000	Balance available for utilisation RM'000
Payment for procurement of raw materials and consumables, payment to sub-contractor/suppliers for fabrication and site works, professional services and logistic expenses	Within 6 months	43,369	26,050	17,319
Expenses for the Previous Private Placement	Within 1 month	1,180	1,180	-
<b>Total</b>		<b>44,549</b>	<b>27,320</b>	<b>17,319</b>

#### 4. PROSPECTS AND OUTLOOK OF THE KNM GROUP

##### 4.1 Outlook and prospect of the oil and gas ("O&G") and petrochemicals industries

According to the International Energy Agency ("IEA"), oil and natural gas meet more than half of global primary energy demand today and the oil and gas industries employ around 13 million people in upstream operations, refining and processing, transport and distribution and services. The COVID-19 pandemic has had a major impact on markets, particularly for oil, and oil demand is expected to be around 8.5% lower in 2020 than in 2019. There have also been sudden short term shocks in both supply and demand that were well in excess of the industry's near-term capacity to adapt: in April 2020, oil demand was around 25% lower than a year ago, and prices have been very volatile. A number of countries have responded to lower prices by building up their strategic petroleum reserves, while a number of companies have announced sharp downward revisions to investment plans.

*(Source: IEA (2020) Sustainable Recovery, World Energy Outlook Special Report, June 2020)*

As of early September 2020, oil futures contracts indicate that Brent prices will increase to USD50.00 by the end of 2023, highlighting near-term demand concerns. Baseline assumptions, also based on futures prices, suggest average annual prices of USD41.70 a barrel in 2020 – a decrease of 32% from the 2019 average – and USD46.70 a barrel in 2021 for the International Monetary Fund's average petroleum spot prices. Currently, the oil market is characterised by elevated uncertainty as the COVID-19 pandemic is not yet under control. Risks, however, are broadly balanced. Upside risks to prices include escalating geopolitical events in the Middle East and faster containment of the COVID-19 pandemic as well as excessive cuts in oil and gas upstream investments and further bankruptcies in the energy sector. The biggest downside risk is a renewed slowdown in global economic activity as large inventories remain a concern. Other downside risks for oil prices include

stronger oil production growth in several non-OPEC+ countries, a faster normalisation of Libya's oil production, and a breakdown of the OPEC+ agreement. In the medium and long term, global policy actions to lower carbon dioxide emissions present a further downside risk to oil demand.

*(Source: International Monetary Fund. 2020. World Economic Outlook: A Long and Difficult Ascent. Washington, DC, October)*

#### **4.2 Prospects of the KNM Group**

The Company envisaged its business and earning visibility to gradually recover from the slowdown caused by the global outbreak of COVID-19, the implementation of Movement Control Order in Malaysia as well as the slump of global crude oil prices, commencing from second half of 2022.

The economic slowdown and market uncertainty arising from COVID-19 has led to delays in the award and implementation of some process equipment contracts that were expected to have materialised. Payments from customers have also been slow and are anticipated to remain so as companies strive to rebuild their income streams.

Notwithstanding the above, the Company remains cautious and aims to maintain its profitability during this challenging period by improving its operational efficiency through process improvement and operational savings from leaner outfit.

#### **4.3 Impact of the Proposed Private Placement and value creation to the Group and its securities holders**

The Proposed Private Placement will enable the Group to raise funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs and preserving the Group's cash flows. Notwithstanding the above, the consolidated earnings per Share ("**EPS**") of the Group shall be diluted as a result of the increase in the number of Shares arising from the Proposed Private Placement. Further details on the effects of the Proposed Private Placement on the net assets ("**NA**") and gearing as well as the earnings and EPS of the Group are set out in Section 5.3 of this announcement.

The Board is of the view that the Proposed Private Placement will allow the Group to raise funds for the purposes as detailed in Section 2.5 of this announcement in an expeditious manner without incurring additional interest cost or servicing additional principal payments, thereby minimising any potential cash outflow in respect of interest servicing costs and principal repayments.

As illustrated in Section 5.2 of this announcement, the Proposed Private Placement is expected to enlarge the issued share capital of the Group and in turn increase its shareholder's equity and enhance its overall financial position. Based on the audited consolidated financial statements of KNM for the FYE 2019 and the Indicative Issue Price, the NA position of RM1.66 billion and gearing level of 0.89 times is expected to improve to RM1.77 billion and 0.82 times, respectively, upon completion of the Proposed Private Placement.

However, the increase in the number of issued Shares pursuant to the Proposed Private Placement would result the shareholdings of the Company's existing shareholders to be diluted. It may also dilute the EPS of the Group if the earnings of the Group do not increase in tandem with the increase in the number of KNM Shares issued pursuant to the Proposed Private Placement.

#### **4.4 Value creation to the Company and its shareholders**

Despite the expected dilution in the consolidated EPS of the Group, the Proposed Private Placement is expected to generate the benefits as set out in Sections 2.5 and 3 of this announcement. This will aid the Company in its effort to continuously improve its financial performance and to enhance value for the shareholders moving forward.

#### 4.5 The adequacy of the Proposed Private Placement in addressing the Group's financial requirements and steps taken by the Group to improve its financial condition

Premised on the utilisation of proceeds as set out in Section 2.5 above as well as the effects of the Proposed Private Placement as set out below, the Board is of the view that the Proposed Private Placement is adequate in addressing the Group's financial requirements at this juncture. The Board has decided to undertake the Proposed Private Placement as the most appropriate avenue to raise immediate funds to fund its ongoing fabrication and site works of the Group's process equipment contracts secured by the Group's Malaysian operations and repayment of its bank borrowings.

Moving forward, the Group intends to focus on its strength and expertise in securing new business opportunities or venture in the O&G and petrochemicals industries with favorable outlook as a way of delivering sustainable value to its shareholders. In addition, the Group shall continue to explore new potential business opportunities or venture, particularly in the renewable energy sector, which will further supplement its business activities in the O&G and petrochemical industries. To this end, the Group will work closely with various joint venture partners, various O&G players and project owners regionally to secure contracts in the O&G and petrochemicals industries.

Premised on the above as well as the overview and outlook of the O&G industry, the Group is cautiously optimistic of its future prospects moving forward despite a challenging economic outlook ahead as the full impact of the COVID-19 pandemic gradually becomes observable.

### 5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

#### 5.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:

	<b>No. of KNM Shares '000</b>	<b>RM'000</b>
Issued share capital as at LPD (excluding 23,341,275 Treasury Shares)	2,969,234	2,005,611
Placement Shares to be issued pursuant to the Proposed Private Placement	296,923	<sup>(1)</sup> 54,931
<b>Enlarged issued and paid-up share capital</b>	<b>3,266,157</b>	<b>2,060,542</b>

**Note:**

(1) Based on the Indicative Issue Price.

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## 5.2 NA and gearing

The pro forma effects of the Proposed Private Placement on the NA and gearing of the Company is set out below:

	<b>Audited as at 31 December 2019</b>	<b><sup>(1)</sup>Subsequent events</b>	<b><sup>(2)</sup>After the Proposed Private Placement</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Share capital	1,924,046	2,005,611	2,060,542
Treasury shares	(53,425)	(53,425)	(53,425)
Reserves	(206,552)	(234,043)	<sup>(3)</sup> (235,343)
<b>Shareholders equity/NA</b>	<b>1,664,069</b>	<b>1,718,143</b>	<b>1,771,774</b>
Non-controlling interest	(14,215)	(14,215)	(14,215)
<b>Total equity</b>	<b>1,649,854</b>	<b>1,703,928</b>	<b>1,757,559</b>
No. of Shares ('000) (excluding treasury shares)	2,608,073	2,969,234	3,266,157
NA per share (RM) <sup>(4)</sup>	0.64	0.58	0.54
Total borrowings (RM'000)	1,467,611	1,467,611	1,447,611
Gearing (times) <sup>(5)</sup>	0.89	0.86	0.82

### Notes:

- (1) After adjusting the following subsequent events since 31 December 2019 up to the LPD, as follows:
  - (a) On 9 March 2020, KNM had re-purchased 6,500,000 KNM Shares from the open market at a cost of RM978,315 or RM0.1505 per KNM Share. These Shares have been treated as Treasury Shares of the Company;
  - (b) Issuance of 91,976,200 new KNM Shares from the exercise of ESOS Options since 1 January 2020 up to the LPD;
  - (c) Reversal of warrants reserve for outstanding warrants-B, which expired on 21 April 2020, amounted to approximately RM27.49 million;
  - (d) Cancellation of 146,717,001 ESOS Options on 24 September 2020 as the KNM Shares have predominantly been trading below the exercise price of RM0.65 per ESOS Option;
  - (e) Issuance of 269,184,800 new Shares pursuant to Previous Private Placement;
  - (f) After adjusting for the expenses incurred for the Previous Private Placement of approximately RM0.92 million as share based expenses on the Group's issued share capital; and
  - (g) On 29 December 2020, KNM had disposed 6,500,000 Treasury Shares for a total disposal consideration of RM1,327,862.90, resulting in a one-off gain on disposal of RM349,548, credited into the share capital of KNM.
- (2) Based on the Indicative Issue Price.
- (3) After adjusting for the estimated expenses relating to the Proposed Private Placement of approximately RM1.30 million.
- (4) Computed by taking the total NA of the Company divided by the number of Shares in issuance.
- (5) Computed by taking the total borrowings over the total equity of the Company.

### 5.3 Earnings and EPS

Save for the dilution in EPS as a result of the increase in the number of Shares to be issued pursuant to the Proposed Private Placement, the Proposed Private Placement is not expected to have any immediate material effect on the consolidated earnings/ losses of the Group.

For illustrative purposes, assuming that the Proposed Private Placement was effected at the beginning of the financial year ended ("FYE") 31 December 2019 of KNM, the pro forma effects on the earnings and EPS of KNM Group are as follows:

	<b>FYE 31 December 2019</b>	<b>After the Proposed Private Placement</b>
Profit after taxation (RM'000)	35,057	<sup>(1)</sup> 34,677
No. of KNM Shares ('000)	2,608,073	3,266,157
<b>EPS (sen)</b>	<b>1.34</b>	<b>1.06</b>

#### Note:

- (1) After deducting the estimated listing and processing fees of the Proposed Private Placement amounting to RM1.30 million and the estimated annual gross interest savings of RM0.92 million per annum expected to be enjoyed by the Group, arising from the repayment of bank borrowings of RM20.00 million as set out in Section 2.5 of this announcement.

### 5.4 Substantial shareholders' shareholding

The pro forma effects of the Proposed Private Placement on the shareholding of the substantial shareholders of KNM are set out in the table below:

<b>Substantial shareholders</b>	<b>As at LPD</b>			
	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
Ir Lee Swee Eng	108,408,838	3.7	171,066,459	<sup>(3)</sup> 5.8
Gan Siew Liat	39,045,000	1.3	279,475,297	<sup>(4)</sup> 9.4
Placees (collectively)	-	-	-	-
<b>Substantial shareholders</b>	<b>After Proposed Private Placement</b>			
	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
Ir Lee Swee Eng	108,408,838	3.3	171,066,459	<sup>(3)</sup> 5.2
Gan Siew Liat	39,045,000	1.2	279,475,297	<sup>(4)</sup> 8.6
Placees (collectively)	296,923,400	9.1	-	-

#### Notes:

- (1) Based on the existing share capital of 2,969,234,280 Shares as at the LPD.
- (2) Based on the enlarged share capital of 3,266,157,680 Shares after the Proposed Private Placement.
- (3) Deemed interested by virtue of his indirect interest in Inter Merger Sdn Bhd, direct interest in Tegas Klasik Sdn Bhd, direct interest in Aveda Assets Capital Inc. and interest of his children in KNM.
- (4) Deemed interested by virtue of her indirect interest in Inter Merger Sdn Bhd, and interest of her spouse in Tegas Klasik Sdn Bhd and Aveda Assets Capital Inc. and interest of her spouse and children in KNM.

## **5.5 Convertible Securities**

As at the LPD, save for the 214,992,300 outstanding ESOS Options, the Company does not have any convertible securities in issue.

The Proposed Private Placement will not give rise to any adjustment to the outstanding ESOS Options pursuant to the provisions of the by-laws governing the Company's ESOS Options.

## **5.6 Dividends**

The Proposed Private Placement will not have any effect on the dividend policy of the Company, if any. Future dividends to be declared by the Company will be dependent on, among others the future financial performance as well as cash position of the Group, after taking into consideration the working capital requirements, capital expenditures needed for future growth and business expansion.

## **6. APPROVALS REQUIRED**

The Proposed Private Placement is subject to the approvals being obtained from the following:

- (a) Bursa Securities, for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- (b) any other relevant persons or authorities, if required.

The Company had obtained its shareholders' approval for the General Mandate that authorises the Board to issue new KNM Shares from time to time upon such terms and conditions and for such purposes as the Board may in its absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 20% of the total number of issued KNM Shares pursuant to Sections 75 and 76 of the Act. The said approval is valid until the conclusion of the next AGM unless revoked or varied by the Company at a general meeting or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier. Therefore, the Proposed Private Placement does not require another specific approval from the shareholders of KNM.

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken or to be undertaken by KNM.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors, major shareholders, chief executive of KNM and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

## **8. DIRECTORS' RECOMMENDATION**

The Board, after having considered all aspects of the Proposed Private Placement (including, but not limited to the proposed utilisation of proceeds, rationale and the effects of the Proposed Private Placement), is of the opinion that the Proposed Private Placement is in the best interest of the Group and its shareholders.

## **9. PRINCIPAL ADVISER AND PLACEMENT AGENT**

M&A Securities has been appointed as the Principal Adviser to the Company for the Proposed Private

Placement, whilst M&A Securities and Kenanga Investment Bank Berhad have been appointed as the Joint Placement Agents to the Company for the Proposed Private Placement.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Private Placement is expected to be made within 2 months from the date of this announcement.

Subject to the relevant approvals being obtained and barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the first quarter of 2021.

This announcement is dated 15 January 2021.

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