



**KNM GROUP BERHAD**  
Registration No.: 200001018741(521348-H)  
(Incorporated in Malaysia)

**To: The shareholders of KNM Group Berhad**

Dear Sir/ Madam,

**ADDENDUM TO THE CIRCULAR DATED 5 AUGUST 2022 IN RELATION TO THE PROPOSED DISPOSAL BY DEUTSCHE KNM GMBH, A WHOLLY-OWNED INDIRECT SUBSIDIARY OF KNM GROUP BERHAD, OF 15 SHARES IN BORSIG GMBH ("BORSIG"), REPRESENTING 100% EQUITY INTEREST IN BORSIG, FOR A TOTAL DISPOSAL CONSIDERATION OF EUR220,800,000 ("PROPOSED DISPOSAL") ("ADDENDUM")**

---

*We refer to KNM's announcements dated 24 May 2022, 22 July 2022, 26 July 2022, 5 August 2022, 19 August 2022, 29 August 2022, and 6 September 2022 in relation to the Proposed Disposal. Unless otherwise stated, all defined terms and abbreviations used in this Addendum shall carry the same meaning as those previously defined in KNM's announcements dated 24 May 2022, 22 July 2022, 5 August 2022, and 29 August 2022 in relation to the Proposed Disposal.*

Reference is made to the circular to the shareholders of KNM dated 5 August 2022 in relation to the Proposed Disposal, which was announced to Bursa Securities on 5 August 2022 (Reference Number: DCS-05082022-00021).

As disclosed in the announcement dated 29 August 2022, the SPA signed between DKNM and the Purchaser as amended and supplemented by an amendment agreement dated 21 July 2022, was further amended and supplemented by a supplementary agreement dated 26 August 2022 ("**Supplementary Agreement**"). On behalf of the Board, UOBKH wishes to highlight the amendments made to the SPA pursuant to the Supplementary Agreement.

### **Definitions Update**

Following the signing of the Supplementary Agreement, the following definitions shall apply throughout this Addendum.

- |                                  |   |  |
|----------------------------------|---|--|
| "Addendum"                       | : | This addendum to the Circular dated 13 September 2022 in relation to the Proposed Disposal   |
| "Deferral Agreement"             | : | A deferral agreement in relation to the Deferred Purchase Price Amount to be negotiated between DKNM and GSV prior to the Scheduled Closing Date   |
| "Deferred Purchase Price Amount" | : | The amount of up to EUR30.00 million of the Disposal Consideration which the Purchaser may defer to pay at a later date in accordance with the terms of the Deferral Agreement   |
| "SPA"                            | : | The conditional sale, purchase and transfer agreement dated 23 May 2022 entered into between DKNM and GSV in respect of the Proposed Disposal, as amended and supplemented by the amendment agreement dated 21 July 2022 and the Supplementary Agreement |
| "Supplementary Agreement"        | : | The supplementary agreement dated 26 August 2022 entered into between DKNM and the Purchaser   |

## Amendments to the SPA

The following highlights the amendments made to the SPA pursuant to the Supplementary Agreement, as underlined in the table below. For information purposes, there is no change to the total amount of the Disposal Consideration as a result of the Supplementary Agreement.

### SPA as amended by the amendment agreement

### SPA as amended by the Supplementary Agreement

#### Section 5.3

The Purchaser shall pay the Disposal Consideration minus the amount of the Cash Upstream Loan Receivables and the Exit Bonus Amount at the Scheduled Closing Date in accordance with Section 8.2.4 and 8.2.5.

The Purchaser shall pay the Disposal Consideration minus the amount of the Cash Upstream Loan Receivables as of the Closing Date, minus the Deferred Purchase Price Amount (as defined below), minus – to the extent applicable – the amount of the Exit Bonus Amount at the Closing Date in accordance with Sections 8.2.4 and 8.2.5.

The Purchaser shall, latest on the fifth (5<sup>th</sup>) business day prior to the Scheduled Closing Date, notify the applicable Euro amount for the Deferred Purchase Price Amount to the Seller in writing or by email (such amount shall not exceed EUR30,000,000.00, such amount as elected by the Purchaser in its sole and absolute discretion henceforth the "Deferred Purchase Price Amount").

The Deferred Purchase Price Amount shall be deferred and be treated in accordance with a deferral agreement to be negotiated between the Parties in good faith prior to the Scheduled Closing Date, such deferral agreement in any case to be irrevocably based upon the key terms set forth in the term sheet attached as Schedule 5.3 (the deferral agreement based on such term sheet henceforth the "Deferral Agreement").

#### Section 6.1.1(f)

one or more

one or more

- (i) legally binding credit agreements have – no later than 30 August 2022 (however subject to Section 6.1.1(f)(iii)) – been entered into between the Purchaser and one or more debt capital providers under which Purchaser is entitled to draw funds for the financing of the debt component of the Total Buyer Commitment (as defined below) in an amount of not less than EUR70,000,000.00 ("**Credit Commitments**"); and
- (ii) legally binding arrangements have – no later than 30 July 2022 (however subject to Section 6.1.1(f)(iii)) – been entered into between the Purchaser and one or more equity capital providers under which the Purchaser has available or will be entitled to draw funds for the financing of the equity component of the Total Buyer Commitment in an amount of not less than EUR119,750,000.00 ("**Equity Commitments**"), for the avoidance of doubt the total amount of the Credit Commitments and the Equity Commitments together shall be not less than EUR189,750,000.00; and

- (i) legally binding credit agreements have – no later than 12 September 2022 (however subject to Section 6.1.1(f)(iii)) – been entered into between the Purchaser and one or more debt capital providers under which Purchaser is entitled to draw funds for the financing of the debt component of the Total Buyer Commitment in an amount of not less than EUR70,000,000.00 ("**Credit Commitments**"); and
- (ii) legally binding arrangements have – no later than 18 August 2022 (however subject to Section 6.1.1(f)(iii)) – been entered into between the Purchaser and one or more equity capital providers under which the Purchaser has available or will be entitled to draw funds for the financing of the equity component of the Total Buyer Commitment in an amount of not less than EUR119,750,000.00 (minus the Deferred Purchase Price Amount) ("**Equity Commitments**"), for the avoidance of doubt the total amount of the Credit Commitments and the Equity Commitments together shall be not less than EUR189,750,000.00 (minus the Deferred Purchase Price Amount); and

#### SPA as amended by the amendment agreement

- (iii) all conditions precedent for the drawing of such equity and debt funds under the Credit Commitments and Equity Commitments have been satisfied and such funds – to the extent they have not already been made available to the Purchaser – have become due and payable to the Purchaser ("**Disbursement Conditions**").

In the event that Credit Commitments and Equity Commitments have been secured within the respectively applicable time frames pursuant to Sections 6.1.1(f)(i) and 6.1.1(f)(ii), the Purchaser shall have time until 30 August 2022 to also fulfil the Disbursement Condition (and, merely for the avoidance of doubt, the Condition Precedent under this Section 6.1.1 (f) shall in that case also be deemed fulfilled);

#### **Section 8.2.4**

the Purchaser shall pay or procure to be paid, the Disposal Consideration minus the amount of the Cash Upstream Loan Receivables as of the Closing Date minus, to the extent applicable, the amount of the Exit Bonus Amount (such amount the "**Purchaser's Cash Payment**") into the bank account of the Seller as notified by the Seller to the Purchaser in writing or by email no later than the fifth (5<sup>th</sup>) business days prior to the relevant payment date (the "**Seller's Account**");

#### **Section 8.2.5**

the Seller shall deliver to the Purchaser:

- (a) [*deliberately left blank*];
- (b) to the extent applicable, the total Exit Bonus Amount to the respective employer company (within the meaning of Section 7.2.3) in the name and for the account of the Seller;

#### **Section 9.2.1**

Any of the Seller or the Purchaser, as the case may be, (the "**Withdrawing Party**") shall be entitled to withdraw from the SPA (*zurücktreten*) with immediate effect by giving written notice (*Rücktrittserklärung*) (excluding electronic form pursuant to Sections 126a and 126b BGB) to the Seller, if the Conditions Precedent pursuant to

- (a) Section 6.1.1(f)(i) is not fulfilled by 30 August 2022; and
- (b) Section 6.1.1(f)(ii) is not fulfilled by 30 July 2022.

#### SPA as amended by the Supplementary Agreement

- (iii) all conditions precedent for the drawing of such equity and debt funds under the Credit Commitments and Equity Commitments have been satisfied and such funds – to the extent they have not already been made available to the Purchaser – have become due and payable to the Purchaser ("**Disbursement Conditions**").

In the event that Credit Commitments and Equity Commitments have been secured within the respectively applicable time frames pursuant to Sections 6.1.1(f)(i) and 6.1.1(f)(ii), the Purchaser shall have time until 30 September 2022 to also fulfil the Disbursement Condition (and, merely for the avoidance of doubt, the Condition Precedent under this Section 6.1.1 (f) shall in that case also be deemed fulfilled);

the Purchaser shall pay or procure to be paid, the Disposal Consideration minus the amount of the Cash Upstream Loan Receivables as of the Closing Date, minus the Deferred Purchase Price Amount, minus to the extent applicable, the amount of the Exit Bonus Amount (such amount the "**Purchaser's Cash Payment**") into the bank account of the Seller as notified by the Seller to the Purchaser in writing or by email no later than the fifth (5<sup>th</sup>) business day prior to the relevant payment date (the "**Seller's Account**");

- (a) the Parties shall enter into the Deferral Agreement which shall be effective as from the Closing Date; and
- (b) the Purchaser shall pay or procure to be paid to the extent applicable, the total Exit Bonus Amount to the respective employer company (within the meaning of Section 7.2.3) in the name and for the account of the Seller;

Any of the Seller or the Purchaser, as the case may be, (the "**Withdrawing Party**") shall be entitled to withdraw from the SPA (*zurücktreten*) with immediate effect by giving written notice (*Rücktrittserklärung*) (excluding electronic form pursuant to Sections 126a and 126b BGB) to the Seller, if the Conditions Precedent pursuant to

- (a) Section 6.1.1(f)(i) is not fulfilled by 12 September 2022; and
- (b) Section 6.1.1(f)(ii) is not fulfilled by 18 August 2022.

## SPA as amended by the amendment agreement

### Section 9.2.2

A Withdrawing Party shall be entitled to withdraw from the SPA (*zurücktreten*) by giving written notice (excluding electronic form pursuant to Sections 126a and 126b BGB) thereof to the respective other Party (*i.e.* to the Purchaser or the Seller (the "**Terminated Party**") in accordance with this Section 9.2 if Closing has not taken place by 5 September 2022 (the "**Longstop Date**"), [*the remainder of this sections remains unchanged*].

### Table of Schedules

### Schedule D – Definitions

### Miscellaneous

## SPA as amended by the Supplementary Agreement

A Withdrawing Party shall be entitled to withdraw from the SPA (*zurücktreten*) by giving written notice (excluding electronic form pursuant to Sections 126a and 126b BGB) thereof to the respective other Party (*i.e.* to the Purchaser or the Seller (the "**Terminated Party**")) in accordance with this Section 9.2 if Closing has not taken place by 30 October 2022 (the "**Longstop Date**"), [*the remainder of this section remains unchanged*]

A schedule "**Schedule 5.3 – Term Sheet Deferral Agreement**" shall be added to the Table of Schedules (in the line with the Table of Schedules' alphabetical order; and

The corresponding newly added Schedule 5.3 is attached to the Supplementary Agreement as Appendix 1 (Schedule 5.3).

Schedule D following shall be supplemented with the following definitions (in the place designated for them alphabetically):

- (i) **Deferred Purchase Price Amount** – shall have the meaning given to it in Section 5.3;
- (ii) **Deferral Agreement** – shall have the meaning given to it in Section 5.3;
- (i) Sections 16 through 21 of the SPA shall apply *mutatis mutandis* to the Supplementary Agreement.
- (ii) The notarial fees for the notarization of the Supplementary Agreement shall be borne by the Purchaser.
- (iii) Except for the provisions of the SPA explicitly amended by virtue of the Supplementary Agreement, all other provisions of the SPA shall remain unaffected.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
---

## Update to the mode of settlement for the Disposal Consideration

Pursuant to the Supplementary Agreement, the mode of settlement for the Disposal Consideration under the SPA has been amended. The Disposal Consideration will be satisfied by the Purchaser in the following manner:-

Payment terms	Timing	EUR' million	%
Repayment of the Cash Upstream Loan Receivables to Borsig <sup>1</sup>	<p>i. Payable to Borsig in cash on the closing date of the SPA, which shall be on the fifth business day on which the last condition precedent of the SPA has been fulfilled or waived, as the case may be ("<b>Scheduled Closing Date</b>"), and the date on which the closing of the SPA actually takes place is referred to as the "<b>Closing Date</b>"; or</p> <p>ii. Payable to Borsig in accordance with the terms and conditions of the Assumption of Upstream Loan Agreement.</p>	12.93 <sup>2</sup>	5.85
Payment of Exit Bonus Amount to certain employees of Borsig <sup>3</sup>	Payable to certain key management employees of Borsig upon completion of the Proposed Disposal, subject to the approval of the board of DKNM and the terms and conditions of the SPA. In the event the Exit Bonus Amount is not approved, the amount will become part of the Indicative Cash Consideration.	0.35	0.16
Payment of Deferred Purchase Price Amount to DKNM <sup>4</sup>	Up to EUR30 million of the Disposal Consideration may be deferred and paid at least 6 months after the final maturity date of the financing implementing the Credit Commitments (" <b>Senior Debt</b> "), and to the extent agreed with the Senior Debt providers under the new financing agreement, earlier repayments of the Deferred Purchase Price Amount can be made within 6 months after the Closing Date in accordance with the Deferral Agreement which shall be effective from the Closing Date.	30.00	13.59
Indicative Cash Consideration payable to DKNM <sup>5</sup>	The balance of the Disposal Consideration (after deducting the amount of the Cash Upstream Loan Receivables, Exit Bonus Amount and Deferred Purchase Price Amount) is payable to DKNM on the Closing Date.	177.52	80.40
<b>Total</b>		<b>220.80</b>	<b>100.0</b>

### Notes:-

<sup>1</sup> As at 19 May 2022, the outstanding principal amount plus unpaid interest of certain loans owing by DKNM to Borsig ("**Upstream Loans**") was EUR12.93 million. The Purchaser has the option to either (i) repay the outstanding principal amount plus unpaid interest of the Upstream Loans and any further upstream loans granted to DKNM until the Scheduled Closing Date ("**Cash Upstream Loan Receivables**") to Borsig in cash on the Closing Date, or (ii) enter into an assumption of upstream loan agreement with DKNM and Borsig with effect from the Closing Date ("**Assumption of Upstream Loan Agreement**"), whereby the Purchaser shall, among others, assume all rights and obligations of DKNM under the existing or future loan agreements entered into by DKNM in relation to the Upstream Loans. The terms of the Assumption of Upstream Loan Agreement will be negotiated between the parties prior to the Scheduled Closing Date.

The Board opines that by providing the Purchaser with the abovementioned options, the Purchaser will not be restricted to obtaining funding in the full amount of EUR220.80 million (inclusive of the Cash Upstream Loan Receivables), which may potentially allow the Proposed Disposal to be completed in a more expedited manner. Through option (i), the Purchaser will pay the amount of Cash Upstream Loan Receivables in cash to Borsig on the Closing Date. In the event that the Purchaser opts for the flexibility not to directly pay the Cash Upstream Loan Receivables in cash, depending on its funding arrangement outcome and for the purpose of expediency, the Purchaser may choose option (ii) and enter into an Assumption of Upstream Loan Agreement where the Purchaser will assume the rights and obligations of DKNM in relation to its existing or future loan agreements with Borsig (instead of paying the Cash Upstream Loan Receivables to Borsig). Following the Assumption of Upstream Loan Agreement, Borsig will release DKNM from the rights and obligations in relation to its loan agreements with Borsig and additionally, the Purchaser will indemnify DKNM against any claims Borsig might have against DKNM in relation to the loan agreements.

Pursuant to the above, regardless of whether the Purchaser utilises option (i) or option (ii), there will be no amounts owing by DKNM to Borsig in relation to the Upstream Loans upon completion of the Proposed Disposal. Additionally, the balance of the Disposal Consideration (after deducting the amount of the Cash Upstream Loan Receivables as of the Closing Date, Exit Bonus Amount and Deferred Purchase Price Amount) ("**Indicative Cash Consideration**") will also be the same regardless of the option chosen. The exact amount of the Cash Upstream Loan Receivables will be finalised on the Scheduled Closing Date and the balance of the Disposal Consideration (after deducting the amount of the Cash Upstream Loan Receivables, Exit Bonus Amount and Deferred Purchase Price Amount) will be paid to DKNM in cash on the Closing Date.

For shareholders' information, the details of the Upstream Loans owing by DKNM to Borsig are as follows:-

<b>Details of loans</b>	<b>EUR'000</b>
Advance by Borsig to DKNM to repay the principal instalment on term loan and interest due	7,700
Loan by Borsig to Borsig Boiler Systems Sdn Bhd for capital expenditure	3,045
Advance by Borsig to Borsig Boiler Systems GmbH for its working capital requirements which include but are not limited to administrative expenses, and professional fees	586
Advance by Borsig to DKNM for its working capital requirements which include but are not limited to administrative expenses, professional fees and tax payments	1,218
Miscellaneous net outstanding to Borsig Group by other related companies within KNM Group	379
<b>Total</b>	<b>12,928</b>

For information purposes, Borsig Boiler Systems GmbH was a wholly-owned indirect subsidiary of DKNM via its wholly-owned subsidiary Borsig. On 1 April 2022, DKNM acquired the entire equity interest in Borsig Boiler Systems GmbH from Borsig. Hence, upon completion of the Proposed Disposal, Borsig Boiler Systems GmbH will remain a wholly-owned subsidiary of DKNM. In view of the above, as the ultimate holding company of DKNM, KNM has undertaken the financial obligation to repay the outstanding amount due from Borsig Boiler Systems GmbH to Borsig in order to facilitate the completion of the Proposed Disposal.

<sup>2</sup> The indicative amount of the Cash Upstream Loan Receivables of EUR12.93 million is based on the outstanding amount as at 19 May 2022.

<sup>3</sup> Part of the Disposal Consideration may be paid to the respective companies within Borsig Group in cash, as payment to certain employees of such companies who may be entitled to receive a special payment upon completion of the Proposed Disposal subject to the approval of the board of directors of DKNM and the terms and conditions of the SPA ("**Exit Bonus Amount**"). Subject to the approval of the board of directors of DKNM, the Exit Bonus Amount may be given as an incentive to certain key management employees of Borsig Group and to ensure business continuity of Borsig Group under the ownership of the Purchaser. These key management employees are critical to ensure that the Borsig Group future business plan which was presented to the Purchaser, which formed part of the Purchaser's due diligence package and investment decision, is implemented as planned. For information purposes, the Proposed Disposal is also based on Borsig Group's future business plan.

The aggregate Exit Bonus Amount is pending negotiations and is estimated to be within the range of EUR300,000 to EUR350,000 and the amount payable to each of the selected employees is determined based on the seniority and position held by the selected employees. The Exit Bonus Amount will include any payroll tax, solidarity surcharge, church tax and employer and employee social security contributions or any other deductible items and will be finalised on the Scheduled Closing Date. Accordingly, the Purchaser will pay the Exit Bonus Amount, if approved, on the Closing Date to the respective companies of Borsig Group on behalf of DKNM.

<sup>4</sup> The Purchaser has the option to defer the payment of up to EUR30.00 million of the Disposal Consideration to DKNM to a later date in accordance with the Deferral Agreement to be negotiated and entered into between DKNM and the Purchaser ("**Deferred Payment Method**"). For information purposes, DKNM intends to negotiate with the Purchaser for the Deferred Purchase Price Amount to become due and payable 6 months after 12 September 2022, which is the latest date for the execution of the credit agreements by the Purchaser in relation to the Credit Commitments. The final terms of payment of the Deferred Purchase Price Amount is subject to the Deferral Agreement to be entered into between the parties.

The Deferral Agreement will be effective from the Closing Date and the exact amount of the Deferred Purchase Price Amount, if any, will be decided at the sole discretion of the Purchaser no later than the 5th business day prior to the Scheduled Closing Date and shall not exceed EUR 30.00 million. DKNM and the Purchaser have agreed to incorporate the option of utilising the Deferred Payment Method to accommodate the Purchaser's financing structure while also ensuring the expedient completion of the Proposed Disposal. Ultimately, the total Disposal Consideration to be received by DKNM will remain unchanged regardless of whether the Purchaser opts to utilise the Deferred Payment Method. KNM will make an immediate announcement on Bursa Securities regarding the terms of the Deferral Agreement and the final Deferred Purchase Price Amount upon execution of the Deferral Agreement by the parties.

<sup>5</sup> The Purchaser will pay the Indicative Cash Consideration to DKNM in cash. Premised on the above, the exact amount of the Indicative Cash Consideration will be finalised on the Scheduled Closing Date. Following this, KNM will make an immediate announcement on Bursa Securities on the final Disposal Consideration to be received, and will quantify the amount and basis of the relevant deduction/ adjustment to arrive at the final Disposal Consideration, after taking into account amongst others, the repayment of the Cash Upstream Loan Receivables.

## Update to the Utilisation of Proceeds

For information purposes, there will be no changes to the utilisation of proceeds from the Proposed Disposal as a result of the Supplementary Agreement. However, as the Group may potentially receive up to EUR30.00 million at a later date pursuant to the Deferral Agreement, we have included an illustration of the effects of the Deferral Agreement on the utilisation of proceeds in the event the Deferred Payment Method is utilised.

The Indicative Cash Consideration to be received from the Proposed Disposal of EUR207.87 million (equivalent to approximately RM938.57 million based on the exchange rate as at LPD) is intended to be utilised in the following manner:-

<b>Purpose</b>	<b>Timeframe for utilisation from completion of the Proposed Disposal</b>	<b>EUR'million</b>	<b>RM'million</b>
Repayment of bank borrowings <sup>*1</sup>	Within 12 months	193.62	874.23
Working capital <sup>*2</sup>	Within 12 months	10.76	48.60
Estimated expenses in relation to the Proposed Disposal <sup>*3</sup>	Upon completion	3.49	15.74
<b>Total</b>		<b>207.87</b>	<b>938.57</b>

### **Notes:-**

<sup>\*1</sup> The Group has earmarked an amount of RM874.23 million to pare down the Group's existing borrowings which were used for project financing, capital investment and working capital. As at 31 March 2022, the Group has total bank borrowings amounting to RM1,255.04 million based on the latest unaudited consolidated results of the Group for the 15-month FPE 31 March 2022. The Group intends to utilise the earmarked RM874.23 million for the repayment of borrowings beginning with its term loans. Pursuant thereto, the Group has decided to utilise RM874.23 million for the repayment of its existing term loans amounting to a total of RM1,088.12 million, which is expected to result in annual interest savings of RM85.02 million based on the interest rate of 9.79%. The details of the Group's borrowings and the respective interest rates are as follows:-

<b>Type of facility</b>	<b>Amount outstanding as at the LPD RM'000</b>	<b>Interest rate %</b>
Term loans	1,088,120	9.79
Bank overdrafts	7,896	6.60
Bills payable	28,166	4.29
Hire purchase	12,010	3.29
Revolving credits	118,851	2.30
<b>Total</b>	<b>1,255,043</b>	

Accordingly, as set out in Section 8.1 of the Circular, the total bank borrowings of the Group is expected to reduce from RM1,255.04 million to RM368.02 million after the deconsolidation of Borsig Group and repayment of borrowings and the estimated gearing ratio of the Group as at the LPD is expected to improve from 0.68 times to 0.29 times pursuant to the utilisation of proceeds for the repayment of existing bank borrowings.

For information purposes, pursuant to the Deferral Agreement, the Company may not be able to allocate the entire RM874.23 million for the repayment of bank borrowings upon completion of the Proposed Disposal within the timeframe stipulated above as there may be a shortfall of up to EUR30.00 million. Pursuant thereto, as the Disposal Consideration will be allocated in priority to the repayment of bank borrowings before the working capital requirements, the Company may be short of RM86.86 million for the repayment of bank borrowings. For information purposes, in the event of a shortfall of RM86.86 million, the amount of RM787.37 million (being RM874.23 million minus RM86.86 million) available for repayment of bank borrowings will result in annual interest savings of RM75.61 million based on the interest rate of 9.79%. Furthermore, if required the Board may also consider other avenues of fundraising to cover the shortfall of RM86.86 million through asset monetisation exercises, debt refinancing, or equity fundraising such as a private placement. The Company will make the requisite announcements in accordance with the Listing Requirements as and when such avenues of fundraisings have been identified. In the event the Company receives the shortfall of RM86.86 million after already undertaking other fundraising exercises to cover this shortfall, the excess amount of RM86.86 million may then be utilised to repay the Group's outstanding borrowings at the material time, beginning with the remaining portion of its existing term loans as shown in the table above.

The Company will make an immediate announcement on Bursa Securities regarding the terms of the Deferral Agreement and the final Deferred Purchase Price Amount once the Deferral Agreement has been signed. Upon receipt of the Deferred Purchase Price Amount, the Company will allocate this amount to the repayment of bank borrowings.

<sup>2</sup> The proceeds earmarked for working capital are intended to finance the operational expenses of the Group's fabrication of process equipment and renewable energy businesses. The indicative breakdown is set out below:-

<b>Details of utilisation</b>	<b>Indicative percentage allocation</b>	<b>Amount of proceeds</b>
	<b>%</b>	<b>RM'million</b>
<b>Fabrication of process equipment business</b>		
Purchase of raw materials and consumables such as steel plates, fittings, forgings, electrodes for welding, sand blasting materials, industrial gas and related components for fabrication works	30	14.58
Payment to the Group's subcontractors and other suppliers 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	20	9.72
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 administration costs	7	3.40
Payment of operation overhead of the Group which includes labour costs, factory expenses, statutory payment, taxes and other related costs	36	17.50
<b>Renewable energy business</b>		
Operating expenses for the Group's bio-ethanol plant in Thailand including, amongst others, utilities, purchase of crops and equipment maintenance	7	3.40
<b>Total</b>	<b>100</b>	<b>48.60</b>

Notwithstanding the above, the actual breakdown of the proceeds earmarked for working capital is subject to the Group's operational requirements at the time of utilisation and as such can only be determined at a later stage. In the event of a surplus/ deficit in the allocated amounts for the above working capital requirements, such variance may be adjusted to/ from the proceeds allocated for other working capital requirements, depending on the respective funding requirements at the point of utilisation.

<sup>3</sup> The proceeds earmarked for estimated expenses in relation to the Proposed Disposal will be utilised as set out below:-

	<b>RM'000</b>
Professional fees that consist of:-	
- Consultancy Fees (payable by DKNM to the consultant on the various matters related to the Proposed Disposal)	12,462
- Advisory Fees	3,101
Regulatory fees	21
Other incidental expenses in relation to the Proposed Disposal	157
<b>Total</b>	<b>15,741</b>

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for working capital.

The actual amount of the Indicative Cash Consideration to be received from the Proposed Disposal is dependent on the exact amount of the Cash Upstream Loan Receivables, the Exit Bonus Amount and the Deferred Purchase Price Amount, which will be finalised on the Scheduled Closing Date. In the event there is a shortfall in the Disposal Consideration, the funds will be allocated to fund the estimated expenses for the Proposed Disposal, followed by the repayment of bank borrowings, and the remaining proceeds will be allocated to funding the working capital requirements of the Group.



### **Update to the risk factors of the Proposed Disposal**

Pursuant to the Supplementary Agreement, the Purchaser may defer the payment of up to EUR30.00 million of the Disposal Consideration to a later date in accordance with the Deferral Agreement. Pursuant thereto, we have included the following risk factors in the event of default on the Deferral Agreement.

#### **Default of Deferral Agreement risk**

The Purchaser has the option to defer the payment of up to EUR30.00 million of the Disposal Consideration to DKNM to a later date. This Deferred Purchase Price Amount must be paid at least 6 months after the final maturity date of the financing implementing the Credit Commitments. However, the SPA will become unconditional prior to the payment due date of the Deferred Purchase Price Amount.

In the event there is an event of default by the Purchaser under the Deferral Agreement, DKNM's remedy for such breach by the Purchaser is subject to the terms of the Deferral Agreement to be entered into between the parties. Any claim for damages or legal actions under the Deferral Agreement may result in a delay to the Company receiving the Deferred Purchase Price Amount. Notwithstanding this, DKNM intends to negotiate with the Purchaser for the Deferred Purchase Price Amount to become due and payable 6 months after 12 September 2022 (i.e. latest by 12 March 2023), which is the latest date for the execution of the credit agreements by the Purchaser in relation to the Credit Commitments. In any event, the Company will make an immediate announcement on Bursa Securities regarding the terms of the Deferral Agreement and the final Deferred Purchase Price Amount upon execution of the Deferral Agreement by the parties.

#### **Risk of delay in receiving the Deferred Purchase Price Amount**

In the event that the Purchaser is not agreeable to DKNM's proposed payment terms for the Deferred Purchase Price Amount to become due and payable 6 months after 12 September 2022 (i.e. latest by 12 March 2023), DKNM may receive the Deferred Purchase Price Amount at a later date subject to the final maturity date of the financing implementing the Credit Commitments and the Deferral Agreement. In such circumstances, the Board may consider other avenues of fundraising to cover the shortfall in its intended utilisation of proceeds arising from the Deferred Purchase Price Amount such as asset monetisation exercises, debt refinancing, or equity fundraising such as a private placement. The Company will make the requisite announcements in accordance with the Listing Requirements as and when such avenues of fundraisings have been identified.

<b>THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK</b>
--

### **Rationale and impact of the Deferred Payment Method**

DKNM and the Purchaser have agreed to incorporate the option of utilising the Deferred Payment Method in satisfying the Disposal Consideration in order to accommodate the Purchaser's financing structure. Furthermore, the Board believes that in incorporating the Deferred Payment Method, the Company can ensure an expedient completion of the Proposed Disposal as the Purchaser will have the flexibility to decide whether to secure financing for the Deferred Purchase Price Amount prior to the Closing Date or to utilise the Deferred Payment Method.

In terms of financial impact arising from the Deferred Payment Method, in the event the Group has not received the Deferred Purchase Price Amount, the Group may not be able to immediately repay the intended amount of borrowings as set out in its utilisation of proceeds until the Deferred Purchase Price Amount has been paid by the Purchaser. For information purposes, the Group intends to repay RM874.23 million of its borrowings within 12 months from the completion of the Proposed Disposal. However, if there is a shortfall from the Deferred Purchase Price Amount to the maximum amount of EUR30.00 million (equivalent to RM86.86 million based on the exchange rate as at LPD), the Group will face a shortfall of RM86.86 million in repaying its borrowings within the said stipulated timeframe and if required, the Group may consider other avenues of fundraising such as through asset monetisation exercises, debt refinancing, or equity fundraising such as a private placement to make up for the interim shortfall. Please refer to note 1 of "Update to the Utilisation of Proceeds" set out hereinabove for further details of the impact of Deferred Payment Method on the Group's utilisation of proceeds.

In terms of operational impact to the Group, the Deferred Payment Method is not expected to have any material impact on the operating activities of the Group. However, in the event the Purchaser opts for the Deferred Payment Method, there will be a change in the capital allocation of the Group's intended utilisation of proceeds, which may defer its intended repayment of bank borrowings (as elaborated in the paragraph above) and in turn, may delay the proceeds allocated to the Group's working capital requirements, affecting notably for the following:-

- i. Higher unit purchase price of raw materials as the Group may not have sufficient cash/ trade facilities to purchase raw materials in large volumes and/ or to take advantage of the price fluctuations of these raw materials; and
- ii. Delay in payment to creditors of the Group, which may result in delays in the delivery of the goods and services that are required by the Group.

Nevertheless, the Group will take various measures to mitigate the above-mentioned challenges and risks such as speeding up receivables and advance payment from customers, negotiating with financial institutions and creditors to adjust payment schedules, and deferring non-critical expenses.

### **Update on the financial effects of the Proposed Disposal**

The Deferred Payment Method is not expected to have any further impact to the financial effects of the Proposed Disposal on the Company as shown in Section 8 of the Circular.

## Update to the estimated timeframe of the Proposed Disposal

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Disposal is expected to be completed in the second half of 2022.

The tentative timetable in relation to the Proposed Disposal is set out below:-

<b>Date/ Timeline</b>	<b>Events</b>
28 September 2022	<ul style="list-style-type: none"><li>• Convening of the EGM to obtain the approval of shareholders of KNM for the Proposed Disposal</li></ul>
End October 2022	<ul style="list-style-type: none"><li>• Fulfilment of the conditions precedent pursuant to the SPA</li><li>• Completion of the Proposed Disposal</li></ul>

Further information on the EGM can be found in the Company's announcement dated 6 September 2022.

## Update to the salient terms of the SPA

The following are the salient terms of the conditional sale, purchase and transfer agreement dated 23 May 2022 entered into between DKNM and the Purchaser in respect of the Proposed Disposal, as amended and supplemented by the amendment agreement dated 21 July 2022 and the Supplementary Agreement.

### **1. Agreement to Sell and Purchase**

- 1.1. Subject to the terms and conditions of the SPA, DKNM agrees to sell and transfer and GSV agrees to purchase and acquire the 15 shares in Borsig, representing the entire equity interest in Borsig ("**Sale Shares**") from the Seller.
- 1.2. As at the date of the SPA, Borsig holds 100% equity interest in the following subsidiaries:
  - 1.2.1. Borsig Process Heat Exchanger GmbH, with registration number HRB 85536 B;
  - 1.2.2. Borsig ZM Compression GmbH, with registration number HRB 94069 B;
  - 1.2.3. Borsig Service GmbH, with registration number HRB 95046 B;
  - 1.2.4. Borsig Membrane Technology GmbH, with registration number HRB 95047 B ("**Borsig Membrane**"); and
  - 1.2.5. Borsig ValveTech GmbH, with registration number HRB 117204 B;(collectively "**Borsig Group Companies**" and each a "**Borsig Group Company**").
- 1.3. Borsig Membrane holds one (1) share in GMT Membrantechnik GmbH, with registration number HRB 412522 ("**GMT Membrantechnik**") representing 51% equity interest in the company. Borsig, Borsig Group Companies and GMT Membrantechnik are collectively referred to as the "**Group Companies**" and each a "**Group Company**".

## 2. Existing Financing

- 2.1. Borsig, the Borsig Group Companies and Borsig Boiler Systems GmbH (a former subsidiary of Borsig) as borrowers and guarantors and DKNM as parent, borrower and guarantor entered into an EUR200,000,000 facilities agreement with *inter alia* IKB Deutsche Industriebank AG as arranger, agent and security agents and certain other financial institutions as lenders (collectively, the "**Financing Parties**") dated 2 May 2019 ("**Facilities Agreement**"). Pursuant to the Facilities Agreement, Borsig and the Borsig Group Companies entered into bilateral ancillary facilities with the Financing Parties ("**Ancillary Facility Agreements**") and DKNM as parent company, KNM Process Systems Sdn Bhd as subordinated creditor and IKB Deutsche Industriebank AG as agent entered into a subordination agreement dated 2 May 2019 ("**Subordination Agreement**"). The Subordination Agreement, Ancillary Facility Agreements and Facilities Agreement are collectively referred to as the "**Finance Agreements**".
- 2.2. Borsig has granted certain upstream loans to DKNM (including the outstanding principal amount outstanding plus accrued but unpaid interest as at various dates until the Scheduled Closing Date (as defined in Section 6.1 below)) ("**Upstream Loans**"). As at 19 May 2022, the principal amount outstanding together with all accrued but unpaid interest amounts to a total of EUR12,928,253.98. The Upstream Loans and any further upstream loans granted by Borsig or a Group Company to DKNM until the Scheduled Closing Date (as defined in Section 6.1 below) are collectively referred to as the "**Upstream Loan Receivables**".
- 2.3. On the Closing Date (as defined in Section 6.1 below), the Purchaser shall either, (i) on behalf of DKNM, repay the Upstream Loan Receivables to Borsig or (ii) assume all rights and obligations of DKNM under the existing or future loan agreements entered into in relation to the Upstream Loans ("**Upstream Loan Agreements**") via assumption of contract with debt-discharging effect as of the Closing Date. DKNM shall cause Borsig to enter into such tripartite assumption of contract with (i) a corresponding release of all obligations of, and debt-discharging effect for, DKNM under the Upstream Loans, (ii) an indemnification of the Purchaser for the benefit of DKNM against any claims Borsig or any Group Company might have against DKNM in relation to the Upstream Loans and (iii) an obligation of the Purchaser to cause Borsig not to bring any claims against DKNM in relation to the Upstream Loans after the Closing ("**Assumption of Upstream Loan Agreement**"). The parties agree that in both cases, the repayment, or the assumption of the Upstream Loans, as the case may be, shall reduce the cash amount of the Purchase Price payable by the Purchaser on the Closing Date in the amount of the Upstream Loan Receivables as of the Closing Date and DKNM and Borsig shall terminate any existing Upstream Loan Agreements with effect as of closing of the Transaction ("**Closing**") without any residual payment obligation of DKNM towards Borsig or vice versa.

## 3. Purchase Price

- 3.1. The purchase price payable by the Purchaser as consideration for the sale of the Sale Shares shall be EUR220,800,000 only ("**Purchase Price**").
- 3.2. The Purchaser shall pay the Purchase Price minus the amount of the Upstream Loan Receivables as of the Closing Date, minus the Deferred Purchase Price Amount (as defined below), minus – to the extent applicable the amount of the Exit Bonus Amount (as defined in Section 5.4 below) at the Closing Date.
- 3.3. The Purchaser shall, latest on the fifth (5<sup>th</sup>) business day prior to the Scheduled Closing Date, notify the applicable Euro amount for the Deferred Purchase Price Amount to the Seller in writing or by email (such amount shall not exceed EUR30,000,000, such amount as elected by the Purchaser in its sole and absolute discretion henceforth the "**Deferred Purchase Price Amount**").

- 3.4. The Deferred Purchase Price Amount shall be deferred and be treated in accordance with a deferral agreement to be negotiated between the parties in good faith prior to the Scheduled Closing Date, such deferral agreement in any case to be irrevocably based upon the key terms set forth in the term sheet as set out below (the deferral agreement based on such term sheet henceforth the "**Deferral Agreement**"):

<b>KEY TERMS OF THE DEFERRAL AGREEMENT</b>	
(a)	The Deferred Purchase Price Amount shall become due for payment at least six (6) months after the final maturity date of the financing implementing the Credit Commitments (the " <b>Senior Debt</b> " and such Deferred Purchase Price Amount due date, the " <b>Maturity Date</b> "). To the extent agreed with the Senior Debt providers (the " <b>Senior Lenders</b> ") under the new financing agreement, earlier repayments of the Deferred Purchase Price Amount can be made within six (6) months after the Closing (the " <b>Prepayment Maturity Date</b> ") with further equity injections (to be further specified) provided to or into the Purchaser.
(b)	Interest: 10 % per annum (PIK ( <i>payment-in-kind</i> ) based interest (the " <b>Interest</b> ")
(c)	Security: 2 <sup>nd</sup> ranking pledge over shares in the Purchaser (behind Senior Debt security). If required by the Senior Lenders, the Seller and the Purchaser will enter into an intercreditor agreement with the Senior Lenders which will regulate, inter alia, that such 2 <sup>nd</sup> ranking share pledge may not be enforced before repayment in full of the Senior Debt (the " <b>Intercreditor Agreement</b> ").
(d)	It is the parties' common understanding that all transactions contemplated in connection with the Deferred Purchase Price Amount and the Deferral Agreement, are either not subject to value added tax (" <b>VAT</b> ") ( <i>umsatzsteuerbar</i> ) or exempt ( <i>umsatzsteuerbefreit</i> ) from VAT. Neither party shall exercise any right to opt for the taxation of a VAT exempt supply or service (" <b>VAT Option Right</b> ") either party may have with regard to any supplies or services contemplated in connection with the Deferred Purchase Price Amount / Deferral Agreement. Accordingly, neither party will issue an invoice and the Deferral Agreement shall not be an invoice in the meaning of Sec. 14, 14a German VAT Code. If, against the common understanding of the parties, VAT should arise such VAT shall not increase the Purchase Price and/or the Interest.

#### **4. Conditions Precedent**

- 4.1. The completion of sale and purchase of the Sale Shares is subject to the fulfilment or waiver, as the case may be, of each of the following conditions precedent ("**Conditions Precedent**"):
- 4.1.1. receipt of the approvals of the transactions contemplated under the SPA ("**Transaction**") by the merger control authorities whose approval is required for the Transaction and/ or expiry of the applicable waiting periods without the Transaction being prohibited by the relevant authority;
  - 4.1.2. the approval of the shareholders of KNM Group Berhad for the Proposed Disposal at the EGM;
  - 4.1.3. DKNM's extraordinary shareholders' assembly having approved the Transaction;

4.1.4. the Financing Parties having granted consent to release DKNM and Borsig Boiler Systems GmbH as obligor and guarantor, as the case may be, under the Finance Agreement;

4.1.5. one or more

(i) legally binding credit agreements have – no later than 12 September 2022 (however subject to Section 4.1.5(iii) below) – been entered into between the Purchaser and one or more debt capital providers under which the Purchaser is entitled to draw funds for the financing of the debt component of the Total Buyer Commitment (as defined in Section 9.4 below) in an amount of not less than EUR70,000,000 ("**Credit Commitments**");

(ii) legally binding arrangements have – no later than 18 August 2022 (however subject to Section 4.1.5(iii) below) – been entered into between the Purchaser and one or more equity capital providers under which the Purchaser has available or will be entitled to draw funds for the financing of the equity component of the Total Buyer Commitment in an amount of not less than EUR119,750,000 (minus the Deferred Purchase Price Amount) ("**Equity Commitments**"), for the avoidance of doubt the total amount of the Credit Commitments and the Equity Commitments shall not be less than EUR189,750,000 (minus the Deferred Purchase Price Amount); and

(iii) all conditions precedent for the drawing of such equity and debt funds under the Credit Commitments and Equity Commitments have been satisfied and such funds (to the extent they have not already been made available to the Purchaser) have become due and payable to the Purchaser ("**Disbursement Conditions**");

In the event that the Credit Commitments and the Equity Commitments have been secured within the respectively applicable time frames pursuant to Sections 4.1.5(i) and 4.1.5(ii), the Purchaser shall have time until 30 September 2022 to also fulfil the Disbursement Conditions, and for the avoidance of doubt, the Condition Precedent under this Section 4.1.5 shall in that case be deemed fulfilled;

4.1.6. the Purchaser has put in place a warranty and indemnity insurance policy ("**Warranty Insurance**") after the Signing Date, the coverage provided by which is satisfactory to the Purchaser in its sole and absolute discretion;

4.1.7. KNM Process Systems Sdn Bhd ("**Guarantor**") has issued to the Purchaser a legally binding, irrevocable guarantee for the full and punctual performance of all obligations, indemnities and undertakings of DKNM pursuant to or in connection with the tax indemnity or a breach of tax warranty under the SPA. The Guarantor shall be liable as principal debtor as if it had entered into the undertaking to fulfil any obligation and undertaking under SPA jointly and severally with the Seller. For the avoidance of doubt, such guarantee shall not cover cases where the tax indemnity would merely be triggered by a change of the applicable tax law; and

4.1.8. the domination and profit and loss transfer agreement between the Seller (as the dominating entity) and Borsig (as the dominated entity) dated 1 December 2020 have been terminated by mutual agreement at the latest by the Closing Date.

#### 4.2. Waiver of Conditions Precedent

- 4.2.1. The Purchaser shall be entitled to waive fully or partially the Conditions Precedent in sections 4.1.1, 4.1.5, 4.1.6, 4.1.7 and 4.1.8 by written notification to the Seller.
- 4.2.2. The Seller shall be entitled to waive fully or partially the Conditions Precedent in sections 4.1.2, 4.1.3 and 4.1.4 by written notification to the Purchaser.
- 4.2.3. The effect of a waiver shall be limited only to eliminating the need for the satisfaction of the relevant Condition Precedent that was waived with respect to closing but shall not limit or in any way prejudice any claims either party may have on the basis of any circumstances relating to the non-satisfaction of such Condition Precedent, including rights to claim damages and specific performance.

### 5. Conduct of Business, No Leakage and other Seller's Covenants

5.1. The Seller confirms that no Leakage (other than any Permitted Leakage) has occurred between the 31 December 2021 and the Signing Date and undertakes to procure that no Leakage occurs in the period between the Signing Date and Closing. As the Purchaser's sole and exclusive remedy for a breach of the foregoing confirmation or undertaking (as the case may be), the Seller shall pay to the Purchaser an amount equal to the amount of any Leakage that has occurred or will occur in the period between 31 December 2021 and Closing on a Euro-for-Euro basis. Any such payment shall be deemed to be a reduction of the Purchase Price.

5.2. "**Leakage**" means in each case either:

- (i) to or for the benefit of the Seller or any of its affiliates (other than a Group Company); or
- (ii) to or for the benefit of a third party,

the amount of:

- (a) any payment, resolution or declaration of any dividend or similar distribution or any capital (advance) payment by any Group Company or any form of hidden profit distribution to the Seller, its affiliates or any other third party, including any withholding tax;
- (b) any payments made or agreed to be made by any Group Company in respect of any share capital of any Group Company being issued, redeemed, purchased, reduced or repaid, or any other return of capital;
- (c) any assumption or fulfilment by any Group Company of liabilities of (i) the Seller or any of its affiliates or (ii) of any third parties for or on the account of or otherwise in the economic interest of the Seller or any of its affiliates other than as provided in the SPA;
- (d) any assumption or granting of guarantees or securities for any financial debt owed by (i) the Seller or any of its affiliates or (ii) by third parties for or on the account of or otherwise in the economic interest of the Seller or any of its affiliates other than as provided in the SPA;
- (e) any advisory, management, transaction, service or other charges or fees paid or reimbursed by a Group Company;

- (f) the extent not for fair value, any transfer of assets, rights or contracts or payment (i) with, to or for the benefit of, the Seller or any of its affiliates, or (ii) with, to or for the benefit of third parties to the extent made for the account of or otherwise made in the interest of the Seller or any of its affiliates;
- (g) any payment by any of the Group Companies of any fees or expenses of any advisers, any bonus for the management of the Group Companies, any fees of any courts or other public authorities or any other transaction costs or fees, in each case in connection with the preparation, negotiation, execution or consummation of the SPA or any transactions contemplated therein;
- (h) to the extent not for fair value, any waiver or release by any Group Company of any amount owed to that Group Company or incurrence of obligations by any Group Company towards (i) the Seller or any of its affiliates or (ii) any third parties on the account of or otherwise in the economic interest of the Seller or any of its affiliates;
- (i) any commitments for any of the items under (a) through (h); and
- (j) any tax on any of the items (a) through (i),

but does not include Permitted Leakage.

5.3. **"Permitted Leakage"** means:

- (a) any payments made in accordance with the SPA for which the SPA stipulates that it be made for the economic benefit of the Seller or any of its affiliates, including for the avoidance of doubt, any increase of the Upstream Loan<sup>1</sup>;

**Note:-**

<sup>1</sup> *As the exact amount of Upstream Loans Receivables will only be finalised on the Scheduled Closing Date, the amount of Upstream Loans Receivables may potentially increase from the amount of EUR12.93 million at 19 May 2022 pursuant to the mode of settlement as set out in Section 2.5 of the Circular. For the avoidance of doubt, there will be no amounts owing by DKNM to Borsig in relation to the Upstream Loans Receivables upon completion of the Proposed Disposal.*

- (b) any reasonable costs and expenses in relation to the use of internal resources and the engagement of directors, and employees of the Group Companies in connection with the Transaction, including the preparation and execution of the SPA, up to a maximum amount of EUR500,000;
- (c) any payments made on behalf of the Seller in the ordinary course of business (thereby increasing the principal amount of the Upstream Loan Receivables up to a maximum amount of 50% of the Purchase Price, in particular, but not limited to certain repayments of the principal amount of a long-term loan plus any accrued interest thereon as well as any tax prepayments payable by the Seller);
- (d) any reimbursement amount payable by Borsig or any Group Company under the cost cover and break-up fee agreement entered into between Borsig, the Seller and Vorsprung Management GmbH on 29 April 2022 ("**Cost Cover and Break-Up Fee Agreement**"). The salient terms of the Cost Cover and Break-Up Fee Agreement are set out below in this Appendix I; and
- (e) any taxes in connection with any of the foregoing items (b) through (d).



- 5.4. The Seller may, subject to the Seller's board approval enter into agreements with certain employees of the Group Companies ("**Bonus Recipients**") under which the Bonus Recipients are entitled to receive a special payment ("**Exit Bonus**") in connection with the successful completion of the Transaction and/or will enter into such agreements until the Closing Date ("**Exit Bonus Agreements**"). The exit bonus amounts payable shall correspond to the total gross amount payable, i.e. including any payroll tax, solidarity surcharge, church tax and employer and employee social security contributions or any other deductible item ("**Exit Bonus Amount**"). In order to facilitate the payment of the Exit Bonuses and their payroll tax and social security treatment and administration, the Purchaser as paying agent pays the total Exit Bonus Amount on the Closing Date to the respective employer company in the name and for the account of the Seller. Within three (3) working days after Closing Date and in accordance with the Exit Bonus Agreements, the Purchaser will ensure that the respective employer company pays out the respective Exit Bonus as a paying agent in the name and for the account of the Seller to the respective Bonus Recipients; each of these payments is made less any wage tax, solidarity surcharge, social security contributions or other deductible item to be withheld from these payments by the respective employer company and paid to the competent tax authorities or other competent authorities.
- 5.5. Termination of Finance Agreements or Assumption of Finance Agreements
- 5.5.1. The parties agree that, at the discretion of the Purchaser and with effect as of the **Closing Date**, either:
- (i) the Finance Agreements shall be fully terminated with effect as of the Closing Date ("**Termination of Finance Agreements**"); or
  - (ii) the Purchaser shall assume all rights and obligations of the Seller, any Seller's representative (as defined in the SPA) and Borsig Boiler Systems GmbH under the Finance Agreements via assumption of contract, with a corresponding release of all obligations of any person who is not a member of the Group Companies, requiring the complete discharge of any debt owed by any person who is not a member of the Group Companies under or in connection with the Finance Agreements and the release of any security granted by any person who is not a member of the Group Companies under or in connection with the Finance Agreements ("**Assumption of Finance Agreements**").
- 5.5.2. The Purchaser hereby irrevocably requests from the Seller, that, in case the Purchaser opts for the Termination of Finance Agreements, the Seller, in its capacity as shareholder of Borsig, shall, subject to the terms and conditions of the SPA, use its powers as a shareholder of Borsig:
- (i) notifies the relevant Finance Parties about the anticipated Closing in due course prior to the Scheduled Closing Date; and
  - (ii) to the extent required, serves the relevant Finance Parties with a prepayment and cancellation notice pursuant to the Finance Agreements,
- in each case in accordance with the terms of the Finance Agreements in order to duly terminate the Finance Agreements with effect as of the Closing Date.

- 5.5.3. The Purchaser hereby irrevocably requests from the Seller, that, in case the Seller opts for the Assumption of Finance Agreements, the Seller, in its capacity as shareholder of Borsig, shall, subject to the terms and conditions of the SPA, use its powers as a shareholder of Borsig, procure that Borsig and each Borsig Group Company enters into good faith negotiations with the Financing Parties, the Seller and the Purchaser, in each case in accordance with the terms of the Finance Agreements, in order to agree on one or more amendment(s) and restatement agreement(s) to the Finance Agreements, with effect as of the Closing Date.
- 5.6. Notification of Debt Repayment Amounts, Upstream Loan Receivables and Purchase Price
- 5.6.1. No later than five (5) business days prior to (but not including) the Scheduled Closing Date, the Seller shall:
- (i) in the event it opts for a Termination of Finance Agreements, use its reasonable best efforts to procure that notices signed by or on behalf of the respective agent under the Facilities Agreements addressed to Borsig are submitted to the Purchaser in writing or by email setting out all payment obligations of those Group Companies in order for the Group Companies to be fully and unconditionally released from all of its obligations in connection with the Finance Agreements as of the Closing Date ("**Debt Repayment Amounts**") and the outstanding principal amount and all accrued but unpaid interest as well as break costs, if any, required pursuant to and in connection with the Finance Agreements into such bank account(s) and in such manner as specified in the release documentation, as the case may be ("**Debt Repayment Accounts**") as at the Scheduled Closing Date ("**Debt Notification**");
  - (ii) notify the Purchaser in writing or by email the total amount of the Upstream Loan Receivables as at the Scheduled Closing Date;
  - (iii) notify the Purchaser in writing or by email, to the extent applicable, the amount of the Exit Bonus Amount; and
  - (iv) notify the Purchaser in writing or by email of its calculation of the Purchaser's Cash Payment as at the Scheduled Closing Date.
- 5.6.2. In the event the Seller opts for a Termination of Finance Agreements, the Seller shall use best reasonable endeavours to procure that the Purchaser will be provided with a draft of the Release Documentation in due course after the Signing Date.
- In the event the Seller opts for an Assumption of Finance Agreements, the Seller shall cooperate with the Purchaser with the aim that the Financing Parties will enter into good faith negotiations with the Purchaser, the Seller and the Group Companies in due course after the Signing Date, in each case in accordance with the terms of the Finance Agreements, in order to agree, at the cost of the Purchaser, one or more amendment and restatement agreement(s) to the Finance Agreements to effect, with effect as of the Closing Date, the Assumption of Finance Agreements, in order to agree, at the cost of the Purchaser, one or more amendment and restatement agreement(s) to the Finance Agreements to effect, with effect as of the Closing Date, the Assumption of Finance Agreements.

5.7. Use of "Borsig" brand

The Seller shall be permitted for an interim period until 31 December 2024 to use the name "Borsig" for its subsidiaries "Borsig Boiler Systems Sdn Bhd", "Borsig Boiler", "KNM Borsig Services" and "KNM Borsig Services Sdn Bhd" and the Purchaser grants a corresponding royalty-free right of use without geographic limitation until such date to use the name "Borsig" in connection with the Seller's and such subsidiaries' business operations.

**6. Closing**

- 6.1. Unless the parties agree otherwise in writing or by email, the Closing shall commence at 10 a.m. Central European Time on the fifth (5<sup>th</sup>) business day after the day on which the last Condition Precedent has been fulfilled or, where permitted, duly waived, as the case may be. The date on which the Closing is set to occur in accordance with the foregoing sentence is referred to as the "**Scheduled Closing Date**" and the day on which the Closing actually takes place is referred to as the "**Closing Date**".
- 6.2. On the Scheduled Closing Date, the parties shall perform or shall procure the performance of the closing actions as set out in the SPA, including but not limited to the following:
- 6.2.1. the Purchaser shall pay or procure to be paid, the Purchase Price minus the amount of the Upstream Loan Receivables as of the Closing Date, minus the Deferred Purchase Price Amount, minus, to the extent applicable, the amount of the Exit Bonus Amount ("**Purchaser's Cash Payment**") into the bank account of the Seller as notified by the Seller to the Purchaser in writing or by email no later than the fifth (5<sup>th</sup>) business days prior to the relevant payment date ("**Seller's Account**");
- 6.2.2. the parties shall enter into the Deferral Agreement which shall be effective as from the Closing Date;
- 6.2.3. the Purchaser shall pay or procure to be paid, to the extent applicable, the total Exit Bonus Amount to the respective employer company in the name and for the account of the Seller;
- 6.2.4. the Purchaser shall either, as notified in writing (email being sufficient) to the Seller no later than on the fifth (5<sup>th</sup>) business day prior to the Scheduled Closing Date:
- (i) pay or procure the payment of the amount of the Upstream Loan Receivables as of the Closing Date into the bank account of Borsig as notified by the Seller to the Purchaser in writing or by email no later than the fifth (5<sup>th</sup>) business days prior to the relevant payment date; or
  - (ii) enter into the Assumption of Upstream Loan Agreement (in accordance with a contractual template to be negotiated between the parties in good faith prior to the Scheduled Closing Date) with the Seller and the Seller shall cause Borsig to enter into such Assumption of Upstream Loan Agreement with effect as of the Closing Date.
- 6.3. If any of the closing actions as stipulated in the SPA has not been performed by the responsible party on the Scheduled Closing Date and the other party has not duly waived such closing action, such party shall, without prejudice to any remedies available, be entitled, in its sole discretion, to specify a new Scheduled Closing Date within three (3) business days following the Scheduled Closing Date by giving written notice to the other party.

- 6.4. Without undue delay following the Closing, the Purchaser shall submit to the officiating notary an executed copy of the closing memorandum. Upon the officiating notary's receipt of an executed copy of the closing memorandum, any closing action shall be deemed fulfilled for the purposes of filing a new list of shareholders with the competent commercial register of Borsig.

## 7. Withdrawal (Termination Provision)

- 7.1. The Seller or the Purchaser, as the case may be ("**Withdrawing Party**") shall be entitled to withdraw from the SPA with immediate effect by giving written notice to the Seller, if the Conditions Precedent pursuant to:
- 7.1.1. Section 4.1.5(i) is not fulfilled by 12 September 2022; and
- 7.1.2. Section 4.1.5(ii) is not fulfilled by 18 August 2022.
- 7.2. A Withdrawing Party shall be entitled to withdraw from the SPA by giving written notice to the other party (*i.e.* to the Purchaser or the Seller (the "**Terminated Party**")) if Closing has not taken place by 30 October 2022 ("**Longstop Date**"), whether because the Conditions Precedent are not fulfilled, the closing actions as provided in the SPA are not performed or otherwise. Such withdrawal right shall not be available to the Withdrawing Party if and to the extent the non-fulfilment of the relevant Condition Precedent or the non-performance of the relevant closing action was caused by a breach of the Withdrawing Party's obligations under the SPA. For the avoidance of doubt, the right of a party to seek, instead of exercising the withdrawal right provided under the SPA, specific performance with respect to the obligations to be satisfied by another party with respect to the relevant Conditions Precedent or closing actions shall remain unaffected.
- 7.3. In the event of a withdrawal from the SPA by either party in accordance with the SPA the Seller shall pay to the Purchaser a break-up fee in the amount of EUR1,000,000 (plus applicable value added tax), unless Vorsprung Management GmbH is also owed a break-up fee in the amount of EUR1,000,000 in accordance with Section 2.1(c) of the Cost Cover and Break-up Fee Agreement (*no double-dipping*).

## 8. Seller's Representations and Warranties

- 8.1. The Seller represents and warrants to the Purchaser that each warranty provided by the Seller under the SPA ("**Seller's Warranties**") is true and correct as at the Signing Date and/or also as at the Closing Date.

The representations and warranties given by the Seller are limited solely to the Seller's Warranties, which are exhaustive, and no further representations, warranties, indemnities, guarantees or other rights shall be deemed to be given or any liability assumed by the Seller, whether expressly, implicitly or by law, unless explicitly provided for in the SPA.

## 9. Remedies and Limitations of Seller's Liability

- 9.1. If any of the Seller's Warranties is untrue or incorrect in whole or in part as of the time on which it is given (a "**Breach**"), the Seller shall, subject to the provisions, limitations and exclusions as provided in the SPA, following receipt of a claim notice from the Purchaser either:
- 9.1.1. put the Purchaser or, at the election of the Purchaser, the relevant Group Company, in the same position it would have been in if the Breach had not occurred within a reasonable period but no later than forty (40) business days following receipt of a claim notice; or
  - 9.1.2. if and to the extent that such remediation in kind (i) has not been effected by the Seller within a period of forty (40) business days after the receipt of a claim notice; or (ii) is impossible by the nature of the Breach; or (iii) cannot be effected by the Seller with reasonable efforts; or (iv) is finally refused by the Seller, pay compensation in money to the Purchaser or, at the election of the Purchaser, to the relevant Group Company.
- 9.2. Subject to Section 9.3 below, the liability of the Seller for all of the Purchaser's claims pursuant to the SPA shall be limited as follows:
- 9.2.1. the Seller shall be liable under or in connection with a Purchaser's claim only if such individual Purchaser's claim exceeds an amount of EUR50,000 and only if and to the extent the aggregate amount of all such Purchaser's claims exceeds an amount of EUR500,000 in which case the entire amount shall be recoverable and not only the excess amount ("**Threshold**"). Any calculation of the amount claimed includes damages in currencies other than EUR such damages shall be converted into EUR at the time of the submission of the claim notice by the Purchaser; and
  - 9.2.2. the maximum aggregate liability of the Seller for any Purchaser's claims for a Breach of any of the business warranties (as provided in the SPA) shall be limited to an amount of EUR500,000, subject always to the limitations pursuant to Section 9.2.1 above.
- 9.3. The limitations pursuant to Section 9.2 above shall not apply to a Purchaser's claim:
- 9.3.1. for breach of any of the fundamental warranties (as defined in the SPA) to the extent any claims for such Breach are not covered under the Warranty Insurance;
  - 9.3.2. for breach of any of the tax warranties;
  - 9.3.3. for a breach relating to Leakage; or
  - 9.3.4. for specific performance to transfer title of the Sale Shares under the SPA.
- 9.4. Notwithstanding any other provisions of the SPA, the Seller's maximum aggregate liability under or in connection with the SPA shall be limited to an amount corresponding to the Total Buyer Commitment. "**Total Buyer Commitment**" means the total aggregate amount calculated by adding up (i) the Purchase Price, and (ii) the Debt Repayment Amounts.
- 9.5. Any claims of the Purchaser under or in connection with the SPA shall be time-barred 24 months following the Closing Date, except for:
- 9.5.1. any claims of the Purchaser in connection with any breach relating to Leakage shall be time-barred three (3) years after the Closing Date;

- 9.5.2. any claims of the Purchaser in connection with any Breach of any of the tax warranties shall become time-barred six (6) months after the final, non-appealable and binding assessment of the relevant tax by the competent tax authority against the Purchaser or any Group Company but in case of a secondary liability not before six (6) months after the tax authorities have assessed the respective tax against the Purchaser or any Group Company as an indemnitor; and
- 9.5.3. any claims of the Purchaser for a Breach of any of the fundamental warranties or specific performance to transfer title of the Sale Shares pursuant to the SPA shall be time-barred three (3) years after the Closing Date.

## **10. Purchaser's Warranties**

- 10.1. The Purchaser represents and warrants to the Seller that each warranty provided by the Purchaser under the SPA ("**Purchaser's Warranties**") is true and correct as at the Signing Date and/or also as at the Closing Date.
- 10.2. All claims of the Seller for a breach of a Purchaser's Warranty shall become time-barred three (3) years following the Closing Date.

## **11. Governing Law and Jurisdiction**

- 11.1. The SPA shall be governed by the laws of the Federal Republic of Germany and is to be interpreted and construed solely in accordance with German law.
- 11.2. The place of exclusive jurisdiction for all disputes between the parties arising out of or in connection with the SPA or regarding its validity is Berlin, Germany.

Save for the amendments as highlighted in this Addendum, all other material information in the Circular remains valid and unchanged. This Addendum and the Supplementary Agreement 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 during office hours from Monday to Friday (except for public holidays) for a period of 3 months from the date of this Addendum.

Thank You

Yours faithfully,  
For and on behalf of the Board of  
**KNM GROUP BERHAD**

**TAN SRI DR ZULHASNAN BIN RAFIQUE**  
Executive Chairman

13 September 2022