THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of the Circular, valuation certificate and report, if any, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Circular.

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

CIRCULAR TO SHAREHOLDERS 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")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

UOB Kay Hian Securities (M) Sdn Bhd
Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of KNM which is scheduled to be conducted via online meeting platform at https://meeting.boardroomlimited.my (*Domain Registration No. with MYNIC-D6A357657*) provided by Boardroom Share Registrars Sdn Bhd on Monday, 22 August 2022 at 10.00 a.m., or at any adjournment thereof. The Notice of EGM together with the Proxy Form are enclosed in this Circular.

A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy to attend, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be deposited with the registered office of KNM at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://investor.boardroomlimited.com not less than twenty-four (24) hours before the time appointed for holding the EGM or at any adjournment thereof. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the EGM from the Company's website. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Sunday, 21 August 2022 at 10.00 a.m.
Date and time of the EGM	:	Monday, 22 August 2022 at 10.00 a.m.

This Circular is dated 5 August 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	Companies Act 2016
"Board"	:	The Board of Directors of KNM
"Borsig"	:	Borsig GmbH
"Borsig Group"	:	Borsig and its subsidiaries, collectively
"Borsig Share(s)"	:	Share(s) in Borsig
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CAGR"	:	Compound annual growth rate
"Circular"	:	This circular dated 5 August 2022 in relation to the Proposed Disposal
"COVID-19"	:	Coronavirus disease 2019
"Director(s)"	:	Has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Disposal were agreed upon:- i. a director of the Company, its subsidiary or holding company; or ii. a chief executive of the Company, its subsidiary or holding company
"Disposal Consideration"	:	Disposal consideration of EUR220,800,000 to be satisfied in the manner as set out in Section 2.5 of this Circular
"DKNM" or the "Seller"	:	Deutsche KNM GmbH, a wholly-owned indirect subsidiary of the Company
"EBITDA"	:	Earnings before interest, taxes, depreciation and amortisation
"EGM"	:	The forthcoming Extraordinary General Meeting of the Company
"EPS"/ "(LPS)"	:	Earnings/ (Loss) per Share
"EUR"	:	Euro, being the single European currency
"EV"	:	Enterprise value
"FPE"	:	Financial period ended/ ending, as the case may be
"FYE"	:	Financial year ended/ ending, as the case may be
"GSV" or the "Purchaser"	:	GPR Siebzigste Verwaltungsgesellschaft mbH (now known as Vorsprung Industries GmbH)
"IFRS"	:	International Financial Reporting Standards
"KNM" or the "Company"	:	KNM Group Berhad

"KNM Group" or the "Group"	:	KNM and its subsidiaries, collectively
"KNM Share(s)" or the "Share(s)"	:	Ordinary share(s) in KNM
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	7 July 2022, being the latest practicable date prior to the printing and dispatch of this Circular
"LTD"	:	20 May 2022, being the last trading day prior to the date of the signing of the SPA on 23 May 2022
"Major Shareholder(s)"	:	A person who, within the preceding 6 months of 23 May 2022 (being the date on which the terms of the Proposed Disposal was agreed upon), has or had an interest or interests in one or more voting shares in KNM or any of its subsidiary and the number or aggregate number of those shares, is:- i. 10% or more of the total number of voting shares in KNM or any of its subsidiary; or ii. 5% or more of the total number of voting shares in KNM or any of its subsidiary where such person is the largest shareholder of KNM or any of its subsidiary For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in section 8 of the Act
"NA"	:	Net assets
"PAT"/ "(LAT)"	:	Profit/ (Loss) after taxation
"PBT"/ "(LBT)"	:	Profit/ (Loss) before taxation
"PE"	:	Price to earnings multiple
"Proposed Disposal"	:	The proposed disposal of the Sale Shares by DKNM to the Purchaser for the Disposal Consideration pursuant to the terms and conditions of the SPA
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Sale Share(s)"	:	15 Borsig Shares, representing the entire equity interest in Borsig
"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
"UOBKH" or the "Principal Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd
"USD"	:	United States Dollar

All references to "you" in this Circular is to the shareholders of the Company who are entitled to attend and vote at the EGM.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancy between the figures shown herein and figures published by our Company, such as in the quarterly results or annual reports of our Company (as the case may be), is due to rounding.

Unless otherwise stated, the following exchange rate of EUR1.00: RM4.5152, being Bank Negara Malaysia's prevailing middle rate as at 5.00 pm on the LPD has been applied in this Circular for illustration purpose.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group's plans and objectives will be achieved. Shareholders should not place undue reliance on such forward-looking statement, and we do not undertake any obligation to update publicly or revise any forward-looking statements.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Disposal. You are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposed Disposal before voting at the forthcoming EGM.

Key information	Description	Reference to Circular
Summary of the Proposed Disposal	The Proposed Disposal entails the disposal of 15 Borsig Shares, representing 100% equity interest in Borsig, by DKNM to the Purchaser for a total disposal consideration of EUR220,800,000 to be satisfied in the manner set out in the SPA.	Section 2
Utilisation of Proceeds	The cash consideration to be received 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:-	Secton 3

Purpose	Timeframe for utilisation from completion of the Proposed Disposal	EUR'million	RM'million
Repayment of bank borrowings	Within 12 months	193.62	874.23
Working capital	Within 12 months	10.76	48.58
Estimated expenses in relation to the Proposed Disposal	Upon completion	3.49	15.76
Total		**207.87**	**938.57**

Key information	Description	Reference to Circular
Rationale	➢ The Proposed Disposal will enable the Group to obtain additional financing while also developing its existing process equipment manufacturing business. ➢ The Proposed Disposal is expected to improve the Group's cash flow position moving forward and will enable the Group to service its outstanding indebtedness. ➢ The Proposed Disposal will enable the Group to expand in the renewable energy industry moving forward to increase the revenue contribution of its renewable energy business.	Section 4
Risk Factors	➢ Non-completion risk as the Proposed Disposal is conditional upon the fulfilment of the conditions precedents of the SPA and there can be no assurance that the conditions precedents will be obtained and/ or satisfied, which may result in either party terminating or withdrawing from the SPA. ➢ Upon completion of the Proposed Disposal, Borsig will cease to be the Company's wholly-owned indirect subsidiary. Moving forward, the Group will not be able to recognise the financial performance of Borsig Group as it will not hold any equity interest in Borsig. ➢ DKNM may be subjected to claims of specific performance and/ or claims for damages as a result of non-fulfillment of its obligations under the SPA. ➢ The cash amount to be repatriated to the Company upon completion of the Proposed Disposal may vary from the amount as set out in this Circular due to foreign exchange fluctuations of the EUR versus the RM.	Section 6
Interested parties	None of the Directors, major shareholders and/ or chief executive of KNM and/ or persons connected with them has any interest, whether direct or indirect, in the Proposed Disposal.	Section 11
Directors' recommendation	The Board recommends that you vote in favour of the resolution pertaining to the Proposed Disposal at the EGM.	Section 12

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

Registered Office

15, Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia

5 August 2022

Board of Directors

Tan Sri Dr Zulhasnan Bin Rafique *(Executive Chairman)*
Tan Koon Ping *(Group Chief Executive Officer/ Executive Director)*
Tunku Dato' Yaacob Khyra *(Non-Independent Non-Executive Director)*
Flavio Porro *(Executive Director)*
Datuk Uwe Ahrens *(Non-Independent Non-Executive Director)*
Lim Mun Kee *(Independent Non-Executive Director)*
Datuk Mohd Irwan Bin Mohd Mubarak *(Independent Non-Executive Director)*
Safia Binti Ahmad Jahidi *(Independent Non-Executive Director)*
Ho Soo Woon *(Independent Non-Executive Director)*
James Beltran *(Non-Independent Non-Executive Director)*
Dato' Indera Naresh Mohan *(Non-Independent Non-Executive Director)*
Ravindrasingham A/L Balasingham *(Non-Independent Non-Executive Director)*

To: The Shareholders of KNM

Dear Sir/ Madam,

PROPOSED DISPOSAL

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1. INTRODUCTION

On 24 May 2022, UOBKH had, on behalf of the Board, announced that DKNM, a wholly-owned indirect subsidiary of the Company, had on 23 May 2022 entered into the SPA with the Purchaser for the proposed disposal of 15 Borsig Shares, representing 100% equity interest in Borsig, by DKNM to the Purchaser for a total disposal consideration of EUR220,800,000 to be satisfied in the manner as set out in Section 2.5 of this Circular. On 21 July 2022, DKNM and the Purchaser had entered into an amendment agreement to amend and vary the terms and conditions of the SPA. The salient terms of the SPA are set out in Appendix I of this Circular.

For avoidance of doubt, the Proposed Disposal is not a related party transaction. In addition, the Proposed Disposal is not a Major Disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements as the completion of the Proposed Disposal will not result in KNM Group being classified as a cash company, affected listed issuer or Practice Note 17 Issuer ("**PN17**") pursuant to Paragraphs 8.03, 8.03A and 8.04 of the Listing Requirements, respectively.

Further details on the Proposed Disposal are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

On 23 May 2022, DKNM had entered into the SPA with the Purchaser for the proposed disposal by DKNM of its entire equity interest in Borsig to the Purchaser for the Disposal Consideration to be satisfied in the manner as set out in Section 2.5 of this Circular. On 21 July 2022, DKNM and the Purchaser had entered into an amendment agreement to amend and vary the terms and conditions of the SPA. For the avoidance of doubt, save for the amendments as shown below, and as announced on 22 July 2022 by the Company on Bursa Securities, all other terms of the SPA remain unchanged.

2.1 The terms of the SPA as amended by the amendment agreement

SPA prior to the amendment agreement	SPA as amended by the amendment agreement
Section 2.3 On the Closing Date, the Purchaser shall, on behalf of the Seller, repay the Upstream Loan Receivables to the Company (the amount of the Upstream Loan Receivables shall reduce the cash amount of the Purchase Price payable by the Purchaser on the Closing Date), for the full and final settlement of such obligation. The Seller and the Company shall terminate any existing loan agreements entered into in relation to the Upstream Loans (the "**Upstream Loan Agreements**") with effect as of Closing without any residual payment obligation of the Seller towards the Company or *vice versa.*	 On the Closing Date, the Purchaser shall either, (i) on behalf of the Seller, repay the Upstream Loan Receivables to the Company or (ii) assume all rights and obligations of the Seller under the existing or future loan agreements entered into in relation to the Upstream Loans (the "**Upstream Loan Agreements**") via assumption of contract with debt-discharging effect (*schuldbefreiende Vertragsübernahme*) as of the Closing Date – and that the Seller shall cause the Company to enter into such tripartite assumption of contract – with (i) a corresponding release of all obligations of, and debt-discharging effect for, the Seller under the Upstream Loans, (ii) an indemnification of the Purchaser for the benefit of the Seller against any claims the Company or any Group Company might have against the Seller in relation to the Upstream Loans and (iii) an obligation of the Purchaser to cause the Company not to bring any claims against the Seller in relation to the Upstream Loans after the Closing (the "**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 the Seller and the Company shall terminate any existing Upstream Loan Agreements with effect as of Closing without any residual payment obligation of the Seller towards the Company or *vice versa.*

SPA prior to the amendment agreement	**SPA as amended by the amendment agreement**
Section 3.2.3 the receipt of an amount corresponding to the nominal amount of the Upstream Loan Receivables as at the Closing Date in the Company's Account, unless duly waved in accordance with the corresponding Closing Action.	deleted and replaced with [*deliberately left blank*];
Section 6.1.1(f) no later than by 30 June 2022 (however subject to Section 6.1.1(f)(iii)): (i) one or more (A) legally binding credit agreements have 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 (B) legally binding arrangements have 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 EUR136,000,000.00 ("**Equity Commitments**"), for the avoidance of doubt the total amount of the Credit Commitment and the Equity Commitment together shall be not less than EUR226,000,000.00; and (ii) 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**"). (iii) In the event that Credit Commitments and Equity Commitments have been secured by 30 June 2022, the Purchaser shall have time until 31 July 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);	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 (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);

SPA prior to the amendment agreement	SPA as amended by the amendment agreement
Section 7.2.2(a)	
any payments made in accordance with this Agreement for which this Agreement stipulates that it be made for the economic benefit of the Seller or any of its Affiliates;	any payments made in accordance with this Agreement for which this Agreement 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;
Section 7.4.1(c)	
notify the Purchaser in writing or by email of its calculation of the Purchaser's Cash Payment as at the Scheduled Closing Date	The current Section 7.4.1(c) of the SPA shall be renumbered Section 7.4.1(d). A new Section 7.4.1(c) will be inserted as follows: notify the Purchaser in writing or by email, to the extent applicable, the amount of the Exit Bonus Amount; and
Section 8.2.4	
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 (such amount the "**Purchaser's Cash Payment**") minus, to the extent applicable, the amount of the Exit Bonus Amount into the bank account of the Seller as notified by the Seller to the Purchaser in writing or by email no later than the third (3rd) Business Days prior to the relevant payment date (the "**Seller's Account**");	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, 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 (5th) Business Day prior to the relevant payment date (the "**Seller's Account**");
Section 8.2.5(a)	
the amount of the Upstream Loan Receivables as of the Closing Date into the bank account of the Company as notified by the Seller to the Purchaser in writing or by email no later than the third (3rd) Business Days prior to the relevant payment date (the "**Company's Account**"); such payment shall be on the account of the Seller and shall fully settle and satisfy the Seller's obligations to repay the Upstream Loan Receivables; and	Deleted and replaced with [*deliberately left blank*];
Section 8.2.6(c)	
[deliberately left blank];	A new Section 8.2.6(c) shall be inserted into the SPA (whereas the current SPA Sections 8.2.6(c) to (e) shall be correspondingly renumbered 8.2.6(d) to (f)). The new Section 8.2.6(c) will state as follows: deliver executed counterparts of a Bring Down Certificate', substantially in the form attached hereto as Schedule 8.2.6(c), duly signed;

SPA prior to the amendment agreement	**SPA as amended by the amendment agreement**
Section 8.2.7	
the Seller shall provide to the Company and the Purchaser a binding confirmation that any Upstream Loan Agreements (whether oral or written) have been terminated with effect as of Closing without any residual payment obligation of the Seller towards the Company.	The Purchaser shall either, as notified in writing (email being sufficient) to the Seller no later than on the fifth (5th) 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 the Company as notified by the Seller to the Purchaser in writing or by email no later than the fifth (5th) Business Days prior to the relevant payment date (the "**Company's Account**") 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 the Company to enter into such Assumption of Upstream Loan Agreement – with effect as of the Closing Date.
Section 8.3.1	
The Seller shall be entitled to waive by written notification (excluding electronic form pursuant to Section 126a BGB) to the Purchaser the Closing Actions set forth in Sections 8.2.2, 8.2.4 and 8.2.5 in whole or in part	The Seller shall be entitled to waive by written notification to the Purchaser the Closing Actions set forth in Sections 8.2.2, 8.2.4, 8.2.5 and 8.2.7 in whole or in part
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 this Agreement (*zurücktreten*) with immediate effect by giving written notice (*Rücktrittserklärung*) (excluding electronic form pursuant to Section 126a and 126b BGB) to the Seller, if the Conditions Precedent pursuant to Sections 6.1.1(f)(i)(A) and 6.1.1(f)(i)(B) are not both, cumulatively, fulfilled by 15 July 2022	Any of the Seller or the Purchaser, as the case may be, (the "**Withdrawing Party**") shall be entitled to withdraw from this Agreement (*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.
Section 9.2.2	
A Withdrawing Party shall be entitled to withdraw from this Agreement (*zurücktreten*) by giving written notice (excluding electronic form pursuant to Section 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 August 2022 (the "**Longstop Date**"),	A Withdrawing Party shall be entitled to withdraw from this Agreement (*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*].

SPA prior to the amendment agreement	SPA as amended by the amendment agreement
<u>Table of Schedules</u>	Between Schedule "7.2.2(d) – Permitted Leakage" and "Schedule 8.2.6(d) – Waiver of the Seller" the Schedule "Schedule 8.2.6 (c) – Bring Down Certificate" is added; and The corresponding newly added Schedule 8.2.6 (c) is attached to the Amendment Agreement as Appendix 1 (Schedule 8.2.6 (c))
<u>Schedule D - Definitions</u>	Between Schedule "7.2.2(d) – Permitted Leakage" and "Schedule 8.2.6(d) – Waiver of the Seller" the Schedule "Schedule 8.2.6 (c) – Bring Down Certificate" is added; and The corresponding newly added Schedule 8.2.6 (c) is attached to the Amendment Agreement as Appendix 1 (Schedule 8.2.6 (c))
<u>Miscellaneous</u>	(i) Sections 16 through 21 of the SPA shall apply *mutatis mutandis* to this Amendment Agreement. (ii) The notarial fees for the notarization of this Amendment Agreement shall be borne by the Purchaser. Except for the provisions of the SPA explicitly amended pursuant to Clauses 2 and 3 of this Amendment Agreement, all other provisions of the SPA shall remain unaffected.

2.2 Information of Borsig

Borsig is a wholly-owned indirect subsidiary of KNM and upon completion of the Proposed Disposal, Borsig will cease to be a wholly-owned indirect subsidiary of KNM.

Borsig was incorporated in Germany on 10 December 2002 as a private company limited by shares. As at the LPD, the issued share capital of Borsig is EUR100,000 comprising 15 Borsig Shares. Borsig Group is principally involved in the manufacturing of process equipment mainly used in the petrochemicals as well as oil and gas industries comprising, amongst others, the following:-

i. waste heat recovery systems – an equipment that recovers and transfers unused or waste heat from a gas or liquid to be used as an additional source of energy;

ii. quench coolers – an equipment that produces high pressure steam to rapidly cool high temperature hydrocarbon gases to improve product yield;

iii. scraped surface exchangers – an equipment that utilises rotating blades to scrape the surface of a liquid under heating or cooling for purposes including, amongst others, dewaxing of lube oil, continuous mixing of liquid and improving heat transfer to a liquid;

iv. membranes – a device (i.e. membrane modules and complete membrane systems) used to address environmental concerns relating to gas emission controls, product recovery, gas separation, gas permeation and organic solvent nanofiltration;

v. compressor – a device that compresses and increases the pressure of gas to facilitate the transport of said gas, typically through pipes; and

vi. valves – a device that regulates the flow of liquids or gas by opening, closing or partially obstructing the passageway of the liquid or gas.

In addition to offering the abovementioned process equipment and solutions, Borsig Group provides related services including planning, delivery, installation of new components, inspection and maintenance of existing components as well as spare parts for the abovementioned process equipment. At this juncture, Borsig Group operates 4 manufacturing facilities in Germany (i.e. Meerane, Gladbeck, Berlin and Leegebruch).

As at the LPD, Borsig is a wholly-owned subsidiary of DKNM and the details of the directors of Borsig as at the LPD are as follows:-

Directors	Nationality
Tan Koon Ping	Malaysian
Flavio Porro	Italian
Jurgen Stegger	German

As at the LPD, Borsig has 6 subsidiaries and no associate company. The details of the subsidiaries of Borsig are as follows:-

Subsidiaries	Date/ place of incorporation	Equity interest held %	Issued share capital EUR	Principal activities
Borsig ValveTech GmbH	12 January 2009 Germany	100.0	25,000	Development, production and distribution of valves, compressor parts, monitoring systems for compressors, provision of maintenance and repair works of compressors and other assets
Borsig Membrane Technology GmbH	3 December 2004 Germany	100.0	26,000	Processing, planning, fabrication and distribution of and trading with machines and construction of apparatuses and miscellaneous components in the field of membrane technique
Borsig Process Heat Exchanger GmbH	6 August 2002 Germany	100.0	1,901,000	Processing, planning, fabrication and distribution of and the trading with machines, assets, apparatuses and miscellaneous components, particularly for generating plant, petrochemical and chemical industries
Borsig Service GmbH	3 December 2004 Germany	100.0	26,000	Provides installation, maintenance and other industrial services of machines and construction of apparatuses and other components
Borsig ZM Compression GmbH	6 September 2004 Germany	100.0	25,000	System engineering, industrial fabrication, assembly services as well as the sale of machines and constructions of compressors, containers, silo and conveyor technique
GMT Membrantechnik GmbH	29 November 1995 Germany	51.0[*1]	102,258 (200,000 DM)	Development, processing and distribution of membranes, membrane modules and membrane components

Note:-

[*1] *Held by Borsig Membrane Technology GmbH. The remaining 49% equity interest in GMT Membrantechnik GmbH is held by minority shareholders, who are not a party to the Proposed Disposal.*

For shareholders' information, DKNM had acquired Borsig Group in 2008 for a purchase consideration of EUR350.00 million which was satisfied entirely via cash. After the original investment and up to the LPD, KNM Process Systems Sdn Bhd, being the penultimate holding company of Borsig Group, has received dividends from Borsig Group over the years amounting to approximately EUR212.84 million. Thus, upon the completion of the Proposed Disposal, KNM Group will have recognised a total cash inflow of approximately EUR398.21 million (being the aggregate sum of the Disposal Consideration and cash flow from Borsig Group over the years less Upstream Loan Receivables and repayment of the term loan in DKNM amounting to approximately EUR22.50 million and Exit Bonus Amount (as defined in Section 2.5 of this Circular), if any), which represents a return of approximately 13.77% on the initial investment of EUR350.00 million.

Please refer to Appendix II of this Circular for further details on Borsig.

2.3 Information of the Purchaser

GSV was incorporated and registered in the Commercial Register (*Handelsregiste*r) of the Local Court (*Amtsgericht*) of Hamburg (Germany) on 21 December 2021 as a German limited liability company (*Gesellschaft mit beschränkterHaftung*). On 13 June 2022, GSV changed its name to Vorsprung Industries GmbH. As at the LPD, the issued share capital of GSV is EUR25,000 comprising 25,000 shares of GSV. GSV is a special investment vehicle wholly-owned by Vorsprung Industrial SCSp ("**VIS**"), incorporated for the acquisition of Borsig. VIS itself is a special limited partnership. Its sole general partner is Vorsprung Management S.à.r.l ("**Vorsprung**"), and its sole limited partner (which holds the entire equity interest) is Vorsprung Management GmbH.

Vorsprung and its subsidiaries are principally involved as a general partner in investment companies, and the provision of advisory and mediation services in relation to the acquisition, structuring, financing, management and sale of equity investments. Vorsprung's private equity investments' focus is mainly in the small and medium enterprises ("**SME**") market, where Vorsprung acquires significant equity stakes in SME companies to grow and expand its business.

As at the LPD, the details of the director(s) of GSV are as follows:-

Director	**Nationality**
Florian Oliver Lahnstein	German

2.4 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration of EUR220,800,000 was agreed upon on a willing-buyer willing-seller basis, based on direct negotiations, after taking into consideration the longstanding brand value and NA value of Borsig Group, and further the following basis and jusitifcations:-

i. the implied EV of Borsig Group based on the Disposal Consideration and latest audited consolidated financial statements of Borsig Group for the FYE 31 December 2020 of approximately EUR179.34 million;

ii. the Board has adopted the PE and EV/EBITDA multiples as the appropriate reference to evaluate and negotiate the Disposal Consideration, where the Disposal Consideration is within the range of the adjusted PE and EV/EBITDA multiples as shown further in Section 2.4 of this Circular;

iii. the Disposal Consideration represents a premium of 292.62% to the latest audited NA of Borsig Group for the FYE 31 December 2020 and 167.56% to the latest unaudited NA of Borsig Group for the 15-month FPE 31 March 2022, respectively;

iv. the rationale and justifications of the Proposed Disposal as set out in Section 4 of this Circular; and

v. the prospects of KNM Group as set out in Section 5.4 of this Circular.

The implied EV of Borsig Group based on the Disposal Consideration and latest audited consolidated financial statements of Borsig Group for the FYE 31 December 2020 is approximately EUR179.34 million. Accordingly, the Disposal Consideration represents a premium of 23.12% over the indicative EV of Borsig Group of EUR179.34 million based its latest audited consolidated financial statements for the FYE 31 December 2020. Additionally, the Disposal Consideration represents an implied EV/EBITDA multiple of 6.63 times as set out in Section 2.4 of this Circular.

Furthermore, the premium over the implied EV is also justifiable based on the longstanding brand value of Borsig Group. Founded in 1837, Borsig Group has since been involved in various manufacturing and engineering businesses such as locomotives, steam turbines, and now the manufacturing of process equipment. Over the years, Borsig Group has established several manufacturing sites across Germany as stated in Section 2.2 and Appendix II of this Circular.

For information purposes, based on Borsig Group's latest unaudited consolidated results for the 12-month FPE 31 December 2021, the Disposal Consideration represents an EV/EBITDA multiple of 5.73 times, which is within the range of the adjusted EV/EBITDA multiples of 3.14 times and 9.80 times accorded to the comparable companies. Furthermore, based on Borsig Group's latest unaudited consolidated results for the 12-month FPE 31 December 2021, the Disposal Consideration represents a PE multiple of 9.68 times, which is within the range of the adjusted PE multiples of 6.54 times and 16.34 times accorded to the comparable companies. The PE and EV/EBITDA multiples of the comparable companies are set out in Section 2.4 of this Circular.

The Board, further in considering the Disposal Consideration, has also taken into consideration the NA of Borsig Group of approximately EUR56.24 million for the latest audited FYE 31 December 2020 and EUR82.53 million for the latest unaudited 15-month FPE 31 March 2022, respectively. Accordingly, the Disposal Consideration represents a premium of approximately 292.62% and 167.56% to the latest audited and unaudited NA of Borsig Group, respectively.

For the purpose of justifying the reasonableness of the Disposal Consideration, peer analysis has been carried out to benchmark the EV/EBITDA and PE multiples implied by the Disposal Consideration against the EV/EBITDA and PE multiples of listed comparable companies in similar industry and/ or business activities as Borsig Group.

For shareholders' information, a general description of the EV/EBITDA and PE multiple methods of valuation is set out as follows:-

Valuation multiple	General description
EV/EBITDA	EV/EBITDA multiple illustrates the market value of a company's business relative to its historical pre-tax operation cash flow performance, without regard to the company's capital structure, and is computed as follows:-

$$\frac{EV^{*1}}{EBITDA^{*2}}$$

*1 *EV = market value of common stock (market capitalisation) (+) market value of preferred stock (+) market value of debt (+) minority interest (-) cash and cash equivalent*

*2 *EBITDA = recurring earnings from continuing operations (+) interest (+) taxes (+) depreciation (+) amortisation*

PE	PE multiple is the measure of the market price of a company's shares relative to its annual net profit per share. The computation of PE multiple is as follows:-

$$\frac{\text{Market value of common stock (market capitalisation)}}{\text{Profit after tax attributable to shareholders}}$$

The earnings multiples (i.e. P/E and EV/EBITDA) are commonly used to estimate the value of a business. The EV/EBITDA multiple is capital structure-neutral and therefore, will not be affected by changes and dissimilarities in capital structure such as different leverage level and borrowing costs, whilst comparing the selected comparable companies with varying market capitalisation. It is also not affected by differences in accounting of depreciation and amortisation, which can be computed at different rates over time. Additionally, the PE multiple indicates the market value of a company's shares relative to the annual earnings recorded by the company. The abovementioned earnings multiple method of valuation is considered the most appropriate method of valuation in ascribing the value of Borsig Group on the basis that Borsig Group had generated profits for the past 3 financial years.

For the purpose of evaluating the Disposal Consideration, the comparable companies were selected mainly with reference to the substantial similarity of the business activities to Borsig Group, including those involved in the manufacturing of industrial and process equipment mainly used in the oil and gas as well as petrochemical industries that are currently publicly listed. However, there are no public listed companies which are identical to Borsig Group in respect of, amongst others, the principal activities of manufacturing of process equipment mainly used in the oil and gas as well as petrochemical industries, geographical markets, scale of business operations and financial position.

In addition, only comparable companies that recorded net profit during their respective latest audited financial year were selected to ensure that the comparable valuation statistics (i.e. EV/EBITDA and PE multiples of the comparable companies) were meaningful. As such, it should be noted that the comparable valuation statistics were carried out on a best effort basis, purely to provide an indicative benchmark valuation for the Disposal Consideration.

Purely for shareholders' information, the asset-based approach i.e. price-to-book multiple and the revaluation net assets method of valuation were not adopted for the evaluation of the Disposal Consideration in the comparable valuation statistics as such methods of valuation are not deemed appropriate in respect of the business nature of Borsig as Borsig is not an asset-based company, hence these approaches would not accurately reflect the value of Borsig.

The valuation of Borsig Group is calculated based on Borsig Group's latest audited consolidated financial statements for FYE 31 December 2020 as follows:-

EV/EBITDA multiple

EV		**EUR'million**
	Market capitalisation (assuming 100.0% equity value of Borsig Group as implied by the Disposal Consideration)	220.80
Less:	Cash and cash equivalent as at FYE 31 December 2020	(43.91)
Add:	Borrowings as at 31 December 2020	0.16
	Non-controlling interests as at 31 December 2020	2.29
	EV	**179.34**

EBITDA		**EUR'million**
	PAT for the FYE 31 December 2020	22.11
Add:	Taxation for the FYE 31 December 2020	0.67
	Net interest expense for the FYE 31 December 2020	0.76
	Depreciation expense for the FYE 31 December 2020	3.50
	EBITDA	**27.04**
EV/EBITDA (times)		**6.63**

PE multiple

	EUR'million
Market capitalisation (assuming 100.0% equity value of Borsig Group as implied by the Disposal Consideration)	220.80
PAT for the FYE 31 December 2020	22.11
PE (times)	**9.99**

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The valuation statistics of the comparable companies using PE and EV/EBITDA multiples are set out below:-

Company	**Country of listing**	**Principal activities**	**Latest audited FYE**	**Market Capitalisation as at the LTD*1**	**Latest audited PAT*2**	**PE*3 (times)**	**Adjusted PE*4 (times)**	**EV/ EBITDA*2 (times)**	**Adjusted EV/ EBITDA*4 (times)**
Bilfinger SE	Germany	Provider of industrial services, power services, building and facility services, construction, and concessions including, amongst others, design, procurement and fabrication of process units in the base chemical industry, furnaces and steam generators in the petrochemical industry or process utilities and steam supply piping systems	31 December 2021	EUR1,129.34 million	EUR129.50 million	8.72	6.54	4.19	3.14
GEA Group AG	Germany	A farm technology, mechanical equipment, process industry and refrigeration technology company. GEA Group AG supplies equipment for the food processing industry as well as products with industrial, pharmaceutical and chemical applications	31 December 2021	EUR6,582.54 million	EUR305.20 million	21.57	16.18	10.69	8.01
Alfa Laval AB	Sweden	A global provider of products in heat transfer, seperation, and fluid handling. Alfa Laval delivers products and solutions to the petrolchemical, oil and gas, food and marine industries	31 December 2021	SEK103,676.19 million	SEK4,759.00 million	21.79	16.34	13.07	9.80
					Low		6.54		3.14
					High		16.34		9.80
					Simple Average		13.02		6.98
Borsig Group (based on the latest audited FYE 31 December 2020)							**9.99**		**6.63**
Borsig Group (based on the latest unaudited consolidated results for the 12-month FPE 31 December 2021)							**9.68**		**5.73**

(Source: Bloomberg and the audited financial statements of the respective companies)

Notes:-

*1 *The market capitalisation of the comparable companies was calculated based on the last traded price as at 20 May 2022, being the LTD, multiplied with the total number of outstanding shares of the respective comparable companies as at the LTD.*

*2 *Extracted/ computed based on the latest audited financial statements of the respective comparable companies as at the LTD.*

*3 *PE multiple is computed based on the market capitalisation over the latest audited PAT of the respective comparable companies as at the LTD.*

*4 *The adjusted PE and EV/EBITDA multiples have been discounted by 25% to adjust for the non-marketability and discount factors of Borsig Shares as it is not traded on any stock exchange and the size of Borsig is smaller to that of comparable companies. Furthermore, as the above public listed comparable companies have to comply with the public shareholding spread requirement of 25.0%, the Company has adopted 25.0% as the discount factor for the PE and EV/EBITDA multiples of comparable companies. Nevertheless, the adjusted PE and EV/EBITDA multiples are purely indicative for shareholders' information only.*

Based on the valuation statistics of the comparable companies using PE and EV/EBITDA multiples above, the Board takes cognisance of the following:-

i. The EV/EBITDA multiple of Borsig Group implied by the Disposal Consideration of 6.63 times (based on its latest audited FYE 31 December 2020) and 5.73 times (based on the latest unaudited consolidated results for the 12-month FPE 31 December 2021) are within the range of the adjusted EV/EBITDA multiples of 3.14 times and 9.80 times accorded to the comparable companies, but is lower than the simple average of 6.98 times accorded to the comparable companies; and

ii. The PE multiple of Borsig Group implied by the Disposal Consideration of 9.99 times (based on its latest audited FYE 31 December 2020) and 9.68 times (based on the latest unaudited consolidated results for the 12-month FPE 31 December 2021) are within the the range of the adjusted PE multiples of 6.54 times and 16.34 times accorded to the comparable companies, but below the simple average of 13.02 times.

Notwithstanding that the Disposal Consideration is valued at a PE and EV/EBITDA multiple that is below the simple average as accorded to the comparable companies, the Board deems the PE and EV/EBITDA multiples of Borsig Group reasonable taking in to account the premium of the Disposal Consideration to the latest audited and unaudited NA of Borsig Group as set out earlier in Section 2.4 of this Circular. Addtionally, as at the LPD the Group has a relatively high debt position of RM1,255.04 million and gearing ratio of 0.68 times. As set out in Section 4 of this Circular, KNM had on 3 December 2021 announced that it defaulted on the principal payment of bonds that it had issued in Thailand amounting to Thai Baht 2.78 billion. Accordingly, the Proposed Disposal provides the Group with immediate cash relief to resolve its cash flow position and obtain greater cash flow flexibility moving forward.

Pursuant thereto, the Board has deemed the Disposal Consideration reasonable premised on the above valuation statistics of the comparable companies as well as the rationale for the Proposed Disposal as set out in Section 4 of this Circular.

2.5 Mode of settlement for the Disposal Consideration

Pursuant to the terms and conditions of the SPA, 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[*1]	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 ("**Scheduled Closing Date**"), and the date on which the closing of the SPA actually takes place is referred to as the "**Closing Date**"; or ii. Payable to Borsig in accordance with the terms and conditions of the Assumption of Upstream Loan Agreement.	12.93[*2]	5.86
Payment of Exit Bonus Amount to certain employees of Borsig[*3]	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	-[*4]
Indicative Cash Consideration payable to DKNM[*5]	The balance of the Disposal Consideration (after deducting the amount of the Cash Upstream Loan Receivables and Exit Bonus Amount) is payable to DKNM on the Closing Date.	207.52	93.99
	Total	**220.80**	**100.0**

Notes:-

*1 *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 and Exit Bonus 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 and Exit Bonus 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:-

Details of loans	***EUR'000***
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*
Total	***12,928***

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.

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

*3 *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.

*4 *Negligible.*

*5 *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.*

2.6 Estimated loss arising from the Proposed Disposal

The Proposed Disposal is expected to result in an estimated loss of approximately RM572.01 million to KNM based on the financial information prepared under IFRS, details of which are set out below:-

	EUR'million	RM'million[*1]
Disposal Consideration	220.80	1,090.64
Less: Estimated expenses for the Proposed Disposal	(3.48)	(17.21)
Less: Upstream Loan Receivables	(12.93)	(63.86)
Net Disposal Consideration[*2]	204.39	1,009.57
Less: NA of Borsig Group as at 31 December 2020 based on its consolidated financial statements prepared under IFRS for the FYE 31 December 2020	(79.99)[*3]	(395.11)
Less: Realisation of		
Goodwill arising from the acquisition of Borsig Group as at 31 December 2020[*4]	(181.72)	(897.60)
Intangible assets attributable to Borsig Group as at 31 December 2020[*5]	(58.40)	(288.47)
Other reserves to income statement	(0.08)	(0.40)
Total estimated loss upon the completion of the Proposed Disposal[*6]	**(115.80)**	**(572.01)**

Notes:-

*1 *Based on the closing exchange rate of EUR1: RM4.9395 adopted for the latest audited FYE 31 December 2020.*

*2 *Inclusive of the Exit Bonus Amount which is subject to the approval of the board of DKNM as at the date of this Circular. In the event the Exit Bonus Amount is approved, the amount of up to EUR0.35 million will be excluded from the Net Disposal Consideration.*

*3 *The difference in the NA value of Borsig of EUR79.99 million as stated above (prepared under IFRS), and EUR56.24 million as stated in Section 2.4 of this Circular (prepared under the German Generally Accepted Accounting Principles ("**German GAAP**")), is mainly due to the application of IFRS accounting standards for revenue and cost recognition, leases and fair value methodology. This difference between the IFRS and German GAAP requirements arises as Borsig is a German company and as such, its accounts must be prepared in accordance with the German GAAP. However, for the purposes of consolidating the accounts of Borsig, the accounts of Borsig locally are transferred to the IFRS accounting standards preparation.*

*4 *Includes a portion of goodwill which has been impaired in December 2021 for RM354.87 million. The goodwill of RM897.60 million at 31 December 2020 represents the carrying amount of the surplus in the purchase price allocation paid for the acquired assets and liabilities of Borsig Group in 2008, recognised under IFRS. The goodwill recognised on acquisition is attributable mainly to the skills and technical talent of the acquired business' work force and the synergies expected to be achieved from integrating Borsig Group into KNM's existing oil and gas, petrochemical and renewable energy businesses.*

*5 *The intangible assets attributable to Borsig Group of RM288.47 million (net off deferred tax) on 31 December 2020 comprises of technology including patents and software, customers related intangibles including customer contracts, supply agreements and marketing related intangibles including tradenames. These intangible assets with finite useful lives are amortised over their useful lives ranging from 1 to 20 years.*

*6 *As compared with the estimated loss amounting to RM490.55 million as announced by the Company on 24 May 2022, this estimated loss has taken into account the additional loss of RM81.46 million due to the reclassification from other reserves to income statement as required under the applicable accounting standards and the changes in exchange rate. However, the additional loss does not cause any material change in the estimated consolidated NA value of the Group after the Proposed Disposal announced on 24 May 2022.*

2.7 Liabilities to remain with KNM

Save for the aggregate liability of DKNM under the SPA which shall be limited to the amount of Total Buyer Commitment as stated in Section 9.4 of Appendix I of this Circular, there are no other liabilities in relation to Borsig, including contingent liabilities and/ or guarantees, which will remain with KNM pursuant to the Proposed Disposal.

In addition, there is no guarantee given by KNM to the Purchaser or Borsig Group in relation to the Proposed Disposal.

2.8 Original date and cost of investment in Borsig

KNM acquired the entire equity interest in Borsig via DKNM on 6 June 2008 with a total investment cost of EUR350.00 million, comprising EUR175.00 million as equity in DKNM and EUR175.00 million as loan to DKNM. The original cost of investment of KNM's 100% equity interest in Borsig and the date of such investment are set out below:-

Date	No. of shares	EUR'million
6 June 2008	15	350.00

3. UTILISATION OF PROCEEDS

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:-

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

Notes:-

[*1] *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:-*

Type of facility	*Amount outstanding as at the LPD RM'000*	*Interest rate %*
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*
Total	***1,255,043***	

Accordingly, as set out in Section 8.1 of this 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.

*2 *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:-*

Details of utilisation	***Indicative percentage allocation %***	***Amount of proceeds RM'million***
Fabrication of process equipment business		
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*
Renewable energy business		
Operating expenses for the Group's bio-ethanol plant in Thailand including, amongst others, utilities, purchase of crops and equipment maintenance	*7*	*3.40*
Total	***100***	***48.60***

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.

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

	RM'000
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*
Total	***15,741***

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 and Exit Bonus Amount, which will be finalised on the Scheduled Closing Date as set out in Section 2.5 of this Circular. Any variance in the actual amount of the Indicative Cash Consideration received will be adjusted against the percentage allocation for the repayment of bank borrowings and working capital requirements outlined in Section 3 above.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED DISPOSAL

The Proposed Disposal is being undertaken to deleverage the debt position of the Group by unlocking the value of KNM's subsidiaries; and to improve the financial position of the Group by providing greater cash flow flexibility to the Group whilst also facilitating the Group's business strategy of growing its renewable energy business.

In recent years, KNM Group had recorded net debt positions of RM1.09 billion for the FYE 31 December 2020 and RM1.12 billion for the FYE 31 December 2019. On 3 December 2021, KNM announced that it had defaulted on the principal payment of bonds that it had issued in Thailand amounting to Thai Baht 2.78 billion which had matured on 18 November 2021. Through this, KNM triggered the criteria prescribed in Paragraph 8.04 and Paragraph 2.1(f) of PN17. However, Bursa Securities had on 16 June 2021 granted relief to listed companies that would become PN17 Issuers during the period of 1 July 2021 to 31 December 2021, from complying with the required obligations under Paragraph 8.04 and PN17 of the Listing Requirements for a period of 18 months from the date of triggering the relevant criteria. Pursuant thereto, KNM is not classified as PN17 Issuer at this juncture.

In view of the above, the Board has reassessed the financial position of the Group in order to improve its financial position as well as indebtedness. The Board has identified Borsig Group as an asset suitable for monetisation in order to address the financial constraints of the Group as it would generate the largest cash proceeds when compared with the various alternative of asset monetisation options; and to provide a timely cash injection for debt repayments to ensure the smooth continuation of the Group. For information purposes, Borsig Group contributed approximately 59.51% of KNM Group's consolidated revenue and 160.75% of KNM Group's net profit based on the latest audited financial statements of Borsig Group and KNM Group for the financial year ended 31 December 2020.

Additionally, the Group has significant process equipment manufacturing business and will continue to grow this business following the Proposed Disposal. As at the LPD, the Group offers its process equipment manufacturing business in several countries via its subsidiaries namely FBM-KNM FZCO in the Middle East and FBM Hudson Italiana SpA in Italy, both of which are wholly-owned indirect subsidiaries of KNM. FBM-KNM FZCO and FBM Hudson Italiana SpA are both principally involved in the manufacturing of air cooled heat exchangers, process gas waste heat recovery systems, heavy duty heat exchangers and other process equipment for the oil and gas, petrochemical, and desalination industries. FBM-KNM FZCO mainly derives its revenue from customers within the oil and gas industry, who contributed approximately 92% of its revenue, whilst the remaining 8% of revenue was contributed by customers operating in the petrochemical industry. Additionally, FBM Hudson Italiana SpA's revenue contribution is from the oil and gas, petrochemical industries, and other industries (i.e renewable energy and minerals), contributing 41%, 57% and 2% respectively.

For information purposes, the following is the revenue and PAT contribution of the Group's fabrication of process equipment business from the FYE 31 December 2018 until the 15-month FPE 31 March 2022.

	<-------Audited FYE 31 December----->			Unaudited 15-month
	2018	**2019**	**2020**	**FPE 31 March 2022**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Revenue	1,312,558	1,532,798	1,333,494	1,180,125
PAT	(752,022)	84,078	98,231	(537,440)[*1]

Note:-

[*1] *Due to an one-off impairment of goodwill of RM340.59 million from the acquisition of Borsig Group and slower order intakes caused by the slowdown in global economic activities resulting from the impact of COVID-19.*

The Group has identified the development of its product portfolio via joint ventures, technology licensing as well as in-house research and development to include higher value-added products/ markets, including, amongst others, pressure vessels, heat exchangers and industrial boilers to improve its margins and replace the financial contribution of Borsig Group. Accordingly, the Group shall utilise a portion of the proceeds from the Proposed Disposal for working capital of the Group's manufacturing of process equipment business, which will provide financial flexibility for the Group to develop its product portfolio.

In line with the above, the proceeds raised from the Proposed Disposal is also expected to improve the Group's cash flow position moving forward and will enable the Group to service its outstanding indebtedness. Based on the latest unaudited consolidated results of the Group for the 15-month FPE 31 March 2022, the Group has total borrowings of approximately RM1,255.04 million. The Group will allocate RM874.23 million of the gross proceeds from the Proposed Disposal for the repayment of bank borrowings to reduce its indebtedness and improve its gearing level. As set out in Section 8.1 of this Circular, the total bank borrowings of the Group is expected to reduce from RM1,255.04 million to RM368.02 million upon the completion of the Proposed Disposal and repayment of borrowings. 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 from the Proposed Disposal for the repayment of bank borrowings.

The Group's deleveraging will also improve its ability to obtain additional financing for future capital expenditure and/ or strategic acquisitions as well as improve the Group's bottom line by reducing its finance costs. As set out in Section 3 of this Circular, the repayment of bank borrowings of RM874.23 million is expected to result in annual interest savings of RM85.02 million based on the interest rate of such borrowings of 9.79%.

Also, the Group's business strategy moving forward is to expand in the renewable energy industry through organic growth and/ or joint ventures with the long-term objective of increasing the revenue contribution of its renewable energy business to 50% of the Group's consolidated revenue. Accordingly, a portion of the gross proceeds from the Proposed Disposal will be allocated for the working capital requirements for renewable energy projects of the Group. The allocation for working capital will allow the Group flexibility in respect of financial allocations for the operational requirements of its renewable energy projects, which in turn may allow the Group to carry out operations in a more efficient manner.

KNM Group's existing renewable energy projects comprise, amongst others, its waste-to-energy plant in the United Kingdom which is still in the midst of development, while the Group is considering new renewable energy projects, which include, amongst others, developing and owning a waste-to-energy plant as well as solar farms in Malaysia, and focusing on high demand green technologies including hydrogen processing and storage, carbon dioxide extraction and green fuels. The revenue contribution from the Group's renewable energy business was solely from the bio-ethanol production plant in Thailand operated by the Company's 72% owned subsidiary, Impress Ethanol Co., Ltd. The total production capacity of the bio-ethanol plant is 200,000 litres per days and the Group is in the midst of upgrading its production capacity to an additional 300,000 litres per day.

For information purposes, the following is the revenue and PAT contribution of the Group's renewable energy business from the FYE 31 December 2018 until the 15-month FPE 31 March 2022.

	<-----Audited FYE 31 December---->			**Unaudited 15-month**
	2018	**2019**	**2020**	**FPE 31 March 2022**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
Revenue	119,775	99,797	17,953	-
PAT	(32,654)	(49,021)	(41,660)	(194,832)

At this juncture, the Board is still in the midst of contemplating new renewable energy project opportunities and has yet to finalise the terms of any such project opportunities. The Group shall make the requisite announcements and/ or seek shareholders' approval in accordance with the Listing Requirements, if necessary, as and when new project(s) are identified and finalised.

Based on the above, the Board is of the view that the Proposed Disposal will be able to address the Company's PN17 condition moving forward, notwithstanding that the Company is not classified as a PN17 Issuer. As mentioned above, KNM had trigerred the criteria prescribed in Paragraph 8.04 and Paragraph 2.1(f) of PN17 when it defaulted on the principal payment of bonds that it had issued in Thailand amounting to Thai Baht 2.78 billion. However, through Bursa Securities' relief measures granted to listed companies on 16 June 2021 amid COVID-19, KNM is not classified as a PN17 Issuer at this juncture for a period of 18 months from the date of triggering the relevant criteria. As mentioned in Section 3 of this Circular, the Group has earmarked RM874.23 million of the proceeds from the Proposed Disposal to settle its outstanding indebtedness which includes the Group's plan to resolve its issues regarding the abovementioned bonds default, and RM48.60 million has been allocated for the working capital requirements of the Group's fabrication of process equipment and renewable energy segments. The funds allocated for working capital requirements will allow the Group to increase its production capacity and be better positioned to obtain more and larger process equipment contracts moving forward, and also enable the Group to rationalise its renewable energy business to improve its financial performance. The Board envisages that through the abovementioned, the Company will be able to address the PN17 condition prior to the expiry of the 18 months relief period, and address the loss of profit contribution from Borsig Group upon completion of the Proposed Disposal.

To further support this, on 19 January 2022, the Company announced the proposed listing of its wholly-owned indirect subsidiaries, FBM Hudson Italiana SpA and FBM-KNM FZCO on the Catalist, the sponsor-supervised board of the Singapore Stock Exchange Securities Trading Limited by way of an initial public offering. Additionally, the Group will continue to consider other fund raising corporate exercises such as a private placement exercise to obtain additional funding to further improve the cashflow position of the Group. Premised on the above, the Board believes that the Proposed Disposal represents a strategic opportunity to monetise the Group's assets to allow the Group to improve its financial position and cash flow flexibility, and demonstrate increased financial capability of the Group to undertake contracts for the fabrication of process equipment and/ or renewable energy projects moving forward.

5. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF KNM GROUP

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy improved in 2021, registering a growth of 3.1%. The recovery momentum in the early part of the year was affected by the reimposition of nationwide containment measures from June to September 2021, following a rapid resurgence of cases due to the Delta variant. However, unlike the movement restrictions in the second quarter of 2020, more essential economic sectors were allowed to operate, while businesses and households were better adapted to the containment measures and standard operating procedures (SOPs). Notwithstanding this, some sectors, such as high-touch services, tourism related industries and construction, were slower to recover due to continued restrictions on movement and operating capacity. As these restrictions were eventually lifted in October 2021 amid rapid progress in domestic vaccinations, economic activities picked up and labour market conditions improved. The expansion in employment and subsequent increase in private sector wages contributed towards increased household spending. Private investment growth was supported by expansion in productive capacity, especially in the manufacturing sector, alongside higher capital spending by firms on automation and digitalisation.

External demand provided robust support to growth in 2021. Strong global trade activity boosted Malaysia's gross exports (2021: 26.0%, 2020: -1.1%). Recovery in economic conditions in advanced and regional economies resulted in strong demand from key trade partners. Similarly, the continued global technology upcycle and robust demand for semiconductors led to strong growth in electrical and electronic ("**E&E**") products. As a key player in the global supply chain, Malaysia was also affected by the supply disruptions, although to a much lesser extent, as trade and manufacturing performance remained resilient during the year. This is mainly attributed to firms having taken proactive measures to mitigate the impact of supply disruptions on their operations. Meanwhile, exports of services have contracted for a second year in a row (-9.4%, 2020: -48.0%), reflecting weak tourist arrivals (2021: 0.1 million persons, 2020: 4.3 million persons), as most international borders remained closed.

In terms of developments across economic sectors, the improvement in the domestic economy was fairly uneven, as the pace of recovery differed across sectors. Strong external trade supported the exceptional performance of the manufacturing sector. Meanwhile, the services sector remained constrained by weak demand amid restrictions on mobility and high-touch activities (such as dine-ins and tourism), while activity in the construction sector was hampered by labour and operating capacity restrictions. Additionally, adverse weather conditions and continued foreign worker shortages affected output in the agriculture sector.

From the demand perspective, economic activity continued to be underpinned by household spending, as labour market conditions improved. Continued investments, particularly in machinery and equipment as firms increased their efforts in automation and digitalisation, as well as expansion in production capacity provided further support to growth. In the labour market, employment improved amid a return of workers into the labour force. Underemployment also improved, albeit it remained at a slightly elevated rate compared to long-term averages.

Following the trough in the third quarter of 2021, economic activity resumed towards the end of the year in line with the lifting of restrictions. As containment measures were gradually eased during the third quarter, most economic activities restarted, and labour market conditions improved further. This enabled a quick recovery in mobility and consumer spending in the fourth quarter. The lifting of interstate travel bans in October, in conjunction with the year-end holiday season, also provided support for domestic tourism activities. Towards the end of the year, Malaysia also detected growing cases involving the new and highly transmissible Omicron variant.

The Malaysian economy is expected to improve further, with growth projected to be between 5.3% and 6.3% in 2022. The economic recovery is underpinned by the continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

Stronger private sector recovery, supported by labour market improvements, to be the main driver of growth in 2022: As economic activity picks up, the unemployment rate is expected to decline further in 2022 to around 4% of the labour force. The recovery in the labour market will be further supported by targeted measures to boost labour demand, facilitate re-skilling and up-skilling and reduce labour market frictions. A sustained recovery in employment and income is expected to drive an improvement in household spending. Additionally, progress in vaccinations and upliftment of containment measures will lead to an improvement in consumer confidence and some materialisation of pent-up demand. As a result, private consumption is expected to grow by 9.0% (2021: 1.9%). Private investment is also expected to recover, growing by 5.3% (2021: 2.6%), supported by the continued expansion in global demand and the implementation of new and ongoing investment projects.

(Source: Economic and Monetary Review 2021, Bank Negara Malaysia)

5.2 Overview and outlook of the oil and gas, services and equipment industry

Malaysia's Oil & Gas, Services and Equipment ("**OGSE**") industry represents a substantial share of the Malaysian economy, accounting for an annual revenue of more than RM65.1 billion recorded by over 4,000 vendors which employ approximately 59,000 core talents. Currently, the OGSE industry contributes 5%-8% to the country's gross domestic product ("**GDP**"), directly servicing Malaysia's oil & gas industry that made up 14.5% of GDP and 13.8% of Government's revenue in 2018.

The national OGSE industry has recorded significant progress in the last three decades. However, in recent times, the industry has become more fragmented, with 98% of vendors consisting of SMEs. The industry is also concentrated in low complexity work scopes with a high focus on domestic revenue. This scenario has resulted in various challenges for local OGSE companies in building financial strength, increasing technological sophistication, accessing industry-ready skilled talent, developing export-ready products and services, and growing Bumiputera capabilities in the sector.

In the global context, the OGSE industry has not been spared from the pressure of the low oil price environment that has persisted since 2014. Shareholder value had already reversed approximately 60% by the end of 2019, with value creation further depressed with the emergence of three major events in 2020: the unprecedented COVID-19 crisis, the early-2020 Organisation of the Petroleum Exporting Countries (OPEC) disagreement on supply cuts and the storage shock that quickly followed amid an oversupply in the oil market. With oil & gas operators reducing capital expenditure amid this environment, these developments have further erased 50% of the market capitalisation of OGSE firms since the start of 2020.

Notwithstanding the substantial growth of the OGSE industry in Malaysia, the industry faces constraints in achieving further value creation, having already endured reversal in value following the 2014-2016 oil price crash which has led to a persistently low oil price environment. Additionally, the entire oil and gas industry has risen to the urgent call for energy transition, which sees the energy industry moving towards a more sustainable model that is focused on renewables and less dependent on fossil fuels.

(Source: National OGSE Industry Blueprint 2021-2030, Abridged Report, Economic Planning Unit Prime Minister's Department)

Countries and companies are embedding the United Nations Sustainable Development Goals as part of their aspirations amid rising calls from stakeholders for actions to address climate change. More and more governments are translating these into national strategy, setting out visions of a carbon neutral future. Banks and lenders have included elements of sustainability as part of their financing criteria, contributing to the establishment of an ecosystem that demands accountability in emissions. Without the accountability, companies stand to lose their social license to operate. Automotive manufacturers across the world are now increasingly widening their range of offerings of electric models that would change the shape and size of the global car fleet in the next decade. This is supported by falling cost of battery. Airlines are prioritising investment in more fuel-efficient aircraft and the development of sustainable aviation fuels. The leading players in the shipping industry have pledged to continuously reduce emissions to meet the more stringent regulations by International Maritime Organisation. The sector agreed to halve emissions by 2050.

(Source: Industry Overview, PETRONAS Activity Outlook 2021-2023)

The global pressure vessel market is projected to reach USD 59.5 billion by 2027 from an estimated market size of USD 47.1 billion in 2022, at a CAGR of 4.8% during the forecast period. The factors driving the growth for pressure vessel is the requirements in various end-user industries and advancement in the technologies of the industrial equipment in developing economies.

(Source: Pressure Vessel Market by Type (Boiler, Reactor, Separator), Material, Heat Source (Fired Pressure Vessel and Unfired Pressure Vessel), Application (Storage Vessels and Processing Vessels), End-User and Region - Global Forecast to 2027 by MarketsandMarkets Research Private Ltd)

Separately, the management has also observed the following indicators that the outlook for oil and gas and petrochemical industries will remain challenging:-

(a) The Brent crude oil spot price averaged USD113 per barrel in May. The U.S. Energy Information Administration ("**EIA**") expect the Brent price will average USD108/barrel in the second half of 2022 and then fall to USD97/barrel in 2023. Current oil inventory levels globally are low, which amplifies the potential for oil price volatility. Actual price outcomes will largely depend on the degree to which existing sanctions imposed on Russia, any potential future sanctions, and independent corporate actions affect Russia's oil production or the sale of Russia's oil in the global market.

(Source: Short-Term Energy Outlook June 2022 by EIA)

(b) The global petrochemicals market size is expected to grow from USD599.05 billion in 2021 to USD629.73 billion in 2022 at a CAGR of 5.1%. The global petrochemical market size is expected to grow to USD761.59 billion in 2026 at a CAGR of 4.9%. Oil price volatility is likely to have a negative impact on the petrochemicals market as significant decline and increase in oil prices negatively impact the government and consumer spending.

(Source: Petrochemicals Global Market Report 2022 by The Business Research Company)

In the face of the prevailing operating environment and energy transition, Malaysian OGSE players must transform and adapt to the changing needs and expectations of the market to strengthen their competitiveness. A failure to embrace change will pose significant risks to the long-term sustainability of the Malaysian OGSE industry. It is in this context that the National OGSE Industry Blueprint 2021-2030 was developed with a view of steering Malaysian OGSE companies towards: (i) building greater competitiveness to expand into new markets abroad; and (ii) exploring opportunities to move to relevant adjacent industries that may require similar expertise and standards of work, such as in the renewable energy sector. This will indirectly ensure the revenue generated and employment provided by local OGSE companies are maintained or strengthened in the future.

Successful implementation of the National OGSE Industry Blueprint 2021-2030 will see the industry undergo significant changes and leverage on its strengths while addressing areas for improvements, to ensure the industry continues to flourish by 2030. While the OGSE industry is currently a major component of Malaysia's economy, a sound and robust implementation of the National OGSE Industry Blueprint 2021-2030 will see greater contribution to the country's GDP to around RM40 billion from current levels of around RM20 billion. The sector is expected to continue to be a major employer of skilled and semi-skilled talents, and employ around 60,000 people. Greater emphasis and push for innovation should see a threefold increase in patents filed by local OGSE inventors, making Malaysia one of the regional leaders in technology development for OGSE.

(Source: National OGSE Industry Blueprint 2021-2030, Abridged Report, Economic Planning Unit Prime Minister's Department)

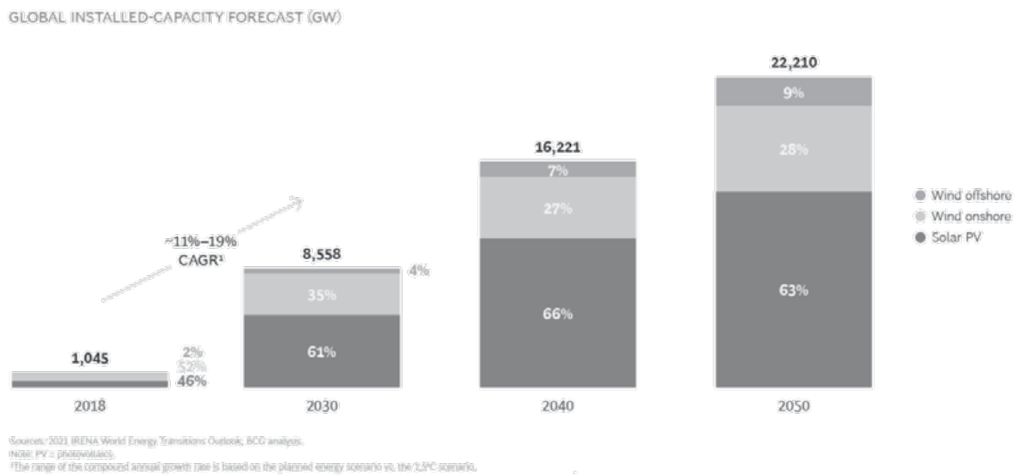
5.3 Overview and outlook of the renewable energy business

In 2021, the renewable energy industry remained remarkably resilient. Rapid technology improvements and decreasing costs of renewable energy resources, along with the increased competitiveness of battery storage, have made renewables one of the most competitive energy sources in many areas. Despite suffering from supply chain constraints, increased shipping costs, and rising prices for key commodities, capacity installations remained at an all-time high.

Renewable energy growth is poised to accelerate in 2022, as concern for climate change and support for environmental, social and governance considerations grow and demand for cleaner energy sources from most market segments accelerates.

(Source: 2022 renewable energy industry outlook by Deloitte)

Renewable energy is booming and will likely continue to do so. International Renewable Energy Agency and the International Energy Agency ("**IEA**") expect installed capacity to grow by a compound annual growth rate of 11% to 19% through 2030 to meet global demand for clean energy. New players are entering to capture part of the growing profit pool. Indeed, industry spending on renewable energy already exceeds spending on new fossil fuel and nuclear power generation and will surpass investments in upstream oil and gas in the near future, according to market analysts.



(Source: Mastering Scales in Renewables, June 2021 by Boston Consulting Group)

The current global energy crisis has added new urgency to accelerate clean energy transitions and, once again, highlighted the key role of renewable energy. Notably, wind and solar PV have the potential to reduce the European Union's power sector dependence on Russian Federation natural gas by 2023.

Renewable capacity is expected to further increase over 8% in 2022, reaching almost 320 GW. However, unless new policies are implemented rapidly, growth remains stable in 2023 because solar PV expansion cannot fully compensate for lower hydropower and steady year-on-year wind additions. Globally, forecast additions for 2022 and 2023 have been revised upwards by 8% from December last year, thanks to strong policy support in the People's Republic of China, the European Union and Latin America, and despite downward forecast revisions in the United States of America.

Biofuel demand recovered in 2021 from Covid-19 lows, to near 2019 levels, and IEA expects growth to expand year-on-year by 5% in 2022 and by 3% in 2023. On the other hand, increasing feedstock prices and policy reaction from multiple countries slows growth in the short term, leading to a 20% downward revision of IEA's previous biofuel demand growth forecast.

While looming market uncertainties increase challenges, the new focus on energy security – especially in the European Union – is also triggering an unprecedented policy momentum towards accelerating energy efficiency and renewables. Ultimately, the forecast of renewable markets for 2023 and beyond will depend on whether new and stronger policies will be introduced and implemented in the next six months.

(Source: Renewable Energy Market Update Outlook for 2022 and 2023 by IEA).

Global green hydrogen market size was valued at USD0.3 billion in 2020, and is projected to reach USD9.8 billion by 2028, growing at a CAGR of 54.7% from 2021 to 2028. Green hydrogen is made from regenerative energy sources through water electrolysis. With the help of electric current, water is divided into oxygen and hydrogen in an electrolyser and grey hydrogen derived from fossil fuels is differentiated (such as natural gas) and chemical properties of hydrogen are underappreciated. Hydrogen is safe for atmosphere and can be stored and converted into electricity or heat as required. Green hydrogen is a major component of energy equation and hydrogen is regarded as a primary potential renewable energy resource. It is one of the most important circular carbon economy approaches as it is generated using solar energy. It is generated using renewable energy sources as compared to carbon-based energy found in natural gas and other fossil fuels.

Green hydrogen has been in high demand in recent years, owing to its ability to reduce carbon emissions. It also contributes toward meeting growing demand of energy across the globe. It is a sustainable energy source, hence its use is expected to increase in the future. Growth in awareness regarding the use of hydrogen as an energy carrier is expected to propel growth of the global market. In addition, growth in environmental issues drive the market expansion, highlighting the need for renewable/clean energy generation to reduce emission levels. Furthermore, rise in use of nuclear and green hydrogen fuels growth of the green hydrogen industry. However, initial investment requirements for setting up hydrogen infrastructure as well as prohibitive maintenance costs are the major factors that limit the green hydrogen market growth.

(Source: Green Hydrogen Market by Technology (Proton Exchange Membrane Electrolyzer, Alkaline Electrolyzer, and Solid Oxide Electrolyzer), Application (Power Generation, Transport, and Others), and End-Use Industry (Food & Beverages, Medical, Chemical, Petrochemicals, Glass, and Others): Global Opportunity Analysis and Industry Forecast 2021–2028 - by Allied Market Research)

The global carbon capture, utilisation, and storage ("**CCUS**") market was valued at USD1.9 billion in 2020, and is projected to reach USD7.0 billion by 2030, growing at a CAGR of 13.8% from 2021 to 2030. CCUS is the process of capturing carbon dioxide from fuel combustion or industrial processes, the transport of this CO2 via ship or pipeline, and either its use as a resource to create valuable products or services or its permanent storage deep underground in geological formations. CCUS technologies also provide the foundation for carbon removal or "negative emissions" when the CO2 comes from bio-based processes or directly from the atmosphere.

The global demand for CCUS market is primarily driven by growing focus on reducing CO2 emissions, supporting government initiatives and increasing demand for CO2-EOR techniques. Rapid industrialization across the globe has led to surge in emission of carbon dioxide. In order to reduce the carbon footprint, governments of various developed and developing countries such as the U.S., the Netherlands, the UK, China, and India, are setting up large number of CO2 capture and storage plants. This factor is expected to drive the growth of CCUS market over the forecast period. In addition, with the technological advancements, offshore oil & gas exploration & production activities are increasing, which in turn is surging the adoption of gas injection enhanced oil recovery ("**EOR**") techniques. This includes use of carbon dioxide for crude oil extraction. Maturing and depleting oil reserves is expected to fuel the adoption of gas injection EOR techniques for both onshore and offshore wells. Hence, this growing demand for CO2 for EOR activities from oil & gas industry is expected to drive the growth of carbon capture, utilization, and storage market during the forecast period.

(Source: Carbon Capture, Utilization, and Storage (CCUS) Market by Service (Capture, Transportation, Utilization, and Storage), Technology (Pre-Combustion Capture, Oxy-Fuel Combustion Capture, and Post-Combustion Capture), and End-Use Industry (Oil & Gas, Power Generation, Iron & Steel, Chemical & Petrochemical, Cement, and Others): Global Opportunity Analysis and Industry Forecast, 2021-2030 – by Allied Market Research)

5.4 Future prospects of the KNM Group

Due to the global outbreak of COVID-19, resulting in the implementation of various Movement Control Orders in Malaysia, and the slump of global crude oil prices, the Company suffered delays in the award and implementation of certain process equipment contracts that were expected to have materialised, and received slower payments from customers, resulting in a poorer financial condition. While the Board opines that the Malaysian economy is expected to improve moving forward, the Group remains cautious and aims to maintain its profitability by improving its operational efficiency, resolve its outstanding indebtedness, and to obtain a leaner business structure moving forward.

The Board intends to utilise the proceeds raised from the Proposed Disposal to improve the Group's cash flow position moving forward and enable the Group to obtain greater cash flow flexibility. Based on the latest unaudited consolidated results of the Group for the 15-month FPE 31 March 2022, the Group has total borrowings of approximately RM1,255.04 million, and had recorded net debt positions of RM1.09 billion for the FYE 31 December 2020 and RM1.12 billion for the FYE 31 December 2019. The Group will allocate RM874.23 million of the gross proceeds from the Proposed Disposal for the repayment of bank borrowings, thereby reducing the Group's bank borrowings to RM368.02 million, and its estimated gearing ratio to improve from 0.68 times to 0.29 times. Upon significantly deleveraging its debt position and obtaining greater cash flow flexibility, the Group will be able to focus on its business strategy moving forward of growing its renewable energy and fabrication of process equipment business to improve its financial position.

The Group intends to expand into the renewable energy industry through organic growth and/ or joint ventures with the long-term objective of increasing the revenue contribution of its green businesses. As stated in Section 5.3 of this Circular, the Board believes that the demand for cleaner energy sources from most market segments will grow in conjunction with the growing concern for climate change and support for environmental, social and governance considerations. Pursuant thereto, the Group has allocated a portion of the proceeds from the Proposed Disposal to the working capital requirements of its renewable energy business to allow the Group flexibility in respect of financial allocations for the operational requirements of its renewable energy projects, which in turn may allow the Group to carry out operations in a more efficient manner. Furthermore, the Group is in the midst of upgrading its bio-ethanol production plant in Thailand to improve its total production capacity from 200,000 litres per day to 500,000 litres per day, which the Board hopes will generate additional revenue contribution to the Group.

The Group also intends to expand its fabrication of process equipment business following the Proposed Disposal. The Group had on 19 January 2022 announced the proposed listing of its wholly-owned indirect subsidiaries, FBM Hudson Italiana SpA and FBM-KNM FZCO on the Catalist, the sponsor-supervised board of the Singapore Stock Exchange Securities Trading Limited by way of an initial public offering. The Board hopes that the funds received from the initial public offering of FBM Hudson Italiana SpA and FBM-KNM FZCO will enable the Group to increase its capacity to undertake more and larger process equipment contracts moving forward, to secure larger revenue inflow.

Additionally, the Group has allocated proceeds from the Proposed Disposal to fund the working capital requirements of the Group's fabrication of process equipment business to allow the Group financial flexibility to develop its product portfolio via joint ventures, technology licensing as well as in-house research and development to include higher value-added products/ markets, including, amongst others, pressure vessels, heat exchangers and industrial boilers to improve its margins and replace the financial contribution of Borsig Group. The proceeds allocated to the working capital requirements of the Group's fabrication of process equipment business will also allow the Group to be better positioned to undertake more and larger process equipment contracts moving forward.

Premised on the above, the Proposed Disposal is expected to improve the Group's cash position and demonstrate increased financial capability of the Group to undertake further contracts for the fabrication of process equipment and/ or renewable energy projects moving forward. Pursuant thereto, the Board believes that the Proposed Disposal represents a strategic opportunity to monetise the Group's assets to allow the Group to achieve its business plans and objectives.

(Source: Management of KNM)

6. RISK FACTORS

6.1 Non completion risk

The Proposed Disposal is conditional upon the fulfilment of the conditions precedent of the SPA, which include, among others, obtaining the approval of the shareholders of KNM for the Proposed Disposal at an extraordinary general meeting of the Company to be convened. There can be no assurance that the conditions precedent will be obtained and/ or satisfied. Notwithstanding the foregoing, KNM will take all reasonable steps to ensure the satisfaction and/ or waiver (as the case may be) of the conditions precedent to ensure the completion of the Proposed Disposal.

The SPA may be terminated in the event that all the conditions precedent are not fulfilled or waived within the time period stipulated in the SPA, or in the event of any breach of the representations or warranties or failure to perform any covenant or agreement by the parties pursuant to the SPA. Any delay or non-completion of the Proposed Disposal will delay or preclude the Company from receiving the proceeds arising from the Proposed Disposal.

6.2 Loss of contribution from Borsig

Upon completion of the Proposed Disposal, Borsig will cease to be the Company's wholly-owned indirect subsidiary. Moving forward, the Group will not be able to recognise the financial performance of Borsig Group as it will not hold any equity interest in Borsig.

Nevertheless, the Proposed Disposal is expected to facilitate the Group to achieve its business plans and objectives as set out in Section 4 of this Circular, whereby the Proposed Disposal will unlock the value of KNM's subsidiaries and the proceeds from the Proposed Disposal will be mainly used to settle the Group's indebtedness to improve the Group's liquidity and gearing and to fund the working capital of KNM Group's existing fabrication of process equipment businesses and its renewable energy business.

6.3 Contractual risks

As highlighted in Appendix I, DKNM shall pay GSV a break-up fee in the amount of EUR1,000,000 (plus applicable value added tax) in the event of a withdrawal from the SPA by either party in accordance with the terms of the SPA.

Furthermore, DKNM may be subjected to claims of specific performance and/ or claims for damages as a result of non-fulfillment of its obligations under the SPA. Nevertheless, the Company shall endeavour to procure DKNM to ensure full compliance of its obligations under the SPA.

6.4 Foreign exchange risk

The cash amount to be repatriated to the Company upon completion of the Proposed Disposal may vary from the amount as set out in Section 3 of this Circular. The Indicative Cash Consideration of RM938.57 million to be received by the Company is based on the exchange rate as at the LPD and upon completion of the Proposed Disposal, the exchange rate of the RM versus the EUR may fluctuate. Pursuant thereto, upon receiving the Indicative Cash Consideration, the RM value of cash that the Company receives may be higher or lower depending on the exchange rate at the time.

7. POLICIES ON THE TAXATION AND REPATRIATION OF SALE PROCEEDS IN GERMANY

Under German commercial law, the sale proceeds from the Proposed Disposal may be transferred by DKNM to its shareholder, KNM Process Systems Sdn Bhd, a wholly-owned subsidiary of the Company, by way of distribution of profits or withdrawal of capital contribution, which the maximum amount is determined by the equity shown in the commercial balance sheet of DKNM. Distribution of profits are generally subject to German withholding tax of 25% plus solidarity surcharge of 5.5%. Due to the regulations in the Double Taxation Agreement between Germany and Malaysia, the withholding tax on dividends is reduced to 10%, if the payment is in cash and application of tax exemption certificate for the Malaysian shareholder of DKNM, i.e. KNM Process Systems Sdn Bhd is made and approved.

However, under Section 27 of the Corporation Income Tax Act, Germany, withholding tax does not apply if the distribution is made from the so-called tax contribution account. This case would be deemed as a refund of capital contributions. The amount available in the tax contribution account for the refund of capital contributions is determined in a tax assessment notice by the local tax office in Germany. For tax purposes, the distributable profit is always considered to be used first, and only when this has been completely used up then the taxable contribution account is to be used. At this juncture, the Group cannot ascertain the amount of tax that will be applicable to the sale proceeds from the Proposed Disposal, and the exact amount of tax payable is subject to the timing of the repatriation of the sale proceeds and the outcome of the tax assessment by the German tax authority.

8. EFFECTS OF THE PROPOSED DISPOSAL

The Proposed Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of KNM as the Proposed Disposal will not involve any issuance of KNM Shares.

8.1 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position of the Group as at 31 December 2020, the estimated effects of the Proposed Disposal on the NA and gearing level of the Group are set out as follows:-

		I	II
	Audited as at 31 December 2020	**Subsequent adjustments up to the LPD**	**After I and the Proposed Disposal**
	RM'000	**RM'000**	**RM'000**
Share capital	2,005,665	2,061,882[*1]	2,061,882
Treasury shares	(53,425)	(4,214)[*1]	(4,214)
Reserves	(177,164)	(177,210)[*2]	(748,813)[*4]
Shareholders' fund/ NA	**1,775,076**	**1,880,458**	**1,308,855**
Non-controlling interests	(22,824)	(22,824)	(34,147)[*5]
Total equity	**1,752,252**	**1,857,634**	**1,274,708**
No. of Shares in issue ('000) (excluding treasury shares)	2,969,234	3,676,422[*1]	3,676,422
NA per Share (RM)	0.60	0.51	0.36
Total borrowings	1,362,604	1,255,043[*3]	368,017[*6]
Gearing level (times)	0.78	0.68	0.29

Notes:-

*1 *After adjusting for the following from 1 January 2021 up to the LPD:-*

i. *a total of 685,687,700 Shares has been issued from the exercise of 54,631,500 employees' share options and the issuance of 631,056,200 placement shares pursuant to two private placement exercises, raising approximately RM104.23 million in aggregate;*

ii. *total expenses incurred for the first and second private placement, announced on 15 January 2021 and 22 November 2021, of approximately RM1.85 million and RM1.05 million respectively as share-based expenses, which were debited from the share capital;*

iii. *disposal of 9,000,000 treasury shares on 2 April 2021 for a total disposal consideration of approximately RM1.76 million, resulting in a one-off loss on disposal of approximately RM18.85 million debited from the share capital; and*

iv. *disposal of 12,500,000 treasury shares on 23 April 2021 for a total disposal consideration of approximately RM2.31 million, resulting in a one-off loss on disposal of approximately RM26.31 million debited from the share capital.*

*2 *After adjusting for the estimated expenses of approximately RM0.05 million relating to the first and second private placement announced on 15 January 2021 and 22 November 2021 respectively.*

*3 *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.*

*4 *After adjusting for the estimated loss of RM572.01 million upon completion of the Proposed Disposal and after net realisation of other reserves of RM0.41 million pursuant to the Proposed Disposal.*

*5 *After de-consolidating the non-controlling interests of GMT Membrantechnik GmbH.*

*6 *After de-consolidating the total borrowings of Borsig Group of approximately RM12.80 million recorded in the latest audited financial statement of KNM Group for the FYE 31 December 2020 (based on the exchange rate of EUR1: RM4.9395 adopted as at 31 December 2020) and adjusting for the utilisation of proceeds from the Proposed Disposal amounting to approximately RM874.23 million for the repayment of bank borrowings.*

8.2 Earnings and EPS

Upon completion of the Proposed Disposal, Borsig will cease to be a wholly-owned indirect subsidiary of KNM. Thereafter, KNM will cease to consolidate the financial results of Borsig Group.

In addition, the Proposed Disposal will result in the Group recognising an estimated net loss of approximately RM572.01 million as set out in Section 2.6 of this Circular. For illustration purposes, assuming that the Proposed Disposal had been completed on 1 January 2020 (being the beginning of the FYE 31 December 2020), the estimated effects on KNM Group's earnings/ EPS based on its latest audited FYE 31 December 2020 are as follows:-

	Audited FYE 31 December 2020 RM'000	**After the Proposed Disposal RM'000**
PAT attributable to owners of the Company	64,199	64,199
Less: Deconsolidation of Borsig Group's PAT for the FYE 31 December 2020	-	(111,932)
Less: Estimated loss upon the completion of the Proposed Disposal	-	(572,008)*1
Add: Savings in finance cost	-	85,024*2
Estimated PAT/ (LAT) attributable to owners of the Company	**64,199**	**(534,717)**
Weighted average no. of KNM Shares in issue ('000)	2,682,246	2,682,246
Basic EPS (sen)	2.39	(19.94)

Notes:-

*1 *Please refer to Section 2.6 of this Circular for the computation of estimated loss arising from the Proposed Disposal.*

*2 *Savings in finance cost after assuming the repayment of bank borrowings amounting to RM874.23 million with an interest rate of 9.79% as set out in Section 3 of this Circular.*

8.3 Convertible securities

Save for the employees' share options of the Company, KNM does not have any other outstanding convertible securities as at the LPD.

The Proposed Disposal will not give rise to any adjustments in the employees' share options of the Company.

9. APPROVALS REQUIRED

The Proposed Disposal is subject to the following approvals:-

i. shareholders at an extraordinary general meeting to be convened; and

ii. any other relevant authorities and/ or parties, if required.

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Disposal is approximately 160.75% computed based on the net profit of Borsig Group based on its latest audited financial statements for the FYE 31 December 2020 against the net profit of KNM Group based on its latest audited financial statements for the FYE 31 December 2020. Accordingly, the Proposed Disposal is a very substantial transaction pursuant to Paragraph 10.02(n) of the Listing Requirements.

For avoidance of doubt, as set out in Section 1 of this Circular, the Proposed Disposal is not a Major Disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements as the completion of the Proposed Disposal will not result in KNM Group being classified as a cash company, affected listed issuer or PN17 Issuer pursuant to Paragraphs 8.03, 8.03A and 8.04 of the Listing Requirements, respectively.

The Proposed Disposal is not conditional upon any other proposal undertaken or to be undertaken by the Company.

10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

On 19 January 2022, the Company had announced the proposed listing of its wholly-owned indirect subsidiaries, FBM Hudson Italiana SpA and FBM-KNM FZCO on the Catalist, the sponsor-supervised board of the Singapore Stock Exchange Securities Trading Limited by way of an initial public offering ("**Proposed Flotation**").

The proposed sponsor for the Proposed Flotation is PrimePartners Corporate Finance Pte Ltd ("**PPCF**"), who will act as the full sponsor, manager, underwriter and placement agent. PPCF is a boutique corporate finance firm headquartered in Singapore and is licensed by the Monetary Authority of Singapore to provide financial advisory and capital raising services.

Details of the Proposed Flotation, financial effects to the Company and any other development will be announced in due course after the prospectus of the Proposed Flotation has been finalised.

Save as disclosed above and the Proposed Disposal, the Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD.

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

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

12. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Disposal, including but not limited to the rationale and estimated effects of the Proposed Disposal as well as the salient terms of the SPA, is of the opinion that the Proposed Disposal is in the best interest of the Company and the terms and conditions of the SPA are fair and reasonable. Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Disposal at the EGM.

13. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

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:-

Date/ Timeline	Events
22 August 2022	• Convening of the EGM to obtain the approval of shareholders of KNM for the Proposed Disposal
Early September 2022	• Fulfilment of the conditions precedent pursuant to the SPA • Completion of the Proposed Disposal

14. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be conducted via online meeting platform at https://meeting.boardroomlimited.my (*Domain Registration No. with MYNIC-D6A357657*) provided by Boardroom Share Registrars Sdn Bhd on Monday, 22 August 2022 at 10.00 a.m, or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Disposal.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, to be deposited at the registered office of KNM at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, Selangor Darul Ehsan, Malaysia. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://investor.boardroomlimited.com not less than twenty-four (24) hours before the time appointed for holding the the EGM or at any adjournment thereof. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the EGM from the Company's website. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

Shareholders are advised to refer to the Appendices set out in this Circular for further information.

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

TAN SRI DR ZULHASNAN BIN RAFIQUE
Executive Chairman

SALIENT TERMS OF THE SPA

(Unless otherwise defined in this Appendix I, capitalised terms used herein without definition shall have the meaning assigned to them in this Circular.)

The salient terms of the sale, purchase and transfer agreement dated 23 May 2022 ("**Signing Date**") between DKNM and GSV as amended and supplemented by the amendment agreement dated 21 July 2022 ("**SPA**") include the following:-

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 and the Exit Bonus Amount (as defined in Section 5.4 below) at the Scheduled Closing Date.

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 30 August 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 30 July 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 ("**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; 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 August 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[*1];

Note:-

[*1] *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.

5.6.3. 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.

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^{th}) 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, 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^{th}) business days prior to the relevant payment date ("**Seller's Account**");

6.2.2. 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;

6.2.3. the Purchaser shall either, as notified in writing (email being sufficient) to the Seller no later than on the fifth (5^{th}) 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^{th}) 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 30 August 2022; and

7.1.2. Section 4.1.5(ii) is not fulfilled by 30 July 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 5 September 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.

8.2. 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.

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SALIENT TERMS OF THE COST COVER AND BREAK-UP FEE AGREEMENT

Salient Terms of the Cost Cover and Break-Up Fee Agreement dated 29 April 2022 between Borsig GmbH ("Borsig"), Vorsprung Management GmbH ("Investor") and Deutsche KNM GmbH ("DKNM") ("Cost Cover and Break-Up Fee Agreement")

1. Introduction

The break-up fee is to partially offset the costs incurred by the Investor to conduct and complete its due diligence in respect of the Proposed Disposal in an expedited manner at the request of DKNM and the risk taken by the Investor to pursue and complete the Proposed Disposal at a faster pace.

2. Cost Cover

2.1 Borsig shall reimburse the Investor for due diligence costs up to a maximum amount of EUR570,000 (plus applicable VAT) incurred by the Investor or any of its affiliates ("**Reimbursement**" and such amount the "**Reimbursement Amount**"). The reimbursement is equal to the estimated due diligence costs of the Investor. For the avoidance of doubt, in no event shall the Investor be entitled to receive due diligence costs in excess of the Reimbursement Amount.

2.2 The Reimbursement Amount shall be payable by Borsig to the Investor in three tranches as follows:

(a) First tranche payable on 29 April 2022 in a maximum amount of EUR285,000 (plus applicable VAT);

(b) Second tranche payable on 6 May 2022 in a maximum amount of EUR 285,000 (plus applicable VAT); and

(c) Third tranche payable on 30 May 2022 in an amount that shall be equal to the difference between (i) the aggregate amount paid by Borsig in accordance with Sections 2.2(a) to 2.2(c) and (ii) EUR570,000 (plus applicable VAT) (i.e. the third tranche takes into account any unspent part of the Reimbursement Amount that will be used to cover Due Diligence Costs which will have accrued until the final bid date on 13 May 2022 but which will only have been invoiced by the Investor's external advisers between the final bid date and 30 May 2022).

(each such date a "**Tranche Date**").

2.3 Only such parts of the Reimbursement Amount will be payable in accordance with Section 2.2 for which the Investor has submitted to Borsig a statement:

(a) setting out the relevant due diligence costs;

(b) providing copies of the relevant invoices of the Investor's external advisers showing the basis for the calculation;

(c) providing copies of the due diligence reports of the related advisers; and

(d) containing a confirmation statement issued by the relevant adviser(s) that the invoiced costs and expenses have been calculated on the basis of the applicable engagement letter for the Transaction and are exclusively related to the due diligence costs.

2.4 In the event that a sale and purchase agreement is ultimately entered into by the relevant parties, the economic burden of the Reimbursement will remain with Borsig.

2.5 The parties confirm that any failure of Borsig to pay the Reimbursement Amount in accordance with the Cost Cover and Break-Up Fee Agreement shall result in default of Borsig without any prior written notice by the Investor being required. In case of a default, Borsig shall pay default interest on the relevant amount(s) outstanding as from the due date for payment of the relevant amounts until the day of actual payment at an interest rate of 10% per annum, notwithstanding any further claims for damages which the Investor may have under statutory law.

2.6 Borsig and DKNM shall be jointly and severally liable for the payment of the Reimbursement Amount and any and all other payment obligations of Borsig.

3. Break-up Fee

3.1 Borsig shall pay the Investor a lump sum amount, upon the occurrence of a Break-Up Event (as defined below) in accordance with the following schedule:

(a) Break-up fee in the amount of EUR250,000 (plus applicable VAT) upon the occurrence of a Break-Up Event following the submission of the initial bid up until the submission of the final bid;

(b) Break-up fee in the amount of EUR500,000 (plus applicable VAT) upon the occurrence of a Break-Up Event following the submission of the final bid until the signing date of the sale and purchase agreement;

(c) Break-up fee in the amount of EUR1,000,000 (plus applicable VAT) upon the occurrence of a Break-Up Event following signing of the sale and purchase agreement until closing of the Transaction in accordance with the sale and purchase agreement.

The break-up fee represents a contractual penalty that is lump sum in nature and it is in particular independent of any costs and expenses actually incurred by the Investor, in particular due diligence costs.

3.2 The occurrence of any of the following shall each be considered to be a "**Break-Up Event**":

(a) the Seller informs the Investor that it will no longer pursue the Transaction; or

(b) the Seller enters into binding legal documentation executing or preparing to divest the business or equity in the Company to a third party ("**Third Party Disposal**") (including any semi-binding document at the letter of intent stage); or

(c) after Seller's written confirmation of the final bid, the Seller allows or enables a third party to conduct a due diligence on the Company or the business and/or grants a third party access to the existing data room for the Transaction; or

(d) the Seller does not enter into a sale and purchase agreement with the Investor or its affiliate by 30 September 2022; or

(e) the Seller does not react to the due diligence questions or expert session requests of the Investor despite the Investor's written corresponding request within five (5) business days, upon receipt of the Investor's relevant request; or

(f) the Seller does not pay the Reimbursement (or any part thereof) within seven (7) business days of such amount having become due for payment; or

(g) the Seller terminates the negotiations on the Transaction with the Investor or pursues negotiations regarding a Third Party Disposal after the Seller's written confirmation of the final bid. In such context, the failure by the Seller to arrange for a meeting or a discussion relating to the Transaction between the Seller and the Investor or any of its advisors as reasonably requested by the Investor for more than five (5) business days, after the corresponding request shall be deemed to constitute a termination of the negotiations on the Transaction.

3.3 The break-up fee shall be due within five (5) business days after the occurrence of a Break-Up Event.

3.4 The parties confirm that any failure by Borsig to pay the break-up fee in accordance with the Cost Cover and Break-Up Fee Agreement shall result in default of Borsig without any prior written notice by the Investor being required. In case of a default, Borsig shall pay default interest on the break-up fee to the Investor as from the due date for payment of the break-up fee until the day of actual payment at an interest rate of 10% per annum, notwithstanding any further claims for damages which the Investor may have under statutory law.

3.5 Borsig and DKNM shall be jointly and severally liable for the payment of the break-up fee and any and all other payment obligations of Borsig under the Cost Cover and Break-Up Fee Agreement.

4. Governing Law

4.1 The Cost Cover and Break-Up Fee Agreement is governed by German law, excluding the United Nations Convention on Contracts for the International Sale of Goods.

4.2 To the extent legally permissible, any dispute, controversy or claim arising out of, or in connection with, the Cost Cover and Break-Up Fee Agreement or its validity shall be decided by the competent courts in Hamburg, Germany (exclusive jurisdiction).

INFORMATION OF BORSIG

1. HISTORY AND BUSINESS

Borsig was incorporated in Germany on 10 December 2002 as a private company limited by shares. As at the LPD, the issued share capital of Borsig is EUR100,000 comprising 15 Borsig Shares. Borsig Group is principally involved in the manufacturing of process equipment mainly used in the petrochemicals as well as oil and gas industries comprising, amongst others, the following:-

i. waste heat recovery systems – an equipment that recovers and transfers unused or waste heat from a gas or liquid to be used as an additional source of energy;

ii. quench coolers – an equipment that produces high pressure steam to rapidly cool high temperature hydrocarbon gases to improve product yield;

iii. scraped surface exchangers – an equipment that utilises rotating blades to scrape the surface of a liquid under heating or cooling for purposes including, amongst others, dewaxing of lube oil, continuous mixing of liquid and improving heat transfer to a liquid;

iv. membranes – a device (i.e. membrane modules and complete membrane systems) used to address environmental concerns relating to gas emission controls, product recovery, gas separation, gas permeation and organic solvent nanofiltration;

v. compressor – a device that compresses and increases the pressure of gas to facilitate the transport of said gas, typically through pipes; and

vi. valves – a device that regulates the flow of liquids or gas by opening, closing or partially obstructing the passageway of the liquid or gas.

In addition to offering the abovementioned process equipment and solutions, Borsig Group provides related services including planning, delivery, installation of new components, inspection and maintenance of existing components as well as spare parts for the abovementioned process equipment.

Borsig Group mainly derives its revenue from customers within the petrochemical industry, who contributed approximately 91% of its revenue, whilst the remaining 9% of revenue was contributed by customers operating in the oil and gas as well as power industry. For shareholders' information, the geographical breakdown of Borsig Group's revenue for the audited FYE 31 December 2020 is set out as follows:-

Geography	**Revenue breakdown for the audited FYE 31 December 2020 %**
Europe	46
America	22
Asia and Oceania	22
Middle East	8
Others	2
	100

INFORMATION OF BORSIG

As at the LPD, Borsig Group owns and operates the following premises:-

Address/ Location	**Description**	**Tenure**	**Land area/ built-up area m²**	**Audited NBV as at latest FYE 31 December 2020 RM'000**
Egellsstrasse 21 13507 Berlin Germany	Office and fabrication plant (extension)	Leasehold (66 years) expiring on 18/2/2075	Land area - 10,422m² Built-up area – 5562 m²	3,559
Bottroper Strasse 279 45964 Gladbeck Germany	Fabrication shop and office extension	Freehold	Land area -26,290m² Built-up area - 8,228m²	27,720
Seiferitzer Allee 26 08393 Meerane Germany	Office and fabrication plant	(i) Leasehold (66 years) expiring on 26/7/2071 (ii) Leasehold (66 years) expiring on 28/2/2075	(i) Land area - 12,000m² Built-up area – 5,470m² (ii) Land area - 10,422m² Built-up area - 5,566m²	28,565
Seiferitzer Allee 26 08393 Meerane Germany	Extension on adjacent land without building	Leasehold (66 years) expiring on 31/5/2078 - Terminated in April 2021	Land area - 16,121m² Built-up area - NA	Nil
Seiferitzer Allee 27 08393 Meerane Germany	Office and fabrication plant	Freehold	Land area - 14,757m² Built-up area – 2,150m²	7,381 Sold in October 2021 for EUR2.1 million

For information purposes, Borsig Group's products are unique and custom made according to the specifications of its customers. Several products and/ or services may be supplied as a single package in a project. The number of projects that can be delivered to its customers within a period of time depends on the technical complexity of the products, fabrication duration required and factory space occupied.

2. SHARE CAPITAL

As at the LPD, the issued and fully paid up share capital of Borsig, which consists of one class of ordinary share, is set out below:-

	No. of Borsig Shares	EUR
Issued and fully paid up share capital	15	100,000

Borsig does not have any convertible securities as at the LPD.

3. DIRECTORS AND SHAREHOLDER

As at the LPD, Borsig is a wholly-owned subsidiary of DKNM and the details of the directors of Borsig as at the LPD are as follows:-

Directors	Nationality
Tan Koon Ping	Malaysian
Flavio Porro	Italian
Jurgen Stegger	German

As at the LPD, the holding company of Borsig is DKNM, a wholly-owned indirect subisidiary of KNM.

4. SUBSIDIARY COMPANIES

As at the LPD, Borsig has 6 subsidiaries and no associate company. The details of the subsidiaries of Borsig are as follows:-

Company	Date/ place of incorporation	Equity interest held %	Issued share capital EUR	Principal activities
Subsidiaries				
Borsig ValveTech GmbH	12 January 2009 Germany	100.0	25,000	Development, production and distribution of valves, compressor parts, monitoring systems for compressors, provision of maintenance and repair works of compressors and other assets
Borsig Membrane Technology GmbH	3 December 2004 Germany	100.0	26,000	Processing, planning, fabrication and distribution of and trading with machines and construction of apparatuses and miscellaneous components in the field of membrane technique
Borsig Process Heat Exchanger GmbH	6 August 2002 Germany	100.0	1,901,000	Processing, planning, fabrication and distribution of and the trading with machines, assets, apparatuses and miscellaneous components, particularly for generating plant, petrochemical and chemical industries
Borsig Service GmbH	3 December 2004 Germany	100.0	26,000	Provides installation, maintenance and other industrial services of machines and construction of apparatuses and other components

INFORMATION OF BORSIG

Company	Date/ place of incorporation	Equity interest held %	Issued share capital EUR	Principal activities
Borsig ZM Compression GmbH	6 September 2004 Germany	100.0	25,000	System engineering, industrial fabrication, assembly services as well as the sale of machines and constructions of compressors, containers, silo and conveyor technique
GMT Membrantechnik GmbH	29 November 1995 Germany	51.0[*1]	102,258 (200,000 DM)	Development, processing and distribution of membranes, membrane modules and membrane components

Note:-

[*1] *Held by Borsig Membrane Technology GmbH. The remaining 49% equity interest in GMT Membrantechnik GmbH is held by minority shareholders, who are not a party to the Proposed Disposal.*

5. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, Borsig has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD:-

(i) Sale agreement dated 1 June 2021 between Borsig ZM Compression GmbH (as seller) and GHM GmbH & Co. KG Gewerbe Hallen Meerane (as purchaser) in respect of the sale and purchase of the land located at Seifereitzer Allee 27 in Meerane, Germany, together with an industrial building erected thereon for a total disposal consideration of EUR2,100,000 ("**Disposal of Property**"). The Disposal of Property was completed on 15 October 2021.

6. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, Borsig is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the director of Borsig confirms that there are no proceedings pending or threatened against Borsig, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of Borsig.

(i) Legal proceedings involving Borsig

By a sale and purchase agreement dated 27 August 2019 ("**Sale and Purchase Agreement**"), Borsig had agreed to sell the entire equity interest in Borsig ZM Compression GmbH ("**BZM**") to the buyer for a disposal consideration of EUR28,000,000.

Pursuant to the terms of the Sale and Purchase Agreement, the latest date for the parties to fulfil the closing actions stated in the Sale and Purchase Agreement shall be no later than on 11 December 2019 ("**Closing Date**"). According to Borsig, the buyer had not fulfilled the necessary closing conditions by the Closing Date and thus Borsig decided to terminate the Sale and Purchase Agreement. Borsig had also asserted the contractual claim for the disbursement of the amount of EUR2,700,000 to Borsig ("**Escrow Amount**"), which was initially deposited by the buyer in a notary's escrow account in accordance with the terms of the Sale and Purchase Agreement. The buyer has resisted payment of the Escrow Amount to Borsig and as a result of which the payment is currently being withheld.

In July 2020, Borsig has initiated legal proceedings against the buyer in Germany in accordance with the provisions of the Sale and Purchase Agreement in order to pursue the claim for disbursement of the Escrow Amount and compensation for damages in the amount of EUR4,909,852.38.

The buyer has filed a counterclaim and is also demanding (among other things) payment of the Escrow Amount and a declaration that Borsig is obligated to pay damages. The buyer has not quantified the amount of the damages claimed.

Pursuant to the final award dated 28 June 2022, the tribunal declared that Borsig's withdrawal from the Sale and Purchase Agreement was valid and legally effective, and confirmed Borsig's contractual claim for the disbursement of the Escrow Amount. The buyer's alleged counterclaims against Borsig have been dismissed.

7. MATERIAL COMMITMENTS

As at the LPD, the director of Borsig confirms that there are no material commitments incurred or known to be incurred by Borsig which, upon becoming enforceable, may have a material impact on the financial results/ position of Borsig.

8. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the director of Borsig confirms that there are no contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of Borsig:-

	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	389,760

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INFORMATION OF BORSIG

9. SUMMARY OF FINANCIAL INFORMATION

A summary of Borsig Group's financial information based on its audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2020 and its latest unaudited consolidated results for the 15-month FPE 31 March 2022 prepared under the GAAP is as follows:-

	<----Audited FYE 31 December----->			Unaudited 15-month FPE 31 March
	2018 EUR'000	2019 EUR'000	2020 EUR'000	2022[*1] EUR'000
Revenue	163,714	190,964	167,725	190,162
PBT	23,284	23,201	22,776	28,651
PAT (excluding non-controlling interests)	21,161	22,214	21,186	26,288
Shareholders' funds/ NA	48,052	48,112	56,237	82,525
Total Equity	50,321	50,006	58,529	85,155
Total borrowings	1,006	380	164	36
Share capital	100	100	100	100
Total issued shares	15	15	15	15
Current assets	88,534	83,754	87,403	94,221
Current liabilities	59,406	53,604	47,608	25,264
Cash and cash equivalents	30,075	44,535	43,914	55,110
PBT margin (%)	14.22	12.15	13.58	15.07
PAT margin (%)	12.93	11.63	12.63	13.82
EPS	1,484	1,516	1,474	1,838
NA per share	3,203	3,207	3,749	5,502
Current ratio (times)	1.49	1.56	1.84	3.73
Gearing (times)	0.02	0.01	-[*2]	-[*2]

Note:-

[*1] *For shareholders' information, the audited consolidated financial statements of KNM Group have been prepared in accordance with Malaysian Financial Reporting Standards, IFRS and the requirements of the Companies Act 2016 in Malaysia. As such, the audited financial statements of Borsig Group are converted to IFRS in consolidating the financial statements of Borsig Group with the financial statements of KNM. A summary of Borsig Group's financial information converted to IFRS for consolidation with the financial statements of KNM for the latest unaudited 15-month FPE 31 March 2022 is as follows:-*

	Unaudited 15-month FPE 31 March 2022 EUR'000
Revenue	*164,441*
PBT	*19,787*
PAT (excluding non-controlling interests)	*20,196*
Shareholders' funds/ NA	*73,999*
Total Equity	*76,498*
Total borrowings	*36*
Total issued shares	*15*
Current assets	*109,134*
Current liabilities	*45,734*
Cash and cash equivalents	*55,050*

[*2] *Negligible.*

INFORMATION OF BORSIG

For the FYE 31 December 2018 to FYE 31 December 2020, there was no:-

i. exceptional or extraordinary item during the financial years under review;

ii. accounting policy adopted by Borsig Group which are peculiar to Borsig Group because of the nature of its business or the industry it is involved in; and

iii. audit qualification of the financial statements of Borsig Group for the financial years under review.

A commentary of Borsig Group's financial performance based on its audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2020 and its latest unaudited consolidated results for the 15-month FPE 31 March 2022 prepared under the German GAAP is set out below.

FYE 31 December 2018 vs FYE 31 December 2017

Borsig Group recorded revenue of EUR163.71 million for the FYE 31 December 2018 which represents an increase of approximately EUR11.42 million or 7.50% as compared with EUR152.29 million for the FYE 31 December 2017. The increase in revenue was mainly contributed by Borsig Process Heat Exchanger GmbH ("**BPHE**") as a result of higher delivery of orders of appliances for the Asia market, particularly in the second half of 2018 on the back of improved demand from petrochemical industries.

Borsig Group recorded PBT of EUR23.28 million for the FYE 31 December 2018 which represents an increase of approximately EUR8.69 million or 59.56% as compared with EUR14.59 million for the FYE 31 December 2017. The increase in PBT was mainly due to higher gross profit in line with the abovementioned increase in revenue.

FYE 31 December 2019 vs FYE 31 December 2018

Borsig Group recorded revenue of EUR190.96 million for the FYE 31 December 2019 which represents an increase of approximately EUR27.25 million or 16.65% as compared with EUR163.71 million for the FYE 31 December 2018. The increase in revenue was mainly contributed by BPHE and Borsig Service GmbH on the back of higher delivery of orders of appliances and services for Germany and Asia markets in 2019.

Borsig Group recorded PBT of EUR23.20 million for the FYE 31 December 2019 which represents a decrease of approximately EUR0.08 million or 0.34% as compared with EUR23.28 million for the FYE 31 December 2018. The decrease in PBT was mainly due to loss before taxation incurred by Borsig Group's compressor business segment as its operating overheads (which are fixed in nature) did not reduce in tandem with its lower revenue in 2019 achieved by this segment.

FYE 31 December 2020 vs FYE 31 December 2019

Borsig Group recorded revenue of EUR167.73 million for the FYE 31 December 2020 which represents a decrease of approximately EUR23.23 million or 12.16% as compared with EUR190.96 million for the FYE 31 December 2019. The decrease in revenue was mainly due to lower revenue contribution from the compressor business unit on the back of decrease in demand for compressors in the Asia market in 2020.

Borsig Group recorded PBT of EUR22.78 million for the FYE 31 December 2020 which represents a decrease of approximately EUR0.42 million or 1.81% as compared with EUR23.20 million for the FYE 31 December 2019. The decrease in PBT was mainly due to lower gross profit in line with the abovementioned decrease in revenue. The decrease in PBT was partially offset by lower other operating expenses mainly due to overall improved cost management and project management efficiency achieved by Borsig Group in 2020.

INFORMATION OF BORSIG

15-month FPE 31 March 2022 vs FYE 31 December 2020

On 21 March 2022, the Company announced a change in its financial year end from 31 December to 30 June. As such, the comparative figures of Borsig for the 15-month FPE 31 March 2022 and the FYE 31 December 2020 may not be entirely comparable.

Borsig Group recorded revenue of EUR190.16 million for the 15-month FPE 31 March 2022 as compared to EUR167.73 million for the preceeding FYE 31 December 2020. For illustrative purposes, the annualised revenue of EUR152.13 million for the 15-month FPE 31 March 2022 represents a decrease of approximately EUR15.60 million or 9.30% as compared with EUR167.73 million for the FYE 31 December 2020. The decrease in revenue was mainly due to lower orders received due to COVID-19 pandermic.

Borsig Group recorded PBT of EUR28.65 million for the 15-month FPE 31 March 2022 as compared to EUR22.78 million for the preceeding FYE 31 December 2020. For illustrative purposes, the annualised PBT of EUR22.92 million for the 15-month FPE 31 March 2022 represents an increase of approximately EUR0.14 million or 0.01% as compared with EUR22.78 million for the FYE 31 December 2020. The increase in PBT was mainly due to higher gross profit margin achieved in the 15-month FPE 31 March 2022.

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10. AUDITED FINANCIAL STATEMENTS OF BORSIG FOR THE FYE 31 DECEMBER 2020 TOGETHER WITH THE NOTES AND THE AUDITORS' REPORT

KPMG

Consolidated financial statements as of December 31, 2020

TRANSLATION – AUDITOR'S REPORT

BORSIG GmbH
Berlin

KPMG AG Wirtschaftsprüfungsgesellschaft

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

BORSIG GmbH, Berlin

Consolidated balance sheet as of December 31, 2020

A s s e t s

	Dec. 31, 2020		Dec. 31, 2019	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
Software, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration		500,684.44		326,807.94
II. Property, plant and equipment				
1. Land, leasehold rights and buildings, including buildings on third-party land	6,849,105.59		7,235,162.03	
2. Technical equipment and machinery	5,262,735.16		6,265,740.43	
3. Other equipment, operating and office equipment	2,833,682.37		2,850,104.62	
4. Advance payments and construction in progress	196,533.45	15,142,056.57	343,463.40	16,694,470.48
III. Financial assets				
1. Investments in associates – thereof to affiliated companies EUR 1,044,060.77 (PY: EUR 1,044,060.77) –	1,044,060.77		1,044,060.77	
2. Loans to affiliated companies	1,439,522.88	2,483,583.65	1,355,937.51	2,399,998.28
		18,126,324.66		**19,421,276.70**
B. Current assets				
I. Inventories				
1. Raw materials and supplies	4,103,976.41		4,122,594.68	
2. Work in process	45,365,347.21		46,837,340.67	
3. Finished goods and merchandise	102,865.96		64,291.69	
4. Advance payments	4,522,982.67		4,332,396.05	
less advance payments received on account of orders	-51,756,421.65	2,338,750.60	-55,356,623.09	0.00
II. Receivables and other assets				
1. Trade receivables	19,145,095.75		25,129,777.08	
2. Receivables from affiliated companies – thereof from the shareholder: EUR 12,680,664.21 (PY: EUR 1,760,000.00) –	20,541,030.66		10,408,798.23	
3. Other assets	1,180,337.58	40,866,463.99	3,395,992.32	38,934,567.63
III. Cash and cash equivalents		43,913,979.20		44,534,857.83
		87,119,193.79		**83,469,425.46**
C. Prepaid expenses		**284,251.67**		**284,677.65**
D. Deferred tax assets		**607,590.42**		**434,953.17**
		106,137,360.54		**103,610,332.98**

INFORMATION OF BORSIG

Equity and liabilities

	Dec. 31, 2020 EUR	Dec. 31, 2019 EUR
A. Equity		
I. Subscribed capital	100,000.00	100,000.00
II. Capital reserve	44,497,044.13	36,900,000.00
III. Retained earnings	11,111,578.70	11,052,190.93
IV. Consolidated profit	528,429.53	59,387.77
V. Non-controlling interests	2,291,858.46	1,894,885.51
	58,528,910.82	**50,006,464.21**
B. Provisions		
Other provisions	17,442,632.79	17,165,115.56
	17,442,632.79	**17,165,115.56**
C. Liabilities		
1. Liabilities to banks	164,017.61	380,417.61
2. Payments received on account of orders	0.00	3,058,304.17
3. Trade payables	8,751,985.77	8,483,409.06
4. Liabilities to affiliated companies – thereof to the shareholder: EUR 20,691,913.16 (PY: EUR 23,934,108.17) –	20,765,825.10	23,987,790.95
5. Other liabilities – thereof for taxes: EUR 408,735.20 (PY: EUR 432,970.50) –	483,988.45	528,831.42
	30,165,816.93	**36,438,753.21**
	106,137,360.54	**103,610,332.98**

BORSIG GmbH, Berlin

Consolidated income statement for the financial year from January 1 to December 31, 2020

	2020		2019	
	EUR	EUR	EUR	EUR
1. Revenue		167,724,550.63		190,963,608.98
2. Decrease in finished goods and work in process		-1,471,993.46		-2,777,043.86
3. Other own work capitalized		2,240.00		0.00
4. Other operating income		11,931,383.59		12,513,262.80
5. Cost of materials				
a) Cost of raw materials, supplies and purchased goods	61,197,216.87		60,154,127.53	
b) Cost of purchased services	26,325,846.83	87,523,063.70	40,532,475.93	100,686,603.46
6. Personnel expenses				
a) Wages and salaries	30,731,154.70		31,458,224.28	
b) Social security, pension and other benefits	5,981,782.33	36,712,937.03	5,981,758.00	37,439,982.28
– thereof for pensions: EUR 3,200.06 (PY: EUR 838.62) –				
7. Amortization of intangible assets and depreciation of property, plant and equipment		3,496,267.39		3,101,319.72
8. Other operating expenses		27,139,618.32		35,626,938.67
9. Other interest and similar income		111,528.78		111,492.41
– thereof from affiliated companies: EUR 111,471.00 (PY: EUR 20,121.00) –				
10. Interest and similar expenses		650,208.61		755,686.48
11. Income taxes		554,597.47		351,103.35
– thereof income from deferred taxes: EUR 172,637.25 (PY: EUR 186,530.76) –				
12. Earnings after taxes		**22,221,017.02**		**22,849,686.37**
13. Other taxes		112,432.01		109,314.92
14. Profit transferred under a profit transfer agreement		20,657,113.16		22,154,914.31
15. Consolidated net income for the year		**1,451,471.85**		**585,457.14**
16. Profit attributable to non-controlling interests		923,042.32		526,069.37
17. Consolidated profit		**528,429.53**		**59,387.77**

INFORMATION OF BORSIG

BORSIG GmbH, Berlin

Consolidated statement of cash flows

	2020 KEUR	2019 KEUR
Consolidated net income for the year (including share of profit of minority interests) before profit or loss transfer	22,109	22,740
Amortization, depreciation and write-downs of fixed assets	3,496	3,101
Increase (PY: decrease) in provisions (excl. tax provisions)	278	-7,025
Decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	6,625	1,567
Increase (PY: decrease) in trade payables and other liabilities not attributable to investing or financing activities	4,805	-603
Loss (PY: gain) on sale of fixed assets	-21	325
Interest expense/income	539	644
Income tax expense (before deferred taxes)	727	538
Income taxes paid	-818	-886
Cash flows from operating activities	**37,739**	**20,401**
Acquisition of intangible assets	-468	-9
Proceeds from sale of property, plant and equipment	0	10
Proceeds from sale of property, plant and equipment	67	0
Acquisition of property, plant and equipment	-1,695	-1,823
Acquisition of financial assets	-84	-77
Payments (PY: proceeds) related to short-term cash management	-10,866	18,058
Cash flows from investing activities	**-13,046**	**16,159**
Payments from profit transfer to the shareholder	-23,934	-19,818
Repayment of bank loans	-216	-626
Interest paid	-650	-756
Dividends paid to non-controlling interests	-526	-900
Cash flows from financing activities	**-25,327**	**-22,100**
Net change in cash and cash equivalents	**-634**	**14,460**
Cash and cash equivalents at the beginning of the period	44,535	30,075
Addition from merger with BORSIG Beteiligungsgesellschaft mbH	12	0
Cash and cash equivalents at the end of the period	**43,913**	**44,535**

INFORMATION OF BORSIG

BORSIG GmbH, Berlin

Consolidated statement of changes in equity
(in KEUR)

	Parent company				**Equity**	**Non-controlling interests**	**Consolidated equity**
	Subscribed capital	Capital reserve	Retained earnings	Consolidated profit (PY: Consolidated loss)		Profit/loss attributable to non-controlling interests	
As of Jan. 1, 2019	100	36,900	11,489	-436	48,052	2,269	50,321
Transfer of consolidated profit/loss for	0	0	-436	436	0	0	0
Profit distribution	0	0	0	0	0	-900	-900
Consolidated net income for the year	0	0	0	59	59	526	585
As of December 31, 2019	100	36,900	11,052	59	48,112	1,895	50,006
As at 1 Jan. 2020	100	36,900	11,052	59	48,112	1,895	50,006
Transfer of consolidated profit/loss for	0	0	59	-59	0	0	0
Profit distribution	0	0	0	0	0	-526	-526
Allocation to the capital reserve (from the merger of BBetvG)	0	7,597	0	0	7,597	0	7,597
Consolidated net income for the year	0	0	0	528	528	923	1,451
As of Dec. 31, 2020	100	44,497	11,111	528	56,237	2,292	58,529

BORSIG GmbH, Berlin

Notes to the consolidated financial statements for the financial year from January 1 to December 31, 2020

Preliminary remarks

The Parent Company BORSIG GmbH, Berlin, is registered with the Charlottenburg District Court in Berlin under the number HRB 87337.

In the 2020 financial year, by merger agreement dated December 1, 2020, the parent company BORSIG Beteiligungsverwaltungsgesellschaft mbH was merged into BORSIG GmbH. The company held 100% of the shares in BORSIG GmbH. As a result of the merger, receivables on the assets side increased by KEUR 5,809 and cash at bank by KEUR 12. On the liabilities side, liabilities decreased by KEUR 1,788 and equity increased by KEUR 7,597 due to the transfer of the positive difference to the capital reserve in accordance with Section 272 (2) no. 4 of the German Commercial Code [HGB]. As a result, comparability with prior year's balance sheet is limited. There were no material effects of the merger on the income statement. The merger occurred at book value and was entered in the commercial register on December 2, 2020.

At the end of the 2020 financial year, the BORSIG Group continued to be composed as follows, with each operating company being assigned a name derived from its purpose:

BORSIG GmbH

→ BORSIG Process Heat Exchanger GmbH, Berlin

→ BORSIG Service GmbH, Berlin

→ BORSIG Membrane Technology GmbH, Berlin

→ GMT Membrantechnik GmbH, Rheinfelden

→ BORSIG ZM Compression GmbH, Berlin

→ BORSIG ValveTech GmbH, Berlin

→ BORSIG Boiler Systems GmbH, Berlin.

BORSIG GmbH concluded control and profit transfer agreements with BORSIG Process Heat Exchanger GmbH, BORSIG Service GmbH, BORSIG Membrane

Technology GmbH, BORSIG ZM Compression GmbH, BORSIG ValveTech GmbH and BORSIG Boiler Systems GmbH.

Furthermore, a control and profit transfer agreement exists between BORSIG GmbH and Deutsche KNM GmbH (PY: with BORSIG Beteiligungsverwaltungsgesellschaft mbH).

All companies included in the group of consolidated companies have the balance sheet date December 31, 2020.

Consolidation policies

The assets, liabilities and prepaid/deferred items as well as income and expenses of the companies included in the consolidated financial statements were consolidated under application of the following measures:

At the date of acquisition, first-time consolidation is performed by offsetting the investment book values of the Parent Company against the equity amount of the subsidiaries apportionable to these shares in accordance with Section 301 (1) sentence 2 of the German Commercial Code [HGB].

The positive differences arising from capital consolidation are capitalized as goodwill and amortized over 15 years. Negative differences arising from capital consolidation in previous years were reversed in other operating income with an effect on income.

Receivables and liabilities between companies included in the consolidated financial statements were eliminated.

In the consolidated income statement, all intra-group revenues have been offset against the corresponding expenses, with other income and expenses between Group companies fully consolidated.

Interim results were eliminated in accordance with the regulations set forth in Section 304 (1) HGB.

Interests in equity and profit or loss held by companies outside the Group were recognized under "non-controlling interests".

The assets and liabilities of the consolidated companies included in the consolidated financial statements have been valued uniformly in accordance with the valuation methods applied to the financial statements of BORSIG GmbH.

Associates

In 2020, the companies of the Group continued to hold 49% of the shares in both BORSIG Industrial Services Sdn Bhd, Kuala Lumpur, Malaysia and BORSIG Boiler Systems Sdn Bhd, Kuala Lumpur, Malaysia. The investments are, considered individually or as a whole, of minor importance for providing a true and fair view of the Group's assets, liabilities, financial position and financial performance (e.g. total assets and revenue relative to the BORSIG Group). Therefore they were included in the consolidated financial statements at cost rather than using the equity method, in accordance with Section 311 (2) HGB.

Accounting policies

The consolidated income statement was prepared using the nature of expense (total cost) method.

Valuations are based on the assumption that the entity will continue as a going concern.

Assets and liabilities (apart from the valuation units) were valued individually as of the balance sheet date.

Valuations were prudent; in particular, all foreseeable risks and losses as of the balance sheet date were considered. Only gains that had been realized by the balance sheet date were taken into account.

Items denominated in foreign currencies are generally recorded at the exchange rate valid on the respective date of the transaction for first-time recognition. In accordance with Section 256a HGB, assets and liabilities denominated in a foreign currency were translated at the average spot rate on the balance sheet date. For items with a remaining maturity of one year or less, Section 253 (1) sentence 1 and Section 252 (1) item 4 half-sentence 2 HGB are not applicable. All other assets are recognized at the lower of cost or market and all other liabilities at the higher of cost or market as of the balance sheet date.

Of the options provided by Section 268 (5) sentence 2 HGB, the Company exercises the option to offset advance payments received on account of orders from inventories.

The Company exercises the option set out in Section 254 HGB to form valuation units.

Any tax charges and reliefs arising from differences between the carrying amounts of assets, liabilities and prepaid/deferred items in the consolidated commercial balance sheet and in the tax balance sheet of the consolidated subsidiaries or arising from loss carryforwards, which are expected to be reversed in the coming five years, are recognized as deferred taxes. In deviation from the accounting methods used by BORSIG GmbH, the option of recognizing an excess of deferred tax assets over deferred tax liabilities is exercised. Resulting taxes and tax benefits are not netted for recognition. Deferred taxes are also recognized on consolidation items in accordance with Section 306 HGB.

As a controlled company, BORSIG GmbH allocated any temporary differences between the values recognized in the commercial and tax balance sheets of the Company and its subsidiaries and any resulting deferred tax assets and liabilities to the controlling company, Deutsche KNM GmbH.

The form of presentation, in particular the balance sheet and income statement format, has not changed from the prior year.

The financial statements are presented in euro.

Explanatory notes on the consolidated balance sheet, consolidated income statement and consolidated statement of cash flows

1. Fixed assets

The summary of movements in the individual items of fixed assets is found in the statement of movements in fixed assets attached as an appendix to these notes to the consolidated financial statements.

Intangible assets acquired for a consideration are stated at cost less amortization. These assets are amortized on a straight line basis over their estimated useful lives. Additions to intangible assets acquired for a consideration are amortized on a pro-rata basis. Intangible assets acquired for a consideration mainly relate to patents and licenses, goodwill and software.

Property, plant and equipment is valued at cost. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Additions to property, plant and equipment are depreciated on a pro-rata basis.

Depreciation in the financial year amounted to KEUR 3,496 (PY: KEUR 3,101), of which KEUR 498 (PY: KEUR 0) was attributable to impairment losses at BORSIG ZM Compression GmbH. The estimated useful life does not substantially deviate from the periods specified in the tax depreciation and amortization tables.

Financial assets are valued at cost. Write-downs to the lower fair value are made if the impairment in value is expected to be permanent.

Low value assets with a cost of up to EUR 250.00 are fully written off in the year of addition. Assets acquired at a cost between EUR 250.00 and EUR 1,000.00 are recognized in an annual collective item and charged against income over a period of five years.

Government grants, which were awarded as a financial grant for an investment, reduce acquisition costs accordingly.

Impairment losses are recognized for fixed assets that likely are permanently impaired. There were no reversals of impairment for the possible recovery of value.

2. Inventories

Inventories are valued at cost or the lower fair value taking any necessary write-downs for inventory risks into account.

Direct material and production cost, special production costs and a suitable portion of material and production overheads, as well as a suitable portion of depreciation of fixed assets are included in the cost of finished goods and work in process. Administration, selling and financing costs are not included.

Inventory risks resulting from extended inventory turnover or reduced usability are sufficiently taken into account in strict compliance with the lower of cost or market principle. Loss-free valuation is applied.

3. Receivables and other current assets

Receivables and other assets are valued at nominal value or at the lower of cost and fair value. Appropriate specific allowances of KEUR 162 (PY: KEUR 3,527) were made for all individual identifiable risks for trade receivables as of the balance sheet date. A general bad debt provision of 1% of the net receivables that are not subject to specific provisions has been recognized for the general default risk associated with trade receivables.

Receivables from affiliated companies amount to KEUR 20,541 (PY: KEUR 10,409) and include receivables from the shareholder totaling KEUR 12,681 (PY: KEUR 1,760) which, as in the prior year, are attributable to other receivables after cost.

Furthermore, there were receivables from affiliated companies of KEUR 7,860 (PY: KEUR 8,649), which was mainly from loans and interest in the amount of KEUR 4,704 (PY: KEUR 4,592). For the most part, the remaining receivables relate to trade receivables and other intercompany clearing. Receivables in the amount of KEUR 5,545 (PY: KEUR 5,434) have an expected remaining term of more than one year.

Other assets of KEUR 1,180 (PY: KEUR 3,396) mainly relate to value-added tax receivables of KEUR 606 (PY: KEUR 2,668), income tax prepayments of KEUR 477 (PY: KEUR 239) as well as creditors with debit balances of KEUR 0 (PY: KEUR 150).

As in the prior year, trade receivables and other assets only refer to those due within one year.

4. Cash and cash equivalents

Cash and cash equivalents are recognized at nominal value.

5. Prepaid expenses

Prepaid expenses of KEUR 284 (PY: KEUR 285) mainly include prepaid IT costs of KEUR 150 (PY: KEUR 188).

6. Deferred tax assets and liabilities

There were deferred tax assets of KEUR 608 as of December 31, 2020 (PY: KEUR 435). The change in deferred tax assets of KEUR 173 was recognized in profit or loss in the year under review. The deferred taxes mainly relate to intercompany elimination of profit within the BORSIG Group and to differences between the commercial and tax balance sheets. The differences arise primarily from the provisions. The tax rate applied was approx. 30.6%.

7. Equity

The subscribed capital of BORSIG GmbH, Berlin, amounts to KEUR 100. As a result of the merger with BORSIG Beteiligungsverwaltungsgesellschaft mbH in the 2020 financial year, the capital reserve amounts to KEUR 44,497 (PY: KEUR 36,900). The Parent Company also has retained earnings in the amount of KEUR 6,809 (PY: KEUR 6,809). There is no restriction on distribution at the level of the Parent Company's financial statements.
The equity share of non-controlling interests amounts to KEUR 2,292 (PY: KEUR 1,895).

Furthermore, there are retained earnings brought forward in the consolidated financial statements of KEUR 11,112 (PY: KEUR 11,052).

The changes in equity are presented in the consolidated statement of changes in equity.

8. Provisions

Other provisions are broken down as follows:

	Dec. 31, 2020	Dec. 31, 2019
Order provisions	KEUR	KEUR
Follow-up costs	8,693	8,139
Warranties	2,575	3,779
Fines/contractual penalties	1,889	1,096
Onerous contracts	0	221
	13,157	13.235
Personnel provisions		
Leave	917	837
Annual bonus	854	899
Overtime	396	459
Employer's liability insurance association	123	63
	2,290	2,258
Other provisions		
Outstanding invoices	455	375
Licenses	386	386
Litigation	25	255
Costs associated with preparation of the	205	205
financial statements	925	451
Others		
	1,996	1,672
Total	17,443	17,165

Other provisions take account of all identifiable risks, contingent liabilities and onerous contracts, and are recognized in the settlement amount deemed necessary according to prudent commercial judgment.

All provisions have a term of less than one year (except for those for warranties). The discounting of warranty provisions was waived due to immateriality. Due to the small amount of the warranty provisions as of the balance sheet date along with a warranty period of two years, the resulting interest effects are only immaterial.

General warranty provisions are recognized based on past experience. Individual warranty provisions were also recognized for special items.

The provision for follow-up costs are determined for (partial) projects based on project costing, therefore recognizing the outstanding invoices for each project.

9. Liabilities

Liabilities are recognized at their respective settlement amounts.

Maturities and collaterals are shown in the statement of liabilities below (in KEUR):

KEUR		Remaining term of up to one year	Remaining term between one and five years	Remaining term of more than five years	Total in the financial year
1.	Liabilities to banks*	110	54	0	164
	Prior year:	209	171	0	380
2.	Payments received on account of orders	0	0	0	0
	Prior year:	3,058	0	0	3,058
3.	Trade payables	8,752	0	0	8,752
	Prior year:	8,483	0	0	8,483
4a.	Liabilities to the shareholder	20,692	0	0	20,692
	Prior year:	23,934	0	0	23,934
4b.	Other liabilities to affiliated companies	74	0	0	74
	Prior year:	54	0	0	54
5.	Other liabilities	484	0	0	484
	Prior year:	529	0	0	529
Total		30,112	54	0	30,166
Prior year		*36,268*	*171*	*0*	*36,439*

* The loans granted by the bank are secured by non-certificated land charges on the existing leasehold property and, in part, by a debt accession on the part of BORSIG GmbH. On the one hand, a non-certificated land charge of KEUR 3,045 and KEUR 1,189, respectively, and on the other hand, a non-certified land charge on the business premises of BZM in the amount of KEUR 2,000 and KEUR 2,932, respectively, serve as security for the granted co-financing. Furthermore, BORSIG GmbH acceded to the obligations of BZM by way of collateral promise and, together with BZM, accepts liability as joint and several debtor in accordance with Section 421 of the German Civil Code [BGB].

The liabilities to the shareholder consist of liabilities from the profit transfer in 2020 to Deutsche KNM GmbH totaling KEUR 20,657 (PY: KEUR 22,155 to BORSIG Beteiligungsverwaltungsgesellschaft mbH).

As in the prior year, the remaining accounts due to affiliated companies consisted mainly of trade payables.

10. Derivative financial instruments

Derivative financial instruments are used exclusively for the purpose of hedging exposures to currency risks arising from reported and pending underlying hedged items. Hedging instruments (forward exchange contracts) are intended to neutralize the foreign currency risk inherent to the underlying transactions and thus avoid expenses due to foreign currency losses. In the process, valuation units consisting of the underlying and the hedging transaction were established in the form of micro hedges. The valuation units are recognized under the net hedge presentation method in accordance with the IDW accounting pronouncement "Reporting in accordance with German commercial law of valuation units" (IDW RS HFA 35). The effective portion of changes in fair value measurement of hedging instruments and hedged items were offset in full in the reporting year, and the ineffective portion arising from these hedges was not material, as in the prior year. There were no open commitments from foreign exchange contracts as of the balance sheet date. The valuation is performed mark-to-market. The determination of the effectiveness is made within the scope of the critical terms match method, in which the parameters of underlying and hedging transactions are compared.

	Nominal value of the hedged item	Nominal value of the hedging instrument	Market value of the derivative
Currency hedges	KEUR	KEUR	KEUR
Forward exchange contracts (remaining term ≤ 1 year)	503	524	+21

The hedged items comprise prepayments as well as current and future receivables that, for the most part, are to be paid by the customer in the subsequent financial year in a foreign currency according to the contract. The associated currency risks were hedged in full by means of forward exchange contracts. The remaining terms and nominal values of these hedging transactions in foreign currency largely match those of the underlying transactions. Hedged receivables denominated in foreign currency of KUSD 91 (KEUR 79) were recognized as of the balance sheet date, included in the figures listed above. The remaining amount is attributable to pending transactions.

Risks from derivative financial instruments arise from payment deferrals by customers, as the Group must then offset the corresponding difference, and from opportunity costs should the exchange rate develop in the Group's favor, as it would then not have been necessary to conclude a forward exchange contract.

11. Revenue

The following table shows a breakdown of revenue according to activity:

	2020	2019
	KEUR	KEUR
Appliances	104,511	116,593
Mechanical engineering	24,912	20,490
Industrial services	19,393	40,842
Membrane technology	18,755	12,930
Services	154	109
Total	167,725	190,964

Revenue is broken down by geographical market as follows:

	2020	2019
	KEUR	KEUR
Germany	53,367	57,212
America	37,045	7,979
Asia and Australia	36,160	77,380
Other European countries	23,858	24,132
Middle East	14,032	21,849
Africa	3,263	2,412
Total	167,725	190,964

Revenue is classified by the country in which the customer is domiciled. This country is not necessarily the country of destination.

12. Income and expenses relating to other periods and disclosures in accordance with Section 277 (5) HGB

Other operating income of KEUR 7,524 (PY: KEUR 11,368) is attributable to the release of other provisions. This largely relates to provision amounts no longer required for follow-up costs, contractual penalties and warranties.

The income and expenses from foreign currency translation included in other operating income and expenses equaled KEUR 48 (PY: KEUR 265) and KEUR 112 (PY: KEUR 205), respectively.

13. EBIT

The classification of EBIT (earnings before profit or loss transfer, interest, investment income and taxes) by company is as follows:

	2020	2019
	KEUR	KEUR
BORSIG Process Heat Exchanger GmbH	22,225	24,420
GMT Membrantechnik GmbH	2,205	1,233
BORSIG GmbH[1]	1,246	977
BORSIG Service GmbH	813	3,655
BORSIG Membrane Technology GmbH	1,821	1,284
BORSIG Boiler Systems GmbH	-2	-923
BORSIG ValveTech GmbH	5	-739
BORSIG ZM Compression GmbH	-5,056	-6,185
Consolidation	-294	-477
TOTAL	22,963	23,245

14. Consolidated profit/loss for the year

Of the consolidated net income for the year (after profit transfer) in the amount of KEUR 1,451 (PY: KEUR 585), KEUR 923 (PY: KEUR 526) is attributable to non-controlling interests; contrary to voting rights (49%), they are entitled to profit shares of 60% proportional to the GMT's profit for the year. In financial year 2020, consolidated profit of KEUR 528 (PY: loss of KEUR 59) was generated taking into account the profit transfer and the profit attributable to non-controlling interests.

15. Statement of cash flows

Cash and cash equivalents consist of cash on hand and cash at banks. The development of cash and cash equivalents is shown in the consolidated statement of changes in equity.

[1] Before income from profit transfer

Other disclosures

1. Number of employees

The average number of employees by group is shown below:

	2020	2019
Salaried employees	344	358
Wage earners	199	205
Total employees	543	563
Trainees	11	13
Total	554	576

Only in-house staff were included in the determination of the average number of employees.

2. Other financial liabilities

Other financial obligations are as follows:

	< 1 year	1 – 5 years	> 5 years	Total
	KEUR	KEUR	KEUR	KEUR
Commissions (projects in the order backlog)	3,022	0	0	3,022
Rent	1,643	1,438	1,383	4,464
Service agreements	600	0	0	600
Lease purchase	28	3	0	31
Leases/rent of equipment	1,099	640	70	1,809
Company vehicles	187	102	0	289
Service cost allocation	120	0	0	120
Licenses	52	0	0	52
TOTAL	6,752	2,183	1,453	10,388
thereof to affiliated companies:	120	0	0	120
Prior year	7,900	8,359	1,988	18,247
thereof to affiliated companies:	120	0	0	120

Other financial commitments related to trade payables within the normal scope of business.

3. Disclosures on fees to the auditor

The total fees charged by the auditor in the 2020 financial year for auditing financial statements amount to KEUR 313 (PY: KEUR 278). Further services were not provided by the auditor in the 2020 financial year.

4. Managing directors

Managing directors of BORSIG GmbH during financial year 2020 were Mr. Koon Ping Tan (Selangor Malaysia, CFO KNM Group Berhad, Malaysia), Mr. Jürgen Stegger (graduate engineer), Mr. Flavio Porro (lawyer, since July 21, 2020). Mr. Carsten Birk, (graduate engineer, until March 31, 2020).

Managing directors Mr. Koon Ping Tan and Mr. Flavio Porro did not receive emoluments from the Company. With regard to compensation of other managing directors, use was made of the regulations set forth in Section 314 (3) in conjunction with Section 286 (4) HGB and no payment was disclosed.

5. Disclosures on related parties

In the financial year, the Group only concluded transactions with those related companies that are included in the consolidated financial statements of Deutsche KNM GmbH. There were no transactions with related parties which go beyond the managing director employment contracts.

6. Contingent liabilities

The DKNM Group has guarantee and credit lines of EUR 140.0 million (PY: EUR 140.0 million). At EUR 55.4 million (PY: EUR 56.1 million), roughly 39.6% of these lines were utilized as of year-end. Utilization relates solely to those entities included in the consolidated financial statements of BORSIG GmbH as well as EUR 45.00 million to affiliated company DKNM GmbH. The guarantees and lines of credit are made available to the individual DKNM Group companies by the BORSIG GmbH head office's finance department as needed. The DKNM companies are jointly and severally liable for the utilization of guarantee and credit lines by other DKNM companies.

The Company does not expect any claims to be asserted against it from the above mentioned contingent liability, as the Group companies have met all of their payment obligations in the past and are expected to do so in the future. The guarantees in foreign currency are translated at the exchange rate prevailing on the reporting date.

7. Consolidated group

The consolidated financial statements of BORSIG GmbH are included in the consolidated financial statements of KNM Group Berhad, Seri Kembangan, Malaysia, to be prepared as of December 31, 2020, as the largest group of consolidated companies; these are available from http://www.knm.com. In addition, they are included in the consolidated financial statements of Deutsche KNM GmbH, Berlin, Germany (HRB 113399 of the Charlottenburg District Court) as the smallest group of consolidated companies, which are published, together with the group management report, in the German Federal Gazette [Bundesanzeiger]. The consolidated financial statements of KNM Group Berhad are published in Seri Kembangan, Selangor, Malaysia.

The following subsidiaries are included in the consolidated financial statements of BORSIG GmbH, Berlin, in the course of full consolidation:

		Share	Equity	Net income for the year	
		in %	in KEUR	in KEUR	
BORSIG Process Heat Exchanger	Berlin	100	1,901	21,734	2)
BORSIG ZM Compression GmbH	Berlin	100	2,341	-5,412	2)
BORSIG Service GmbH	Berlin	100	1,400	610	2)
BORSIG Membrane Technology GmbH	Berlin	100	1,300	2,016	2)
GMT Membrantechnik GmbH 1)	Rheinfelden	51	3,854	1,572	
BORSIG ValveTech GmbH	Berlin	100	-723	-112	2)
BORSIG Boiler Systems GmbH	Berlin	100	-4,625	-194	2)
BORSIG Industrial Services Sdn Bhd 1)	Kuala Lumpur (Malaysia)	49	-964	10	
BORSIG Boiler Systems Bhd 1)	Kuala Lumpur (Malaysia)	49	-7,138	-1,058	

1) Indirect shareholdings
2) Prior to profit or loss transfer/loss offsetting

An exchange rate of 4.9395 was used to translate the local currency (Malaysian ringgit) of both companies located in Malaysia.

As the controlled company, BORSIG GmbH entered into a control and profit transfer agreement with Deutsche KNM GmbH on December 1, 2020, following the merger with BORSIG Beteiligungsverwaltungsgesellschaft mbH in the 2020 financial year.

Due to inclusion in the consolidated financial statements of Deutsche KNM GmbH, Berlin, all of the aforementioned, fully consolidated subsidiaries are exempt from disclosure obligations in accordance with Section 264 (3) HGB, with the exception of GMT Membrantechnik GmbH.

8. Subsequent events

The COVID-19 pandemic has led to special circumstances affecting the general economic situation as a result of the corresponding restrictions imposed. As was the case in the financial year ended, the impact on the Group continues to depend on the nature and duration of the restrictions. From today's perspective, no material negative effects are expected for financial year 2021 due to COVID-19.

There were no further events after the end of the financial year that had a significant impact on the assets, liabilities, financial position and financial performance.

Berlin, June 25, 2021

Jürgen Stegger	Flavio Porro	Koon Ping Tan
Managing Director	Managing Director	Managing Director

BORSIG GmbH, Berlin

Movements in the Group's fixed assets from January 1 to December 31, 2020

	Cost				
	Jan. 1, 2020	Additions	Disposals	Reclassifi-cations	Dec. 31, 2020
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
Software, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	6,130,042.77	242,037.70	395,488.67	226,046.20	6,202,638.00
	6,130,042.77	**242,037.70**	**395,488.67**	**226,046.20**	**6,202,638.00**
II. Property, plant and equipment					
1. Land, leasehold rights and buildings, including buildings on third-party land	11,584,901.47	17,646.90	195,904.98	0.00	11,406,643.39
2. Technical equipment and machinery	21,160,805.92	584,167.51	1,637,963.15	43,808.91	20,150,819.19
3. Other equipment, operating and office equipment	18,153,464.28	1,101,752.26	5,969,787.51	74,169.29	13,359,598.32
4. Advance payments and construction in progress	343,463.40	240,733.71	22,910.96	-344,024.40	217,261.75
	51,242,635.07	**1,944,300.38**	**7,826,566.60**	**-226,046.20**	**45,134,322.65**
III. Financial assets					
1. Investments in associated companies	1,044,060.77	0.00	0.00	0.00	1,044,060.77
2. Other loans	1,355,937.51	83,585.37	0.00	0.00	1,439,522.88
	2,399,998.28	**83,585.37**	**0.00**	**0.00**	**2,483,583.65**
	59,772,676.12	**2,269,923.45**	**8,222,055.27**	**0.00**	**53,820,544.30**

INFORMATION OF BORSIG

Accumulated amortization, depreciation and write-downs				Book value	
Jan. 1, 2020	Additions	Disposals	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
EUR	EUR	EUR	EUR	EUR	EUR
5,803,234.83	294,207.40	395,488.67	5,701,953.56	500,684.44	326,807.94
5,803,234.83	**294,207.40**	**395,488.67**	**5,701,953.56**	**500,684.44**	**326,807.94**
4,349,739.44	396,883.78	189,085.42	4,557,537.80	6,849,105.59	7,235,162.03
14,895,065.49	1,626,993.01	1,633,974.47	14,888,084.03	5,262,735.16	6,265,740.43
15,303,359.66	1,157,454.90	5,934,898.61	10,525,915.95	2,833,682.37	2,850,104.62
0.00	20,728.30	0.00	20,728.30	196,533.45	343,463.40
34,548,164.59	**3,202,059.99**	**7,757,958.50**	**29,992,266.08**	**15,142,056.57**	**16,694,470.48**
0.00	0.00	0.00	0.00	1,044,060.77	1,044,060.77
0.00	0.00	0.00	0.00	1,439,522.88	1,355,937.51
0.00	**0.00**	**0.00**	**0.00**	**2,483,583.65**	**2,399,998.28**
40,351,399.42	**3,496,267.39**	**8,153,447.17**	**35,694,219.64**	**18,126,324.66**	**19,421,276.70**

Independent Auditor's Report

To BORSIG GmbH, Berlin

Opinions

We have audited the consolidated financial statements of BORSIG GmbH, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2020, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including the accounting policies presented therein. In addition, we have audited the group management report of BORSIG GmbH for the financial year from January 1 to December 31, 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, in accordance with German legally required accounting principles, and

– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other

German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

INFORMATION OF BORSIG

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German legally required accounting principles.

INFORMATION OF BORSIG

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, June 25, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Knorr	Adam
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

KPMG

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The Board of Directors
KNM Group Berhad
15 Jalan Dagang SB 4/1,
Taman Sungai Besi Indah,
43300 Seri Kembangan,
Selangor Darul Ehsan.

Date: 4 August 2022

Dear Sirs,

KNM Group Berhad ("KNM" or the "Company") and its subsidiaries ("KNM Group")

Report on the compilation of pro forma consolidated statement of financial position of KNM Group in connection with the proposed disposal by Deutsche KNM GmbH ("DKNM"), a wholly-owned indirect subsidiary of KNM, of 15 shares in BORSIG GmbH ("BORSIG"), representing 100% equity interest in BORSIG, for a total disposal consideration of EUR220,800,000 ("Proposed Disposal")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of KNM as at 31 December 2020 ("Pro Forma Financial Position") prepared by the management of the Company (the "Management"). The Pro Forma Financial Position and related notes as set out in Attachment A have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of the Company (the "Directors") have compiled the Pro Forma Financial Position are described in the notes to the Pro Forma Financial Position.

The Pro Forma Financial Position has been compiled by the Directors for inclusion in the circular to the shareholders of the Company ("Circular") solely to illustrate the impact of the transactions as set out in the notes of Attachment A on KNM Group's statement of financial position as at 31 December 2020, as if the transactions had taken place as at 31 December 2020. As part of this process, information about KNM Group's financial position has been extracted by the Directors from the consolidated financial statements of KNM Group for the financial year ended 31 December 2020, on which an audit report has been issued.

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KNM GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES

KPMG

Directors' Responsibility for the Pro Forma Financial Position

The Directors are responsible for compiling the Pro Forma Financial Position on the basis described in the notes of Attachment A.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* adopted by the Malaysian Institute of Accountants, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Financial Position has been compiled, in all material respects, by the Directors on the basis described in the notes of Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Financial Position on the basis described in the notes of Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Position.

The purpose of the Pro Forma Financial Position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of KNM Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of KNM Group, the events or transactions in respect of which the Pro Forma Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Financial Position has been compiled, in all material respects, on the basis described in the notes of Attachment A.

Other Matter

Our report on the Pro Forma Financial Position has been prepared in connection with the Proposed Disposal and should not be relied upon for any other purposes.

KPMG	
KPMG PLT	**Tai Yoon Foo**
(LLP0010081-LCA & AF 0758)	Approval Number: 02948/05/2024 J
Chartered Accountants	Chartered Accountant

REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KNM GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE NOTES

Attachment A

KNM Group Berhad ("KNM" or the "Company") and its subsidiaries ("KNM Group")
Pro Forma Financial Position and the notes thereon

Pro Forma Financial Position

The pro forma consolidated statement of financial position of KNM as at 31 December 2020 ("Pro Forma Financial Position") as set out below has been prepared for illustrative purposes only to show the effects and transactions referred to in Note 2 had these transactions been effected as at 31 December 2020, and should be read in conjunction with the said notes to the Pro Forma Financial Position.

	Notes	As at 31 December 2020*	Pro Forma I After the Proposed Disposal
		RM'000	RM'000
ASSETS			
Property, plant and equipment		1,517,621	1,408,984
Right-of-use assets		48,911	32,634
Goodwill		902,467	-
Other intangible assets		416,278	-
Interests in subsidiaries		-	-
Investments in associates		47	47
Investments in joint ventures		-	-
Other investments		187	187
Deferred tax assets		82	82
TOTAL NON-CURRENT ASSETS		**2,885,593**	**1,441,934**
Inventories		96,912	44,101
Current tax assets		3,553	633
Contract assets		303,075	178,955
Trade and other receivables		292,489	173,588
Derivative financial assets		1,119	1,035
Cash and cash equivalents	3(a)	275,297	1,068,009
TOTAL CURRENT ASSETS		**972,445**	**1,466,321**
TOTAL ASSETS		**3,858,038**	**2,908,255**
EQUITY			
Share capital		2,005,665	2,005,665
Treasury shares		(53,425)	(53,425)
Reserves	3(b)	(177,164)	(748,767)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,775,076**	**1,203,473**
Non-controlling interests	3(c)	(22,824)	(34,147)
TOTAL EQUITY		**1,752,252**	**1,169,326**

* *Extracted from the audited consolidated financial statements of KNM for the financial year ended 31 December 2020.*

KPMG PLT
Stamped For Identification Purposes only
PETALING JAYA

4

Attachment A

KNM Group Berhad ("KNM" or the "Company") and its subsidiaries ("KNM Group")
Pro Forma Financial Position and the notes thereon

Pro Forma Financial Position (continued)

	Notes	As at 31 December 2020* RM'000	Pro Forma I After the Proposed Disposal RM'000
LIABILITIES			
Loans and borrowings		650,701	640,804
Lease liabilities		37,834	29,873
Long term payables		7,721	7,721
Long service leave liability		6,940	6,940
Deferred tax liabilities		218,366	50,429
TOTAL NON-CURRENT LIABILITIES		**921,562**	**735,767**
Loans and borrowings		711,903	709,004
Lease liabilities		11,996	3,452
Current tax liabilities		33,293	33,293
Contract liabilities		93,522	61,790
Trade and other payables		330,896	193,009
Derivative financial liabilities		2,614	2,614
TOTAL CURRENT LIABILITIES		**1,184,224**	**1,003,162**
TOTAL LIABILITIES		**2,105,786**	**1,738,929**
TOTAL EQUITY AND LIABILITIES		**3,858,038**	**2,908,255**

* *Extracted from the audited consolidated financial statements of KNM for the financial year ended 31 December 2020.*

Supplementary information

	As at 31 December 2020 RM'000	*Pro Forma I After the Proposed Disposal RM'000*
Number of ordinary shares in issue (excluding treasury shares) ('000)[(1)]	*2,969,234*	*2,969,234*
Net assets ("NA") per Share (RM)[(2)]	*0.60*	*0.41*
Total borrowings (RM'000)[(1)]	*1,362,604*	*1,349,808*
Gearing level (times)[(3)]	*0.78*	*1.15*

Notes:

(1) Extracted from the audited consolidated financial statements of KNM for the financial year ended 31 December 2020.

(2) Computed based on total equity attributable to owners of the Company divided by total number of KNM Shares in issue.

(3) Computed based on total loans and borrowings divided by total equity.

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Attachment A

KNM Group Berhad ("KNM" or the "Company") and its subsidiaries ("KNM Group")
Pro Forma Financial Position and the notes thereon

Notes to the Pro Forma Financial Position

The pro forma consolidated statement of financial position of KNM Group as at 31 December 2020 ("Pro Forma Financial Position") has been prepared for inclusion in the Company's Circular in connection with the Proposed Disposal and should not be relied upon for any other purposes.

1. Basis of preparation

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Position are as described below. The Pro Forma Financial Position is prepared in accordance with the requirements of the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Financial Position has been prepared based on the audited consolidated financial statements of KNM for the financial year ended 31 December 2020, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and the audited consolidated financial statements of BORSIG Gmbh ("Borsig") for the financial year ended 31 December 2020, which were prepared in accordance with German Generally Accepted Accounting Policies ("GAAP") and converted to IFRS, and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by KNM Group, adjusted for the events and transactions detailed in Note 2.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma Financial Position.

The auditors' reports on the audited financial statements of KNM and Borsig for the financial year ended 31 December 2020 were not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Financial Position is not necessarily indicative of the financial position that would have been attained had the Proposed Disposal actually occurred at the respective dates. The Pro Forma Financial Position has been prepared for illustrative purposes only.

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Attachment A

KNM Group Berhad ("KNM" or the "Company") and its subsidiaries ("KNM Group")
Pro Forma Financial Position and the notes thereon

2. Pro Forma adjustments to the Pro Forma Financial Position

The Pro Forma Financial Position illustrates the effects of the following events and transactions:

Pro Forma I – Proposed Disposal

The Proposed Disposal entails the disposal of 15 shares in Borsig, representing 100% equity interest in Borsig, for a total disposal consideration of EUR220,800,000 (equivalent to RM1,090,640,000). Upon completion of the Proposed Disposal, Borsig will cease to be a wholly-owned indirect subsidiary of KNM.

The disposal consideration of EUR220,800,000 ("Disposal Consideration") was agreed upon on a willing-buyer willing-seller basis, after taking into consideration the implied enterprise value ("EV") of Borsig and its subsidiaries ("Borsig Group") based on the Disposal Consideration and latest audited consolidated financial statements of Borsig for the financial year ended 31 December 2020 of approximately EUR179.34 million.

Pursuant to the terms and conditions of the conditional sale, purchase and transfer agreement dated 23 May 2022 and the amendment agreement dated 21 July 2022 entered into between DKNM and GPR Siebzigste Verwaltungsgesellschaft mbH (now known as Vorsprung Industries GmbH) ("GSV" or the "Purchaser") in respect of the Proposed Disposal ("SPA"), the Disposal Consideration will be satisfied by the Purchaser in the following manner:

Payment terms	Timing	EUR' million	RM' million[5]
Repayment of the Cash Upstream Loan Receivables to Borsig[1]	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 ("Scheduled Closing Date"), and the date on which the closing of the SPA actually takes place is referred to as the "Closing Date"; or ii. Payable to Borsig in accordance with the terms and conditions of the Assumption of Upstream Loan Agreement.	12.93[2]	63.86
Payment of Exit Bonus Amount to certain employees of Borsig[3]	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	1.73
Indicative Cash Consideration payable to DKNM[4]	The balance of the Disposal Consideration (after deducting the amount of the Cash Upstream Loan Receivables and Exit Bonus Amount, if approved[3]) is payable to DKNM on the Closing Date.	207.52	1,025.05
	Total	**220.80**	**1,090.64**

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2. Pro Forma adjustments to the Pro Forma Financial Position (continued)

Pro Forma I – Proposed Disposal (continued)

Notes

*(1) 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 and Exit Bonus 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 and Exit Bonus 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:

Details of loans	***EUR'000***	***RM'000[(5)]***
Advance by Borsig to DKNM to repay the principal instalment on term loan and interest due	*7,700*	*38,034*
Loan by Borsig-to-Borsig Boiler Systems GmbH for capital expenditure	*3,045*	*15,041*
Advance by Borsig-to-Borsig Boiler Systems GmbH for its working capital requirements which include professional fees	*586*	*2,894*
Advance by Borsig to DKNM for its working capital requirements which include. professional fees and tax payments	*1,218*	*6,016*
Miscellaneous net outstanding to Borsig Group by other related companies within KNM Group	*379*	*1,872*
Total	***12,928***	***63,857***

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Attachment A

KNM Group Berhad ("KNM" or the "Company") and its subsidiaries ("KNM Group")
Pro Forma Financial Position and the notes thereon

2. Pro Forma adjustments to the Pro Forma Financial Position (continued)

Pro Forma I – Proposed Disposal (continued)

Notes (continued)

(2) The indicative amount of the Cash Upstream Loan Receivables of EUR12.93 million is based on the outstanding amount as at 19 May 2022.

(3) 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 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 the Borsig Group's business plan presented to the Purchaser, which formed part of the Purchaser's due diligence package and investment decision, is implemented as planned. 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. As the Exit Bonus is not approved to date, the corresponding impact is excluded from Pro Forma I.

(4) 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 to quantify the amount and basis of the relevant deduction/ adjustment of the loan repaid

(5) Translated at foreign exchange rate of EUR1: RM4.9395 as at 31 December 2020

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Attachment A

KNM Group Berhad ("KNM" or the "Company") and its subsidiaries ("KNM Group")
Pro Forma Financial Position and the notes thereon

3. Effects on the Pro Forma Financial Position

(a) Movement in cash and cash equivalents

	RM'000
Balance as at 31 December 2020	275,297
Effects of Pro Forma I – Proposed Disposal:	
- Disposal Consideration from Purchaser	1,090,640
- Estimated gross transaction costs of disposal	(17,205)
- Repayment of Cash Upstream Loan Receivables due to Borsig	(63,860)
- De-consolidating the cash and cash equivalents in Borsig upon disposal	(216,863)
Pro Forma I	**1,068,009**

(b) Movement in reserves

	RM'000
Balance as at 31 December 2020	(177,164)
Effects of Pro Forma I – Proposed Disposal:	
- Disposal Consideration from Purchaser	1,090,640
- Estimated gross transaction costs of disposal	(17,205)
- Repayment of Cash Upstream Loan Receivables due to Borsig	(63,860)
- De-consolidating the net assets of Borsig as at 31 December 2020	(395,111)
- Elimination of goodwill arose from the acquisition of Borsig in 2008 upon disposal	(897,600)
- Elimination of intangible assets directly attributable to Borsig upon disposal	(288,467)
Pro Forma I	**(748,767)**

(c) Movement in non-controlling interests

	RM'000
Balance as at 31 December 2020	(22,824)
Effects of Pro Forma I – Proposed Disposal:	
- De-consolidating the non-controlling interests of GMT Membrantechnik GmbH.	(11,323)
Pro Forma I	**(34,147)**

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts and information, the omission of which would make any statement herein false or misleading.

The information on GSV pursuant to the Proposed Disposal was extracted from publicly available documents and/ or information obtained from the representatives of GSV and the responsibility of the Board is limited to ensuring that the information thereon is accurately reproduced in this Circular.

2. CONSENT

UOBKH has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

KPMG PLT has given and has not subsequently withdrawn its written consent to the inclusion of its name, the reporting accountant's letter on the pro forma consolidated statements of financial position of KNM Group as at 31 December 2020, and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Principal Adviser for the Proposed Disposal.

KPMG PLT has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Reporting Accountant for the Proposed Disposal.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by KNM Group which, upon becoming enforceable, may have a material impact on the financial results/ position of KNM Group:-

Contracted but not provided for	**RM'000**
Property, plant and equipment	185,789

FURTHER INFORMATION

5. CONTINGENT LIABILITIES

Save as disclosed below and as at the LPD, the Board confirms that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group:-

	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	626,891

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents 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 the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

(i) the constitution of KNM;

(ii) the constitution of Borsig;

(iii) audited consolidated financial statements of KNM Group for the past 2 financial years up to the FYE 31 December 2020 and the unaudited consolidated financial statements of KNM Group for the 15-month FPE 31 March 2022;

(iv) audited financial statements of Borsig Group for the past 2 financial years up to the FYE 31 December 2020 and the unaudited consolidated financial statements of Borsig Group for the 15-month FPE 31 March 2022;

(v) SPA dated 23 May 2022 and the amendment agreement dated 21 July 2022 in respect of the Proposed Disposal;

(vi) the material contract referred to in Section 5 of Appendix II;

(vii) the reporting accountant's letter on the pro forma consolidated statements of financial position of KNM Group as at 31 December 2020 together with the notes;

(viii) the letters of consent and declaration of conflict of interests referred to in Sections 2 and 3 above, respectively; and

(ix) the relevant cause papers in respect of the material litigation as referred to in Section 6 of Appendix II.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of KNM Group Berhad ("**KNM**" or the "**Company**") will be conducted via online meeting platform at https://meeting.boardroomlimited.my (*Domain Registration No. with MYNIC-D6A357657*) provided by Boardroom Share Registrars Sdn Bhd on Monday, 22 August 2022 at 10.00 a.m, or at any adjournment thereof for the purpose of considering and, if thought fit, passing, with or without modifications the resolution setting out in this notice.

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF 15 SHARES IN BORSIG GMBH ("BORSIG"), REPRESENTING THE ENTIRE EQUITY INTEREST IN BORSIG, BY DEUTSCHE KNM GMBH ("DKNM"), A WHOLLY-OWNED INDIRECT SUBSIDIARY OF THE COMPANY, TO GPR SIEBZIGSTE VERWALTUNGSGESELLSCHAFT MBH (NOW KNOWN AS VORSPRUNG INDUSTRIES GMBH) ("GSV") FOR A TOTAL DISPOSAL CONSIDERATION OF EUR220,800,000 ("DISPOSAL CONSIDERATION") ("PROPOSED DISPOSAL")

THAT, subject to and conditional upon the approvals of all relevant regulatory authorities and/ or third parties being obtained, approval be and is hereby given to DKNM to dispose of all of its 15 shares in Borsig for the Disposal Consideration subject to and upon the terms and conditions contained in the conditional sale, purchase and transfer agreement dated 23 May 2022 entered into between DKNM and GSV, as amended and supplemented by the amendment agreement dated 21 July 2022.

AND THAT the Board of Directors of KNM ("**Board**") be and is hereby authorised to do all such acts and things and enter into any arrangements, agreements and/ or undertakings and to execute, sign and deliver on behalf of the Company, all such documents as the Board deems necessary and expedient in order to implement, finalise and/ or give full effect to and complete the Proposed Disposal; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/ or adjustments as may be required by the relevant regulatory authorities or as the Board may in its absolute discretion deem necessary or expedient to implement, finalise and/ or give full effect to and complete the Proposed Disposal.

BY ORDER OF THE BOARD

HANI SYAMIRA BINTI ABDUL HAMID
(LS 0009872) (SSM PC No. 201908003098)
Company Secretary

Seri Kembangan
5 August 2022

Notes :

(i) A proxy may but need not be a member of the Company.

(ii) A member shall not, subject to paragraph (iii) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(iii) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) To be valid, the duly completed form of proxy must be deposited at the registered office of the Company at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://investor.boardroomlimited.com not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the EGM.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.

(vi) In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 August 2022 shall be eligible to attend the meeting or appoint proxies to attend and vote in his/her stead.

(vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of the EGM will be put to vote by way of poll.

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

Administrative Notes for the Extraordinary General Meeting ("EGM")

Meeting Platform	:	https://meeting.boardroomlimited.my (*Domain Registration No. with MYNIC-D6A357657*)
Day & Date	:	Monday, 22 August 2022
Time	:	10.00 a.m.
Broadcast Venue	:	Online meeting platform at https://meeting.boardroomlimited.my provided by Boardroom Share Registrars Sdn Bhd
Mode of Communication	:	Fully Virtual

Mode of Meeting

The EGM of the Company will be held virtually through live streaming and online remote voting via Remote Participation and Electronic Voting ("**RPEV**") facility which is available on Boardroom Share Registrars Sdn Bhd ("**Boardroom**")'s website at https://meeting.boardroomlimited.my. With the online meeting platform, shareholders may exercise their rights as a member to participate (including to pose questions to the Board and/or Management of the Company) and vote at the EGM, safely from their home.

The Securities Commission Malaysia had on 7 April 2022, revised the Guidance Note and Frequently Asked Questions ("**FAQs**") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 (the "**Guidance Note**"), to allow general meetings during Phase 2 of National Recovery Plan to be conducted virtually.

Pursuant to the Guidance Note, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia. In addition, the FAQs issued by the Companies Commission of Malaysia on 8 June 2021, provides that an online meeting platform shall be deemed to be in Malaysia if the registered domain name is registered with KNM Group Berhad.

This is also in line with Practices 12.1 and 13.3 of the Malaysian Code on Corporate Governance where boards are encouraged to have effective, transparent and regular communication with shareholders, including leveraging technology to promote shareholder participation. encourages companies to continue leveraging technology to conduct their general meetings during Emergency Movement Control Order period and respective phases under the National Recovey Plan, where safe distancing requirements remain. Ensuring the safety of the Company's shareholders, employees and other stakeholders remains the Company's top priority.

The Board of Directors will keep the arrangements for the EGM under review and may make further changes to allow certain physical key personnel attendance only if the Malaysian Government's restrictions and Guidance Note permit this at the time of the EGM.

Digital Copies of EGM Documents

As part of our commitment to reduce paper usage, the following documents are made available on our website, please view and download it for your own reference.

1. Notice of Extraordinary General Meeting, Administrative Guide and Proxy Form

2. Circular to shareholders in relation to the Proposed Disposal of Borsig

Entitlement to Participate the EGM

In respect of deposited securities, only members whose names appear on the Record of Depositors on 15 August 2022 (General Meeting Record of Depositors) shall be eligible to participate in the EGM or appoint proxy(ies) to participate on his/her behalf.

Form(s) of Proxy

If you are unable to attend the EGM, you are encouraged to appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions stated therein.

Please ensure that the original Proxy Form is deposited at Registered Office of KNM at 15 Jalan Dagang SB 4/1 Taman Sungai Besi Indah 43300 Seri Kembangan Selangor Malaysia, not less than twenty-four (24) hours before the time appointed for holding the meeting.

Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://investor.boardroomlimited.com not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy below.

Electronic Lodgement of Form of Proxy

Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only) *(Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 on e-Proxy Lodgement)* (a) Open an internet browser. Latest version of **Chrome, Firefox, Safari, Edge or Opera** is recommended. (b) Go to Boardroom Smart Investor Portal website @ https://investor.boardroomlimited.com (c) Click **Register** to sign up for a BSIP account. (d) Complete registration with all required information. Upload and attached your MyKad front and back image. Click **Register**. (e) You will receive an e-mail from BSIP Online for e-mail address verification. Click on **Verify E-mail Address** from the e-mail received to proceed with the registration. (f) Once your email address is verified, you will be re-directed to BSIP Online for verification of mobile number. Click on **Request OTP Code** and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click **Enter** to complete the process. (g) Once your mobile number is verified, registration of your new BSIP account will be pending for final verification. (h) An e-mail will be send to you to inform the approval of your BSIP account within one (1) business day. Subsequently, you can login at https://investor.boardroomlimited.com with the e-mail address and password filled up by you during registration to proceed.
Step 2 – eProxy Lodgement (a) Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended. (b) Go to BSIP website @ https://investor.boardroomlimited.com (c) Login with your registered email address and password. **[Note: If you do not have an account with BSIP, please sign-up/register with Boardroom Smart Investor Portal for free - refer to Item *Step 1* for guide.]**

(d) Select and click on **Corporate Meeting.**

(e) Go to "KNM GROUP BERHAD VIRTUAL EXTRAORDINARY GENERAL MEETING" and click **Enter**.

(f) Go to **PROXY** and click on **Submit eProxy Form.**

(g) Read and agree to the Terms & Conditions.

(h) Enter your CDS Account Number and insert the number of securities.

(i) Appoint the Chairman of the meeting or your proxy(ies) and enter the required particulars for your proxy(ies);

(j) Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your votes during meeting;

(k) Review and confirm your proxy(ies) appointment.

(l) Click submit; and

(m) Download or print the e-Proxy Form acknowledgement.

Note: Closing for proxy form submission is at 10 00 am. on 21 August 2022 (24 hours before the EGM)

Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at Boardroom or email the soft copy to bsr.helpdesk@boardroomlimited.com not later than 10.00 a.m. of 21 August 2022. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

If you wish to participate in the meeting yourself, please do not submit any proxy form for the meeting. You will not be allowed to participate in the meeting together with a proxy appointed by you.

If you have submitted your proxy form prior to the meeting and subsequently decide to participate in the meeting yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the appointment of your proxy(ies) at least twenty-four (24) hours before the EGM. On revocation, your proxy(ies) would not be allowed to participate in the meeting. In such event, you should advise your proxy(ies) accordingly.

Please note that the Company shall deem that shareholders have no objection to use the provision in the Proxy Form which has designated the Chairman of the meeting as the authorised person to vote on behalf of shareholders until further instructions are received. The appointed Poll Administrator of the EGM shall be notified of such arrangement accordingly.

Corporate Shareholders

Corporate shareholders who require their corporate representative to participate and vote at the EGM must deposit their certificate of appointment of corporate representative to Boardroom not later than 10.00 a.m. on 21 August 2022.

Voting Procedure

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all ordinary resolutions set out in the Notice of the EGM will be put to vote by way of poll.

During the EGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll. Kindly refer to voting procedures under RPEV for guidance on how to vote remotely at https://investor.boardroomlimited.com.

For the purpose of this EGM, e-Voting will be carried out using personal smart mobile phones, tablets, personal computers or laptops. The Scrutineers will verify the poll result reports upon closing of the poll session by the Chairman. Thereafter, the Chairman will announce and declare whether the resolutions put to vote were successfully carried or not.

Remote Participation and Electronic Voting ("RPEV")

All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees shall use the RPEV facility to participate and vote remotely at the EGM. You will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.

Kindly follow the steps below on how to request for login ID and password and usage of the RPEV facility:-

Procedure		**Action**
Prior to EGM Date		
1.	Register Online with Boardroom Smart Investor Portal ***(for first time registration only)***	*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.] (Request for RPV User ID and Password.)* *a.* Open an internet browser. Latest version of **Chrome, Firefox, Safari, Edge or Opera** is recommended. *b.* Go to Boardroom Smart Investor Portal website at https://investor.boardroomlimited.com *c.* Click **Register** to sign up for a BSIP account. *d.* Complete registration with all required information. Upload and attached your MyKad front and back image. Click **Register**. *e.* You will receive an e-mail from BSIP Online for e-mail address verification. Click on **Verify E-mail Address** from the e-mail received to proceed with the registration. *f.* Once your email address is verified, you will be re-directed to BSIP Online for verification of mobile number. Click on **Request OTP Code** and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click **Enter** to complete the process. *g.* Once your mobile number is verified, registration of your new BSIP account will be pending for final verification. *h.* An e-mail will be send to you to inform the approval of your BSIP account within one (1) business day. Subsequently, you can login at https://investor.boardroomlimited.com with the e-mail address and password filled up by you during registration to proceed.
2.	Submit request for Remote Participation User ID and Password	*(Note: Registration for RPEV will open from 5 August 2022**. You are required to register to ascertain your eligibility to participate the EGM by using RPEV). Shareholders are encouraged to register at least 24 hours before the commencement of the meeting to avoid any delay in the registration.*** **Individual Members** **(a)** Open an internet browser. Latest version of **Chrome, Firefox, Safari, Edge or Opera** is recommended.

<table>
<tr><td></td><td></td><td>
(b) Go to Boardroom Smart Investor Portal website at https://investor.boardroomlimited.com
(c) Login with your registered email address and password. [Note: If you do not have an account with BSIP, please sign-up/register with Boardroom Smart Investor Portal for free - refer to Item Step 1 for guide.]
(d) Select and click on Corporate Meeting.
(e) Go to "KNM GROUP BERHAD VIRTUAL EXTRAORDINARY GENERAL MEETING" and click Enter.
(f) Go to VIRTUAL and click on Register for RPEV.
(g) Read and agree to the Terms & Conditions.
(h) Enter your CDS Account Number and click Submit to complete your request.
(i) You will receive a notification that your RPV registration has been received and is being verified;
(j) Upon system verification against the EGM's Record of Depositors as at 15 August 2022, you will receive an email from Boardroom either approving or rejecting your registration for the remote participation.
(k) If approved, RPV credential will be provided in your email;
(l) Please note that one (1) user ID and password can only log on to one (1) device at a time.
(m) If rejected, a rejection note will be provided in your email.
(n)
Note: Closing for submission of request is at 10.00 a.m. on 21 August 2022 (24 hours before the EGM)

Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee

(a) Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
(b) Please provide a copy of corporate representative's or proxy holder's MyKad/Identification Card (front and back) or Passport as well as his/her email address.
(c) You will receive notification from Boardroom that your request has been received.
(d) Upon system verification of your registration against the General Meeting ROD as at 15 August 2022, you will receive your remote access User ID and Password along with the email from Boardroom if your registration is approved.
(e) Please note that one (1) user ID and password can only log on to one (1) device at a time.
(f) Please note that the closing date and time to submit your request is by 10.00 a.m. on 21 August 2022
</td></tr>
<tr><td colspan="3">On the day of the EGM</td></tr>
<tr><td>3.</td><td>Login to Meeting Platform</td><td>
a. The Meeting Platform will be open for login one (1) hour before the commencement of the EGM.

b. The Meeting Platform can be accessed via one of the following:
• Scan the QR Code provided in the user login guide;
• Navigate to the website at https://meeting.boardroomlimited.my

c. Enter the Meeting ID No. and sign in with the user ID and password provided to you via the email notification in Step 2.
</td></tr>
</table>

4.	Participate	*(Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition)* (a) If you would like to view the live webcast, select the broadcast icon. (b) If you would like to ask a question during the EGM, select the messaging icon. (c) Type your message within the chat box and click the send button once completed. Please note that the quality of the connectivity to the Meeting Platform for live webcast, as well as for remote voting is highly dependent on the bandwidth and stability of the internet connection available at the location of the remote users. Kindly ensure that you are connected to the internet at all times in order to participate and vote when the virtual EGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained.
5.	Voting	(a) Once the meeting is open for voting, the polling icon will appear with the resolutions and your voting choices. (b) To vote, simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received. (c) To change your vote, simply select another voting direction. (d) If you wish to cancel your vote, please press "Cancel".
6.	End of Participation	(a) Upon the announcement by the Chairman on the closure of the EGM, the live webcast will end. (b) You can now logout from the Meeting Platform.

<u>No Distribution of Door Gifts, Food & Beverage</u>

Shareholders/proxies who turn up at the Broadcast Venue will not be distributed with door gifts, food and beverage.

<u>No Recording or Photography</u>

No recording or photography of the EGM proceedings is allowed without the prior written permission of the Company.

<u>Submission of Questions</u>

We welcome questions and views from shareholders on the EGM resolutions. You can email your question(s) to cosec@knm-group.com or submit through Boardroom Smart Investor Portal at https://investor.boardroomlimited.com prior to the meeting by 10.00 a.m. on 21 August 2022 (24 hours before the EGM) and we will endeavour to provide responses to the queries during the EGM session. However, if not all answers could be provided during the meeting, the responses will be provided in the Company's website.

Enquiry

Should you require any assistance on the RPEV facility, kindly contact Boardroom Share Registrars Sdn Bhd during office hours from Monday to Friday (8.30 a.m. to 5.30 p.m.) except on public holidays, details as follows:-

Boardroom Share Registrars Sdn. Bhd.

Address	:	11th Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia
General Line	:	+603 7890 4700
Fax Number	:	+603 7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

KNM™

KNM GROUP BERHAD

Registration No.: 200001018741 (521348-H)

FORM OF PROXY

CDS Account No.
No. of Ordinary Shares Held

*I/We ____

(FULL NAME IN BLOCK CAPITALS)

of ____

(FULL ADDRESS)

____

being a *member/members of **KNM GROUP BERHAD** hereby appoint *(full name as per NRIC and in block capitals)*

(i)____ NRIC/Passport No.: ____________________________

of *(full address, email address & contact no.)* ____

____

____

(ii) ____ NRIC/Passport No.: ____________________________

of *(full address, email address & contact no.)* ____

____

____

or failing *him/her, the Chairman of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be conducted via online meeting platform at https://meeting.boardroomlimited.my (*Domain Registration No. with MYNIC-D6A357657*) provided by Boardroom Share Registrars Sdn Bhd on **Monday, 22 August 2022 at 10.00 a.m** or at any adjournment thereof, in the manner indicated below :

No	Ordinary Resolution	For	Against
1.	Proposed Disposal		

Please indicate with an "x" in the space provided above how you wish to cast your vote. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

The proportions of *my/our holdings to be represented by my *proxy/proxies are as follows :

First Named Proxy	%
Second Named Proxy	%
Total	100%

Signed (and sealed) this _______________ day of ___________________, 2022

....
Signature of Shareholder

....
Common Seal to be affixed here if Shareholder is a Corporate Member

* *Delete if not applicable*

Notes :

(i) A proxy may but need not be a member of the Company.

(ii) A member shall not, subject to paragraph (iii) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(iii) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) To be valid, the duly completed form of proxy must be deposited at the registered office of the Company at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://investor.boardroomlimited.com.my not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the EGM.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.

(vi) In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 August 2022 shall be eligible to attend the meeting or appoint proxies to attend and vote in his/her stead.

(vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of the EGM will be put to vote by way of poll.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
KNM Group Berhad
Registration No.: 200001018741(521348-H)
15 Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan, Malaysia.

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