



MAA GROUP BERHAD

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Shareholder Statement: A Summary of the Proposed Disposal of Deutsche KNM GmbH ("DKNM")

To Fellow Shareholders of KNM Group Berhad ("KNMG" or "Company"),

In the interest of the Company and its shareholders, it is imperative that the proposed Special Resolution is carried and executed, because KNMG has to complete all conditions precedent under the current Sale, Purchase and Transfer Agreement with the purchaser NGK Insulators, Ltd. ("**NGK**") by 30 October 2025 for successful completion. Failure to do so will result in the Scheme Creditors stepping in to appoint a liquidator to complete the sale of DKNM and all other assets. Consequently, the RM100 million negotiated haircut by KNMG with the creditors, for Working Capital, will no longer be available, nor will any proceeds from other asset sales be available to support KNMG's future operations.

This statement provides a detailed summary of the information¹ for the proposed Special Resolution to be considered at the upcoming Extraordinary General Meeting.

Note 1: refer to the draft circular and Explanatory Statement announced on 19 August 2025 and 9 June 2025 respectively.

1. Overview of the proposed transaction

The resolution seeks shareholders' approval for the proposal by KNM Process Systems Sdn. Bhd. ("**KNMPS**"), a wholly-owned subsidiary of KNMG, to dispose of its entire 100% equity interest in DKNM. The purchaser is NGK, a publicly listed company incorporated in Japan and a global leader in ceramic technology.

DKNM is an investment holding company incorporated in Germany. Through its primary wholly-owned subsidiary, Borsig GmbH ("**Borsig**"), and its subsidiaries (the "**Borsig Group**"), it is principally engaged in manufacturing process equipment for the petrochemical and oil and gas industries.

- **Disposal consideration**

The total cash consideration for the disposal is a fixed amount of EUR270.00 million.

- **Classification**

The transaction is classified as a Major Disposal pursuant to Paragraph 10.02(eA) of the Listing Requirements as DKNM Group is KNMG's major business, contributing approximately 82.20% of the Group's total revenue for the financial year ended 31 December 2024.

2. Rationale for the proposed disposal

The Board of Directors has presented the disposal as a "difficult but unavoidable necessity" to address the Group's "dire financial position". The core justifications are:

- **PN17 status and debt burden**

The Company was classified as a PN17 Issuer on 31 October 2022. The proceeds will be utilized to reduce the Group's total loans and borrowings, which stood at approximately RM1.33 billion as at 31 December 2024, while retaining an estimated RM100 million in working capital to support the turnaround of KNMG.

- **Asset monetization strategy**

The Board identified the DKNM Group as the most suitable asset for monetization because it would generate the largest amount of cash in the most timely manner to address the Group's indebtedness. Previous attempts to monetize this asset, including a failed sale in 2022 for EUR220.80 million and a proposed flotation on the Singapore Exchange, were unsuccessful. The current offer from NGK is significantly higher and is with a strategic buyer interested in Borsig's business.

- **Funding the Proposed Scheme of Arrangement**

The proceeds are crucial for implementing a Proposed Scheme of Arrangement under Section 366 of the Companies Act 2016. This court-sanctioned scheme is designed to comprehensively address and settle the liabilities owed to the Group's creditors and is a key component of regularizing the Company's financial condition.

- **Preventing Enforcement Action by European Banking Consortium**

Borsig currently maintains a credit facility of approximately EUR 60 million from a German banking consortium. The credit facility agreement is expressly linked to the proposed sale of Borsig to NGK. In the event the sale does not materialize, the banking consortium reserves the right to demand full repayment in cash or to assume control over Borsig's assets and undertake a disposal at its discretion.

3. Utilization of proceeds

The gross proceeds of EUR270.00 million (equivalent to approximately RM1,336.44 million) are intended to be utilized in a structured manner:

Purpose	Item	Timeframe for utilisation from completion of the Proposed Disposal of	EUR million	RM million	%
		DKNM			
Repayment to Scheme Creditors	(A)	Within 6 months	203.90	1,009.25	75.52
12% Escrow Account	(B)	Within 60 months	32.40	160.37	12.00
Retained working capital	(C)	Within 48 months	⁽²⁾ 20.20	100.00	7.48
Estimated expenses	(D)	Upon completion	13.50	66.82	5.00
Total			270.00	1,336.44	100.00

Note 2:

Retained Working Capital (EUR20.49 million)

In addition to a debt waiver of all interests, penalties and charges, the Scheme Creditors have agreed that an amount equivalent to RM100.00 million will be retained by KNMG to ensure the continued operations of the restructured Group. This is further allocated into:

- (i) RM50.00 million: To serve as a 100% cash margin for bank guarantees, enabling KNMPS to participate in new project tenders with an estimated total value of RM500 million in turnover over 48 months.
- (ii) RM50.00 million: For initial start-up costs and general working capital, including the purchase of raw materials, payment to subcontractors, and operational overheads.

4. Pro forma financial effects

- **Estimated loss arising from the Proposed Disposal of DKNM**

The disposal, in conjunction with the subsequent debt settlement, will have a transformative impact on KNMG's financial position, based on the audited statements as at 31 December 2024:

	EUR million	RM million
DKNM Disposal Consideration	270.00	1,255.67
Waiver of intercompany debt	3.17	14.73
Less: Estimated expenses	(11.10)	(51.62)
Net DKNM Disposal Consideration	262.07	1,218.78
Less: NA of DKNM Group as at 31 December 2024 based on its consolidated financial statements prepared under IFRS for FYE 31 December 2024	(220.81)	(1,026.93)
(i) Assets classified as held for sale as at 31 December 2024	(310.75)	(1,445.20)
(ii) Liabilities classified as held for sale as at 31 December 2024	89.94	418.27
Add: Non-controlling interest	2.06	9.59
	43.32	201.44
Less: Reclassification of foreign currency translation reserves (FCTR) to profit or loss	(65.81)	(306.06)
Total estimated loss upon completion of the Proposed Disposal of DKNM	(22.49)	(104.62)

- Gain on debt waiver**
Upon completion of the Proposed Scheme of Arrangement, the Group is expected to recognize a significant one-off, non-recurring gain on debt and penalty/interest waiver amounting to approximately RM325.02 million.
- Reduction in borrowings**
The Group's total borrowings are expected to be substantially reduced from RM1,332.41 million to just RM3.34 million of interest-bearing loans.
- Improvement in gearing**
Consequently, the gearing ratio is projected to improve significantly from 3.34 times to 0.01 times.
- Net assets (NA) per share**
The pro forma NA per KNMG Share is expected to increase from 9.86 sen to 12.76 sen after accounting for all adjustments.

5. Future of the Group

Upon completion of the disposal, KNMG's operations will be concentrated on its Malaysian process equipment business via KNMPS, focusing on the design and fabrication of equipment for the oil and gas, petrochemical, and other related industries. While this represents a significant downsizing, the Board's strategy is to rebuild KNMPS's order book, leveraging its 35-year track record, its status as an approved vendor for 125 companies, and its revitalized balance sheet to tender for new projects.

Sincerely,
A fellow shareholder of KNM Group Berhad.