

OTHERS MEDIA RELEASE - KNM PLANS CORPORATE EXERCISES TO RAISE NEW FUNDINGS TO ENHANCE ITS FINANCIAL POSITION AND ACCELERATE FUTURE GROWTH

KNM GROUP BERHAD

Type	Announcement
Subject	OTHERS
Description	MEDIA RELEASE - KNM PLANS CORPORATE EXERCISES TO RAISE NEW FUNDINGS TO ENHANCE ITS FINANCIAL POSITION AND ACCELERATE FUTURE GROWTH

The Board of Directors ("**Board**") of KNM Group Berhad ("**KNM**") wishes to announce that KNM and its subsidiaries ("**KNM Group**") plan to initiate the following corporate exercises ("**Corporate Exercises**"), which have been identified as the most suitable measure to enhance its financial position and accelerate future growth.

Please refer enclosure for details.

This announcement is dated 22 December 2021.

Please refer attachment below.

Attachments

[Media Release-22.12.2021-FINAL.pdf](#)

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MEDIA RELEASE

KNM PLANS CORPORATE EXERCISES TO RAISE NEW FUNDINGS TO ENHANCE ITS FINANCIAL POSITION AND ACCELERATE FUTURE GROWTH

SERI KEMBANGAN, 22 December 2021 – The Board of Directors (“**Board**”) of KNM Group Berhad (“**KNM**”) wishes to announce that KNM and its subsidiaries (“**KNM Group**”) plan to initiate the following corporate exercises (“**Corporate Exercises**”), which have been identified as the most suitable measure to enhance its financial position and accelerate future growth.

The financial needs of KNM had arisen, in the first instance, due to the prolonged consequences of the COVID-19 pandemic which had affected KNM and its traditional market far beyond initial assumptions in early 2020 and which subsequently played a domino effect on several businesses, investments and operations at Group level.

The announced events of default, due to the non-payment of the outstanding principal sum of THB2,780 million and coupon payment on the bonds issued by KNM in Thailand (“**Thai Bonds**”), in itself is regarded by the Board of KNM as an isolated though material event, which is predominantly attributable to the negative impacts of the COVID-19 pandemic.

Under the current circumstances, the Board of KNM is committed to meeting its lenders’ and shareholders’ expectation to monetarise some of KNM assets by means of a few but crucial decisions which the Board of KNM summarises as follows :

1. Divestment of the equity interest and / or assets in relation to the bio-ethanol plant in Thailand (“**Proposed Thai Asset Disposal**”)
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KNM via its wholly-owned subsidiary, KNM Renewable Energy Sdn Bhd, owns an effective equity interest of 72.0% in Impress Ethanol Company Limited (“**IEL**”), Thailand. IEL owns and operates a 200,000 litres per day bio-ethanol plant in Thailand and its expansion of additional 300,000 litres per day production capacity is under construction (“**Thai Assets**”).

KNM is in negotiation with potential investors who are interested to acquire the Thai Assets. As part of the negotiation, KNM Group intends to remain as the engineering, procurement, construction and commissioning (“**EPCC**”) contractor for the additional 300,000 litres per day bio-ethanol plant expansion based on a new EPCC contract to be agreed upon with the new investors (“**Thai Transaction**”).

Management intends to conclude the Proposed Thai Asset Disposal within the next 3 months.

The proceeds from the Proposed Thai Asset Disposal will be used to fully settle the outstanding amount related to the Thai Bonds.

2. Divestment of the assets and project development rights in relation to the waste to energy plant (“**WtE Project**”) in Peterborough, United Kingdom (“**Proposed UK Asset Disposal**”)

KNM via its various subsidiaries own the land and project assets related to the WtE Project. KNM is in negotiation with an investor on the Proposed UK Asset Disposal.

The proceeds from the Proposed UK Asset Disposal will be used to repay KNM Group’s borrowings.

Management intends to conclude the Proposed UK Asset Disposal within the next 3 months.

3. Injection of the selected subsidiaries into a special purpose acquisition company (“**Proposed Injection**”)

KNM has been in discussion with its advisers on the Proposed Injection for a combination of cash consideration and certain percentage of shares in the special purpose acquisition company (“**SPAC**”), which is to be determined after the SPAC completed its due diligence on the selected subsidiaries.

The proceeds from the Proposed Injection will be used to repay KNM Group’s borrowings, working capital and other purposes to be determined by the Board at a later date.

The Proposed Injection is expected to be completed between 6 to 9 months.

4. New term loan to be arranged by a Germany bank (“**Proposed Term Loan**”)

KNM via its wholly-owned subsidiary in Germany has mandated a Germany bank to arrange the Proposed Term Loan via a consortium of banks in Germany.

The proceeds from the Proposed Term Loan will be used to repay KNM Group’s borrowings, working capital and other purposes to be determined by the Board at a later date.

Management intends to conclude the Proposed Term Loan within the next 2 months.

5. Initial Public Offering of BORSIG group of companies (“**Proposed BORSIG IPO**”)

Management plans to carry out the Proposed BORSIG IPO at a suitable stock exchange. Management will appoint a principal adviser and seek its advice on the Proposed BORSIG IPO.

Management intends to conclude the Proposed BORSIG IPO within 6 to 12 months.

While exploring the IPO as described above, the Management will still pursue different options to monetize the assets of BORSIG group of companies, such as through the sale of its shares in its Germany subsidiaries.

In order to oversee the Corporate Exercises the Board has formed a Restructuring Committee consisting of 4 Board Members that convenes on a regular basis so as to assist and guide the management in an expeditious manner. The Restructuring Committee will also

engage directly with various Lenders to ensure full commitment and transparency of the proposed Corporate Exercises and their respective progress.

Further details of the Corporate Exercises and the definite figures will be announced at an appropriate juncture pursuant to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

In addition, appropriate shareholders' approval for the scheme will also be obtained pursuant to the MMLR.

The proceeds from the Corporate Exercise will not only enable us to rectify the outstanding amount due under Thai Bonds, but will also enable the Management to focus on growing our businesses and unlock the sum-of-the-parts value of KNM Group for its shareholders. The enhanced financial position and better clarity on the future prospects of KNM Group will also be essential in convincing our customers and suppliers to engage in business dealings with us and would further improve employee retention.

The Board of KNM is confident that following the successful completion of the proposed Corporate Exercises, KNM with its know-how and expertise will transform into a more financially healthy and sustainable company serving a variety of growing industry segments.

About KNM Group Berhad

KNM is a company with global brands. It is a well-diversified multinational group with core businesses in project management, engineering, manufacturing and construction services for the renewable energy, power, utilities, refining and petrochemical industries. Based in Malaysia, KNM was listed on the Bursa Malaysia Securities Berhad since August 2003. KNM Group operates in 7 countries and offers a broad range of process equipment products and services under renowned brands of KNM, BORSIG and FBM Hudson.

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