

OTHERS Default in Payment by KNM Group Berhad (KNMG) pursuant to Paragraph 9.19A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad - Bank of China (Malaysia) Berhad USD3.4 million

KNM GROUP BERHAD

Type	Announcement
Subject	OTHERS
Description	Default in Payment by KNM Group Berhad (KNMG) pursuant to Paragraph 9.19A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad - Bank of China (Malaysia) Berhad USD3.4 million

1. Introduction

The Board of Directors of KNMG wishes to announce that an event of default on a principal repayment of USD3.4 million and interest of USD16,104 ("Arrears") due to Bank of China (Malaysia) Berhad ("the Lender") by a wholly-owned subsidiary, KNM Capital Labuan Limited ("the Borrower"), have occurred on 26 December 2022.

1. Date of default in payment

The Borrower had received a letter dated 19 December 2022 on 22 December 2022 from the Lender notifying the Arrears and was given 7 days from the date of the letter to settle the Arrears. As of today, while we are on close negotiation with the Lender, the Arrears are still outstanding. As such, the date of default in payment is therefore on 26 December 2022.

1. The reasons for the default in payment

KNMG had agreed with the Lender to use part of the proceeds from the Proposed Disposal of Borsig GmbH ("**Proposed Disposal**") to pay the instalment payments of the credit facilities totalling USD8.0 million ("Loan"). However, the longstop date agreed in the share sale and purchase agreement regarding the Proposed Disposal had been extended various times and the last extension in principle was until 30 November 2022. On 1 December 2022, KNMG announced that the Proposed Disposal had not materialised as the relevant conditions precedent have not been fulfilled as of 30 November 2022.

Consequently, the repayment plan to settle the Loan did not materialise.

1. The measures by the listed issuer to address the default in payment

KNMG has been in close discussion with the Lender on various measures to address this event of default. The repayments will be dealt with/ addressed/ restructured under the Proposed Scheme of Arrangement ("SOA") as per KNM Group Berhad's announcement on 16 December 2022.

5. The legal implications of the default in payment including the extent of the listed issuer's ability in respect of the obligations incurred under the agreements for the indebtedness.

Under the letter of offer signed with the Lender, following the occurrence of an event of default, the Lender

Under the letter of offer signed with the Lender, following the occurrence of an event of default, the Lender has the following rights :

- a. cancel the Loan; and/or
- b. declare that the Loan is immediately due and repayable, and any other amounts accrued arising from this Loan are payable; and/or
- c. request for additional security in whatsoever form the Lender in its absolute opinion deems necessary.

As disclosed in KNM's announcement on 16 December 2022, all existing proceedings and /or any new/future actions or proceedings against the KNMG and KNM Process Systems Sdn Bhd ("Applicants") and/or their assets (whether located in Malaysia or outside of Malaysia and whether held by the Applicants or any trustee in whole or in part, directly or indirectly, as principal or agent, beneficially or otherwise) by all creditors of the Applicants (including but not limited to contingent or prospective creditors), is restrained by the Restraining Order ("RO") and stayed except by leave of the Court for a period of three (3) months from the date of the RO and subject to such terms as the Court may impose.

Therefore, the RO allows the Borrower and the Lender to negotiate and finalise the terms of the SOA without the potential threat of any proceedings and actions being brought against the Borrower in the interim.

6. The business, financial and operational impact of the default in payment on the listed issuer

The event of default may have an adverse impact on the financing facilities of KNMG and its subsidiaries ("**KNM Group**") in the event KNM Group's respective financial institutions suspend their financing facilities pending the resolution of this event of default. In this respect, KNMG would like to remind that the current businesses, in particular for overseas operations, and the actual general market conditions would be sufficient to ensure continuity should the financial institutions maintain their respective position. KNMG shall endeavour to continue its other business operations notwithstanding this isolated event of default and will engage with the lenders and suppliers for their continuing support.

7. In the event the default in payment is in respect of secured loan stocks or bond, the lines of action available to the guarantors or security holders against the listed issuer

Not applicable.

8. In the event the default in payment is in respect of payments under a debenture, to specify whether the default in payment will empower the debenture holder to appoint a receiver or receiver and manager

Not applicable.

9. Whether the default in payment constitutes an event of default under a different agreement for the indebtedness (cross default) and the details for such other default, where applicable

The event of default may cause cross default in other existing financial facilities granted to KNM Group. Nevertheless, KNM Group has been communicating with the respective financial institutions involved pertaining to KNM Group's plan to improve its financial position in order for the KNM Group's other existing financial facilities to remain status quo.

10. Where the default in payment is in respect of a subsidiary or associated company, a confirmation as to

whether the subsidiary or associated company is a major subsidiary or major associated company, as the case may be

The Borrower is not a major subsidiary of KNMG as defined in the listing requirements.

11. Where the default in payment is in respect of a listed issuer, major subsidiary or major associated company, as the case may be, a statement as to whether the listed issuer is solvent.

Not applicable as the subsidiary involved is not considered as major subsidiary as defined in the listing requirements.

This announcement is dated 27 December 2022.

Announcement Info

Company Name	KNM GROUP BERHAD
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