

MATERIAL LITIGATION KNM GROUP BERHAD ("KNM" OR "THE COMPANY") HIGH COURT OF MALAYA AT KUALA LUMPUR CIVIL SUIT NO. WA-22NCC-731-10/2023: KNM GROUP BERHAD ("1ST PLAINTIFF"), DEUTSCHE KNM GMBH ("2ND PLAINTIFF") AND BORSIG GMBH ("3RD PLAINTIFF") (COLLECTIVELY REFERRED TO AS "PLAINTIFFS") VS FLAVIO PORRO ("1ST DEFENDANT") AND TERENCE TAN KOON PING ("2ND DEFENDANT") (COLLECTIVELY REFERRED TO AS "DEFENDANTS")

KNM GROUP BERHAD

Type	Announcement
Subject	MATERIAL LITIGATION
Description	KNM GROUP BERHAD ("KNM" OR "THE COMPANY") HIGH COURT OF MALAYA AT KUALA LUMPUR CIVIL SUIT NO. WA-22NCC-731-10/2023: KNM GROUP BERHAD ("1ST PLAINTIFF"), DEUTSCHE KNM GMBH ("2ND PLAINTIFF") AND BORSIG GMBH ("3RD PLAINTIFF") (COLLECTIVELY REFERRED TO AS "PLAINTIFFS") VS FLAVIO PORRO ("1ST DEFENDANT") AND TERENCE TAN KOON PING ("2ND DEFENDANT") (COLLECTIVELY REFERRED TO AS "DEFENDANTS")

1. INTRODUCTION

The Board of Directors of KNM wishes to inform that KNM Group Berhad, Deutsche KNM GMBH, and Borsig GMBH ('**Plaintiffs**') had on 11 October 2023 filed a writ action at the High Court of Malaya at Kuala Lumpur vide Civil Suit No WA-22NCC-731-10/2023 against Flavio Porro and Terence Tan Koon Ping ('**Defendants**').

The matter is now fixed for case management on 25 October 2023.

2. PARTICULARS OF THE CLAIMS UNDER THE CIVIL SUIT NO: No WA-22NCC-731-10/2023

The Civil Suit is to seek the following reliefs:

- (a) An order that the Defendants, whether jointly or severally, pay the Plaintiff the amount of **EUR 3,444,832.16** (equivalent in currency exchange EUR 1 x RM 5.01= **RM 17,258,609.12**) or any other sum quantified by this Honourable Court within fourteen (14) days from the date of the order herein;
- (b) An order that in the event the Defendants fail to comply with prayer (a) above, all assets and properties of the Defendants wheresoever situated and whatsoever in nature be traced, and thereafter be paid over to the Plaintiffs whether for, inter alia, the purpose of satisfying all loss and/or damage suffered by the Plaintiffs;

(c) General damages to be assessed;

(d) Exemplary and/or aggravated damages;

(e) Post-judgment interest at the rate of 5% per annum on the total sum awarded by this Honourable Court from the date of judgment until the judgment sum is settled in full;

(f) The order herein be endorsed with a penal notice pursuant to Order 45, Rule 7(4) and Form 83 of the Rules of Court 2012;

(g) Costs; and/or

(h) Any other reliefs this Honourable Court deems fit and/or appropriate.

3. BASIS OF THE CLAIM AGAINST THE DEFENDANTS.

(a) The Civil suit is in relation to the sale of the 3rd Plaintiff to Vorsprung Industries GmbH (**'the Borsig sale'**) which was later terminated in December 2022.

(b) The Plaintiffs contend that the Defendants as the Directors, at the material time, owed to the Plaintiffs, amongst others, obligations under common law, equity and the Companies Act 2016 ("CA"):

(i) To at all times exercise their powers for a proper purpose and in good faith in the best interests of the Plaintiffs;

(ii) To at all times exercise reasonable care, skill and diligence.

(iii) To ensure that the affairs of the Plaintiffs are properly managed and that their assets are not disposed or exploited in a manner prejudicial to the Plaintiffs.

(iv) To manage the assets of the Plaintiffs as trustees of the Plaintiffs.

(v) To make good business decisions and judgment in the best interest of the Plaintiffs.

(c) However, Plaintiffs aver that the Defendants breached their duties owed to the Plaintiffs in the following manner:-

(i) The Defendants did not obtain prior approval from the 1st Plaintiff's Board of Directors and/or bring to the 1st Plaintiff's Board of Directors' attention in executing a document entitled "*Project Bear Cost Cover and Break-Up Fee Arrangement*" in particular Clause 1 which exposed the 2nd and 3rd Plaintiff to the Due Diligence Costs regardless of the circumstances.

(ii) The 1st Defendant caused the execution of the “*Amendment Agreement to Project Bear Cost Cover and Break-Up Fee Arrangement*” without any authorization or approval from the 1st Plaintiff’s Board of Directors. The said agreement exposed the 2nd Plaintiff and the 3rd Plaintiff to unlimited Due Diligence Costs regardless of the circumstances.

(d) As the sale of Borsig was aborted in December 2022, due to the obligations imposed under the “*Project Bear Cost Cover and Break-Up Fee Arrangement*” and “*Amendment Agreement to Project Bear Cost Cover and Break-Up Fee Arrangement*” to absorb the Due Diligence Costs regardless of the circumstances, the Plaintiffs were compelled to enter into a settlement with Vosprung, although the cancellation of the sale was due to Vosprung.

(e) In furtherance the Plaintiffs’ claim against the Defendants are based on conspiracy to injure, breach of duty of loyalty and fidelity, negligence and breach of statutory duties.

The Company will make the necessary announcements as and when there are further developments in relation thereto.

This announcement is dated 12 October 2023.

Announcement Info

Company Name	KNM GROUP BERHAD
Stock Name	KNM
Date Announced	12 Oct 2023
Category	General Announcement for PLC
Reference Number	GA1-12102023-00026