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Khoon Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 924)

DISCLOSEABLE TRANSACTIONS DUAL CURRENCY INVESTMENT TRANSACTIONS

DUAL CURRENCY INVESTMENT TRANSACTIONS

The Company entered into fourteen Dual Currency Investment Transactions with RHB between October 2019 and August 2020.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Dual Currency Investment Transactions is more than 5% but less than 25%, the Dual Currency Investment Transactions constituted discloseable transactions of the Company under Chapter 14 of the Listing Rules and were subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The 5% percentage ratio threshold for discloseable transactions was first reached in around February 2020, but regrettably, due to an unintentional and inadvertent mistake, the Company was of the impression that the Dual Currency Investment Transactions were essentially of the same nature as fixed deposits with high interest return placed with its bank, and did not realise that because of the foreign exchange option feature of the Dual Currency Investment Transactions, entering into the transactions constituted “acquisition of assets” by the Company within the meaning of Rule 14.04(1)(a) of the Listing Rules. As a result, the Company had overlooked the requirements to consult its compliance adviser before entering into the Dual Currency Investment Transactions pursuant to Rule 3A.23 of the Listing Rules and to publish an announcement on the Dual Currency Investment Transactions in a timely manner pursuant to Rule 14.34 of the Listing Rules.

REMEDIAL MEASURES

For the purpose of avoiding future occurrence of similar non-compliance with the Listing Rules, the Company has implemented certain remedial measures as set out in the section headed “Remedial measures” of this announcement.

DUAL CURRENCY INVESTMENT TRANSACTIONS

The Company entered into fourteen Dual Currency Investment Transactions with RHB between October 2019 and August 2020.

A summary of the key terms of the Dual Currency Investment Transactions is set out as follows:

Trade date	:	1. 3 October 2019
		2. 10 February 2020
		3. 18 February 2020
		4. 19 February 2020
		5. 13 March 2020
		6. 18 March 2020
		7. 9 April 2020
		8. 16 April 2020
		9. 28 April 2020
		10. 12 May 2020
		11. 26 May 2020
		12. 29 May 2020
		13. 18 June 2020
		14. 3 July 2020
Parties	:	The Company and RHB
Investment amount (“ Investment Amount ” or “ Principal ”) in base currency (“ Base Currency ”) by the Company	:	1. US\$1,000,000.00
		2. US\$1,000,000.00
		3. US\$2,000,000.00
		4. US\$2,000,000.00
		5. US\$1,000,000.00
		6. S\$2,815,807.42
		7. S\$2,790,000.00
		8. US\$1,002,505.83
		9. S\$2,800,000.00
		10. S\$2,795,962.19
		11. US\$1,005,179.18
		12. S\$2,805,400.55
		13. US\$1,990,827.94
		14. US\$3,008,539.38

- Tenure (period between start date and maturity date (“**Maturity Date**”)) :
1. From 7 October 2019 to 7 November 2019
 2. From 12 February 2020 to 12 March 2020
 3. From 20 February 2020 to 20 March 2020
 4. From 21 February 2020 to 23 March 2020
 5. From 17 March 2020 to 17 April 2020
 6. From 20 March 2020 to 20 April 2020
 7. From 14 April 2020 to 14 May 2020
 8. From 20 April 2020 to 20 May 2020
 9. From 30 April 2020 to 1 June 2020
 10. From 14 May 2020 to 15 June 2020
 11. From 28 May 2020 to 29 June 2020
 12. From 2 June 2020 to 3 July 2020
 13. From 22 June 2020 to 22 July 2020
 14. From 7 July 2020 to 7 August 2020
- Interest (“**Interest**”) rate :
1. 3.00% per annum
 2. 2.62% per annum
 3. 2.30% per annum
 4. 2.20% per annum
 5. 2.91% per annum
 6. 2.60% per annum
 7. 2.60% per annum
 8. 3.20% per annum
 9. 2.20% per annum
 10. 2.50% per annum
 11. 2.30% per annum
 12. 2.70% per annum
 13. 2.38% per annum
 14. 2.41% per annum
- Payout profile :
- On Maturity Date, the investment structure pays the Company the Investment Amount in the Base Currency or the Alternate Currency at the pre-agreed Conversion Rate depending on which is the weaker currency. The payout profile is as follows:
- (a) in the case where the Base Currency is USD,
 - (i) if USD/SGD spot exchange rate on the Expiry Date trades below Conversion Rate, the Company will receive the Principal and Interest in Base Currency;
 - (ii) however, if USD/SGD spot exchange rate on the Expiry Date trades above Conversion Rate, the Company will receive the Principal in Alternate Currency (converted at Conversion Rate) and Interest in Base Currency; and

- (b) in the case where the Base Currency is SGD,
- (i) if USD/SGD spot exchange rate on the Expiry Date trades above Conversion Rate, the Company will receive the Principal and Interest in Base Currency;
 - (ii) however, if USD/SGD spot exchange rate on the Expiry Date trades below Conversion Rate, the Company will receive the Principal in Alternate Currency (converted at Conversion Rate) and Interest in Base Currency.

“Expiry Date”, “Alternate Currency” and “Conversion Rate” bear the following meanings in relation to each of the fourteen Dual Currency Investment Transactions:

No.	Expiry Date	Alternate Currency	Conversion Rate
1.	5 November 2019	SGD	1.4000
2.	10 March 2020	SGD	1.4021
3.	18 March 2020	SGD	1.4053
4.	19 March 2020	SGD	1.4077
5.	15 April 2020	SGD	1.4300
6.	16 April 2020	USD	1.4053
7.	12 May 2020	USD	1.4075
8.	18 May 2020	SGD	1.4350
9.	28 May 2020	USD	1.4050
10.	11 June 2020	USD	1.4075
11.	25 June 2020	SGD	1.4300
12.	1 July 2020	USD	1.4050
13.	20 July 2020	SGD	1.4045
14.	5 August 2020	SGD	1.4005

Fees, charges and expenses : No fees, charges or other expenses was charged by RHB in respect of the Dual Currency Investment Transactions.

INFORMATION ABOUT THE PARTIES

The Company

The Company is an investment holding company and the principal activities of its operating subsidiary, Khoon Engineering Contractor Pte Ltd, incorporated in Singapore, are the provision of electrical engineering services.

RHB

RHB is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activities of RHB are commercial banking and finance related business and the provision of related services.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, RHB and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS AND BENEFITS FOR THE DUAL CURRENCY INVESTMENT TRANSACTIONS

The Company entered into the Dual Currency Investment Transactions in order to earn higher interests than from making ordinary fixed deposits at banks and such transactions were only made for the Company's treasury purposes only.

Since the Company's Listing on 5 July 2019, the Company planned to use the net proceeds from the Share Offer in the same manner as set out in the Prospectus. However, as the net proceeds were planned to be utilized over a period of years, the Company kept the unutilized net proceeds in fixed deposits accounts. In early August 2019, the interest rate at the HKD fixed deposit account of the Company was 1.65% per annum for a one-month time deposit. As the fixed deposit interest rate for USD was more favorable than that for HKD at the time (in around mid-August 2019, interest rate at the USD fixed deposit account of the Company was 2.35% per annum for a 6-month time deposit), the Company converted HK\$40 million of the net proceeds from the Share Offer into USD. The sum of HK\$40 million, being converted into USD, was the source of the investment amount of the Dual Currency Investment Transactions.

In order to earn higher interest income on its unutilized net proceeds from the Share Offer, the Company decided to enter into the Dual Currency Investment Transactions. Before entering into the transactions, the executive Directors had taken into account the following factors:

- (i) The interest rates offered by the Dual Currency Investment Transactions were generally higher than that offered by ordinary fixed deposits at the material times. In particular, as the Federal Reserve of the United States of America had progressively reduced the federal funds rate since early 2020, the interest rates for USD fixed deposit offered to the Company had remained at a low level for a prolonged period. For instance, earlier in February 2020, the interest rate offered to the Company was 1.5% per annum for 3-month deposits, and later in May 2020, the interest rate dropped to as low as 0.08% per annum for 3-month deposits.
- (ii) According to the payout profile of the Dual Currency Investment Transactions, the Company might receive the Principal and Interest in USD or SGD depending on the specific terms, including but not limited to the Conversion Rate. On the Company's date of Listing on 5 July 2019, the USD/SGD exchange rate was approximately 1.3560. Thus, considering that the fluctuations in HKD/USD exchange rates were negligible, any USD to SGD conversion under the Dual Currency Investment Transactions at an exchange rate higher than 1.3560 would have resulted in realized exchange gain for the Company.
- (iii) Conversion of the net proceeds from the Share Offer, which are initially in HKD, into SGD in a progressive manner would be beneficial to the Company since the functional and operating currency of the Group had been mainly SGD.
- (iv) As disclosed above, the investment amount of the Dual Currency Investment Transactions originated from a sum of HK\$40 million out of the net proceeds from the Share Offer, which was converted into USD in around mid-August 2019. It was noted that the Company incurred only nominal administrative expenses (in the form of bank charges) in converting the sum of HK\$40 million into USD. Taking into account the higher interest rate for USD fixed deposits versus that for HKD fixed deposits available to the Company at the material time, the said HKD to USD conversion was beneficial to the Company.

- (v) All of the Dual Currency Investment Transactions were short term (one month) in nature, and would not materially affect the spending plan for the net proceeds of the Share Offer.
- (vi) Given the above, the executive Directors were of the view that it was an opportune time to earn higher interest income from the Dual Currency Investment Transactions compared to ordinary fixed deposits. Even if the Investment Amounts had to be converted into SGD based on the agreed payout profile, it was at Conversion Rates which were acceptable to the Company.

Accordingly, the Directors are of the view that the Dual Currency Investment Transactions were on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Dual Currency Investment Transactions is more than 5% but less than 25%, the Dual Currency Investment Transactions constituted discloseable transactions of the Company under Chapter 14 of the Listing Rules and were subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The 5% percentage ratio threshold for discloseable transactions was first reached in around February 2020, but regrettably, due to an unintentional and inadvertent mistake, the Company was of the impression that the Dual Currency Investment Transactions were essentially of the same nature as fixed deposits with high interest return placed with its bank, and did not realise that because of the foreign exchange option feature of the Dual Currency Investment Transactions, entering into the transactions constituted “acquisition of assets” by the Company within the meaning of Rule 14.04(1)(a) of the Listing Rules. As a result, the Company had overlooked the requirements to consult its compliance adviser before entering into the Dual Currency Investment Transactions pursuant to Rule 3A.23 of the Listing Rules and to publish an announcement on the Dual Currency Investment Transactions in a timely manner pursuant to Rule 14.34 of the Listing Rules.

The Company would like to stress that it had no intention to withhold information relating to the Dual Currency Investment Transactions from disclosure. In fact, the Company has disclosed its position in the then subsisting Dual Currency Investment Transactions in note 19 to the consolidated financial statements in its 2020 annual report. Furthermore, the Company takes regulatory compliance and internal control very seriously and has been maintaining regular communication with and sought advice from its professional advisers, including its legal adviser, compliance adviser and internal control adviser on a regular basis since the Listing and Share Offer on Listing Rules compliance and/or internal control issues.

REMEDIAL MEASURES

For the purpose of avoiding future occurrence of similar non-compliance with the Listing Rules, the Company has implemented the following remedial measures:

- (a) The Company will enhance the training provided to the Directors and senior management of the Group, including requesting its legal advisers or other relevant professionals to regularly give seminars on the compliance requirements and practicable knowledge of the Listing Rules, especially on the topic of notifiable transactions under Chapter 14 of the Listing Rules.

- (b) If the Company intends to conduct similar transactions, it will seek timely advice from its legal advisers, compliance adviser (if any) or other suitable advisers on whether such transactions will trigger any disclosure or other compliance requirements under the Listing Rules. If necessary, the Company will consult the Stock Exchange about the proper treatment of the proposed transactions in a timely manner.
- (c) The Company will strengthen the implementation of its internal control system on transactions including but not limited to strengthening the coordination and reporting arrangements for notifiable transactions among the various departments of the Company, including its finance department, and the Board. Before entering into each agreement, the finance department will coordinate with the Board to review the relevant agreement to ensure compliance with the Listing Rules.
- (d) The Company will maintain cooperation with its professional advisers in relation to regulatory compliance.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors;
“Company”	Khoon Group Limited (坤集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 July 2018, the shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Dual Currency Investment Transactions”	the dual currency investment transactions entered into between the Company and RHB, a summary of the details of which are set out in the section headed “Dual Currency Investment Transactions” of this announcement;
“Group”	the Company and its subsidiaries;
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing”	the listing of the Shares pursuant to the terms of the Prospectus;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Prospectus”	the prospectus of the Company dated 20 June 2019 in respect of the Listing and Share Offer;
“RHB”	RHB Bank Berhad, a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad;

“SGD” or “S\$”	Singapore dollars, the lawful currency of the Republic of Singapore;
“Share(s)”	the ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Offer”	the share offer of the Shares pursuant to the terms of the Prospectus;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

By order of the Board
Khoon Group Limited
Ang Jui Khoon
Chairman and Executive Director

Hong Kong, 9 June 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ang Jui Khoon, Mr. Ang Kok Kwang (Hong Guoguang) and Mr. Ang Yong Kwang (Hong Yongquan); and three independent non-executive Directors, namely Ms. Leung Wing Chi Kylie, Mr. Yeo Kwang Maccann and Mr. Hon Chin Kheong (Han Zhenqiang).