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## **Khoon Group Limited**

**坤集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 924)**

### **FURTHER CHANGE IN USE OF PROCEEDS**

Reference is made to (i) the prospectus of Khoon Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 20 June 2019 (the “**Prospectus**”) in relation to the proposed use of the net proceeds from the Share Offer (the “**Net Proceeds**”); (ii) the announcement of the Company dated 13 May 2020 in relation to the change in use of the Net Proceeds; (iii) the announcement of the Company dated 19 September 2022 in relation to the further change in use of the Net Proceeds ((ii) and (iii), collectively, the “**Announcements**”); and (iv) the interim report of the Group for the six months ended 31 December 2023 (the “**Interim Report**”) in relation to the utilisation of the Net Proceeds from the Listing Date up to 31 December 2023. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus and the Announcements.

### **USE OF NET PROCEEDS AS CHANGED PURSUANT TO THE ANNOUNCEMENTS**

The Net Proceeds, after deducting the underwriting commissions and expenses payable by the Company in relation to the Share Offer, were approximately S\$16.6 million. As disclosed in the Announcements, the intended use of the Net Proceeds has been adjusted and re-allocated on 13 May 2020 and 19 September 2022, respectively. Please refer to the Announcements for the detailed breakdown of the revised allocation of the use of the Net Proceeds.

### **FURTHER CHANGE IN USE OF NET PROCEEDS**

According to the Interim Report, the unutilised Net Proceeds amounted to approximately S\$0.6 million (“**Unutilised Net Proceeds**”) as at 31 December 2023. The Unutilised Net Proceeds remained to be S\$0.6 million as at the date of this announcement. After due and careful consideration on the prevailing business environment and development needs of the Group, the board of the directors of the Company (the “**Board**”) has resolved to further change the use of (i) approximately S\$0.5 million originally designated for financing the acquisition of additional machinery and equipment and (ii) approximately S\$0.1 million for

financing the acquisition of additional lorries, and reallocate the sum to finance the Group’s upfront costs and working capital requirements at the early stage of carrying out its new potential electrical engineering projects.

Set out below are details of the further revised allocation of the Unutilised Net Proceeds as at the date of this announcement:

	Unutilised Net Proceeds up to 31 December 2023 and the date of this announcement prior to the further revised allocation S\$ million	Further revised allocation of the Unutilised Net Proceeds as disclosed in this announcement S\$ million	Expected date to fully utilise the re-allocated Unutilised Net Proceeds
(i) Acquisition of a Singapore-based ACMV contractor which is registered under the workhead of ME01 (air-conditioning, refrigeration and ventilation works) with at least “L4” grade	—	—	N/A
(ii) Strengthening the Group’s manpower by recruiting additional staff	—	—	N/A
(iii) Expanding the Group’s premises for its various operational needs	—	—	N/A
(iv) Financing the Group’s upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ( <i>existing projects</i> )	—	—	N/A
(v) Financing the Group’s upfront costs and working capital requirements at the early stage of carrying out its electrical engineering projects ( <i>new potential projects</i> )	—	0.6	On or before December 2024
(vi) Financing the acquisition of additional machinery and equipment	0.5	—	N/A
(vii) Purchasing a building information modeling software together with certain ancillary supporting hardware device and upgrading the Group’s enterprise resource planning system	—	—	N/A
(viii) Financing the acquisition of additional lorries	0.1	—	N/A
(ix) Reserved as the Group’s general working capital	—	—	N/A
<b>Total</b>	<b>0.6</b>	<b>0.6</b>	

Following the further revised allocation as set out above, the Company expects that the re-allocated Unutilised Net Proceeds would be fully utilised by December 2024.

## **REASONS FOR FURTHER CHANGE IN USE OF PROCEEDS**

### **(a) Increase in upfront project costs for contracts newly awarded to the Group after the Listing**

In July 2023, the Housing & Development Board, the public housing authority of the Singapore Government, targeted to complete the projects delayed by COVID-19 (“**Backlog Projects**”) by early 2025. The faster pace of the construction progress of the Backlog Projects led to the increase in pressure on the Group’s working capital needs. Since January 2024 up to the date of this announcement, the Group was awarded with 2 additional projects with a total contract sum of approximately S\$28.3 million in aggregate. As at the date of this announcement, the Group has tendered for 6 projects with an aggregate tendered sum of approximately S\$80 million, the result of which are still pending.

The management of the Group was aware of that despite the faster pace of the construction progress of Backlog Projects, the period required by the Group’s customer to certify and approve payments remained to be longer than those times before the COVID-19 outbreak in Singapore. While the Group has used reasonable endeavours to follow up and liaise with its customers during the certification process, it was noticed that main contractors had, in general, become more cost-conscious and conservative with budget management, thereby prolonging the certification and approval process of payment to their subcontractors. Meanwhile, the Group has, to the extent permissible, maintained its existing payment patterns to its subcontractors with a view to ensuring their timely performance of works and maintaining a stable and amicable working relationships with them.

As the Backlog Projects advance, coupled with the prolongation in the payment certification and approval process on the part of its customers, the Group expects a further increase in its working capital needs when its newly obtained projects commence. The Group normally incurs net cash outflows at the early stage of a project to cover a variety of upfront costs and expenses including subcontracting charges, costs of materials and other costs associated with site preparation. The cash flow requirements during such upfront period together with the limited availability of internal resources would therefore impose a constraint on the number of projects the Group could undertake. Based on the Group’s internal assessment, the 2 additional projects obtained by the Group since January 2024, the 6 tendered projects which are still pending results and other on-going projects would tie-up a significant amount of financial resources of the Group, and this, in turn, would impose limitation on the Group’s financial ability to respond to new tender invitations going forward. With a view to seizing new business opportunities amid the recovery of the construction industry in Singapore, the management of the Group considers that there is a genuine need to reserve more cash resources to support the upfront costs requirements of its new potential projects.

**(b) Decrease in demand for the acquisitions of additional machinery and equipment as well as lorries**

Given the changing market conditions and development needs of the Group, the Board considers the demand for the acquisitions of additional machinery and equipment as well as lorries is decreasing and the Group should allocate more resources to satisfy working capital requirements in order to maintain its market competitiveness for undertaking more potential projects instead. Rental machinery, equipment and lorries will be available as an alternative if necessary.

The Board considers that the further change in the use of the Net Proceeds is fair and reasonable, which allows the Group to meet its financial needs more efficiently and flexibly. The Board is of the view that the business development direction of the Group is still in line with the disclosure in the Prospectus in spite of such change in the use of Net Proceeds as stated above. The aforesaid change in the use of the Net Proceeds from the Share Offer is in the interests of the Group and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group. The Board will continuously assess the plans for the use of the Net Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group.

The Board confirms that, save as disclosed in the Announcements, the Interim Report and set out above in this announcement, there are no other changes to the use of the Net Proceeds.

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

Hong Kong, 11 September 2024

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ang Jui Khoon and Mr. Ang Kok Kwang (Hong Guoguang); and three independent non-executive Directors, namely Ms. Leung Wing Chi Kylie, Mr. Fok Wai Hung and Mr. So Chi Kai.*