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KML Technology Group Limited

高萌科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8065)

DISCLOSEABLE TRANSACTIONS SUBSCRIPTIONS OF FINANCIAL PRODUCTS

SUBSCRIPTIONS OF FINANCIAL PRODUCTS

KML Capitals, a wholly-owned subsidiary of the Company, made subscriptions for five Currency Linked Investment Products from DBS Bank on 5 May 2022 and 25 May 2022, respectively, with a maximum amount of subscription of approximately HK\$1.1 million.

IMPLICATIONS UNDER THE GEM LISTING RULES

As all the Currency Linked Investment Products have been subscribed for with the same financial institution, the transactions related thereto have been aggregated and treated as if they were one transaction with that financial institution for the purpose of computing the relevant percentage ratios pursuant to Rule 19.22 of the GEM Listing Rules. As one or more of the applicable percentage ratios in respect of the Currency Linked Investment Products exceed 5% but are less than 25%, the transactions contemplated thereunder constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirement but exempt from Shareholders' approval requirement under the GEM Listing Rules.

INADVERTENT BREACH OF RULE 19.34 OF THE GEM LISTING RULES

The failure to make timely disclosure pursuant to Rule 19.34 of the GEM Listing Rules was due to a misunderstanding by the management of the Company that as the Currency Linked Investment Products had substantially the same characteristics as high interest deposits with banks, the Subscriptions are part of the Company's treasury activities as opposed to "acquisitions" under Chapter 19 of the GEM Listing Rules, i.e. the Subscriptions do not constitute "transactions" under Chapter 19 of the GEM Listing Rules. As a result, the Company had not complied with the applicable requirements under Chapter 19 of the GEM Listing Rules after making the Subscriptions in a timely manner.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with Rule 19.34 of the GEM Listing Rules but would like to stress that such non-compliance was inadvertent and the Company had no intention to withhold any information relating to the Subscriptions from disclosure.

To prevent the reoccurrence of the current instance of non-compliance, the Company intends to adopt certain measures as further particularised in the section headed “Remedial Measures” of this announcement.

THE CURRENCY LINKED INVESTMENT PRODUCTS

KML Capitals, a wholly-owned subsidiary of the Company, made subscriptions for five Currency Linked Investment Products from DBS Bank on 5 May 2022 and 25 May 2022, respectively, with a maximum amount of subscription of approximately HK\$1.1 million.

A summary of key terms of the Currency Linked Investment Products are set out as follows:

	Currency Linked Investment Products				
	No. 1	No. 2	No. 3	No. 4	No. 5
Date of subscription	: 5 May 2022	5 May 2022	5 May 2022	25 May 2022	25 May 2022
Maturity Date	: 9 June 2022	9 June 2022	9 June 2022	27 June 2022	27 June 2022
Investment currency and principal amount	: AUD130,000.00	GBP116,000.00	SGD135,000.00	HK\$1,000,000.00	NZD141,976.68
HK\$ equivalent of the investment currency in principal amount (approximately)	HK\$0.7 million	HK\$1.1 million	HK\$0.8 million	N/A	HK\$0.7 million
Linked currency	: NZD	CHF	CAD	CAD	AUD
Interest rate (per annum)	: 4%	4%	4%	4%	4%
Fixing date and fixing time	: 7 June 2022 3:00 p.m. Tokyo time	7 June 2022 3:00 p.m. Tokyo time	7 June 2022 3:00 p.m. Tokyo time	23 June 2022 3:00 p.m. Tokyo time	22 June 2022 3:00 p.m. Tokyo time
Conversion rate	: 1.112	1.23	1.0783	6.075	1.091

If the linked currency appreciates or remains constant against the investment currency at the fixing time on the fixing date beyond the conversion rate, KML Capitals will receive the principal amount and the interest in the investment currency on maturity date.

Redemption conditions : Instead, if the linked currency depreciates against the investment currency, KML Capitals will receive the principal amount and the interest in the linked currency, converted at the conversion rate.

REASONS AND BENEFITS FOR SUBSCRIPTIONS OF THE CURRENCY LINKED INVESTMENT PRODUCTS

As part of the treasury activities of the Company, the management of the Company had decided to utilise the idle funds generated from the business operations of the Group to invest in short-term (i.e. for a term of no more than six months) financial products issued by reputable financial institutions or corporations, such as the Currency Linked Investment Products, in order to generate better investment returns as compared to the interests generated by fixed-term deposit placed with banks or licensed financial institutions. Given the Board was of the view that the Currency Linked Investment Products were highly secured with appropriate returns, the Board considered the Subscriptions were conducive to enhancing the utilisation of capital and increasing income from idle funds.

The consideration in relation to the Subscriptions was determined after taking into account various factors including the purpose of cash management, risk level, investment terms, duration, maturity date and annualized rate of return of the Currency Linked Investment Products.

Accordingly, the Directors are of the view that the Subscriptions are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As all the Currency Linked Investment Products have been subscribed for with the same financial institution, the transactions related thereto have been aggregated and treated as if they were one transaction with that financial institution for the purpose of computing the relevant percentage ratios pursuant to Rule 19.22 of the GEM Listing Rules. As one or more of the applicable percentage ratios in respect of the Currency Linked Investment Products exceed 5% but are less than 25%, the transactions contemplated thereunder constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirement but exempt from Shareholders' approval requirement under the GEM Listing Rules.

INADVERTENT BREACH OF RULE 19.34 OF THE GEM LISTING RULES

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The Company would like to stress that legal and regulatory compliance has long been an important culture of the Group and that it has always treated compliance with the GEM Listing Rules as a top priority. The Group has been maintaining regular communications with, and seeking advice from, its professional advisers, but has unfortunately and regrettably not done so on this occasion on a timely basis.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with Rule 19.34 of the GEM Listing Rules but would like to stress that such non-compliance was inadvertent and the Company had no intention to withhold any information relating to the Subscriptions from disclosure.

To prevent the reoccurrence of the current instance of non-compliance, the Company intends to adopt the following measures:

1. the Company will enhance the knowledge of the Directors, the senior management and responsible finance staff on the compliance requirements and practical knowledge of notifiable transactions, so as to reinforce their understanding of and to emphasise the importance of compliance with the GEM Listing Rules;
2. 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 various departments of the Company; and
3. the Company will seek advice from its external legal advisers on disclosure or compliance requirements under the GEM Listing Rules when there are similar transactions in the future.

INFORMATION ABOUT THE PARTIES

The Company and KML Capitals

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of mechanical and electrical engineering solutions and services.

KML Capitals is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in investment on financial assets.

DBS Bank

DBS Bank is a licensed bank incorporated in Hong Kong and it is a subsidiary of DBS Group Holdings Ltd which is listed on the Singapore Exchange (stock code: SGX: D05). DBS Group Holdings Ltd and its subsidiaries is a leading financial services group in Asia with a presence in 18 markets and is engaged in the provision of a wide range of services in consumer, small and medium-sized enterprises and corporate banking.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AUD”	Australian dollar, the lawful currency of Australia
“Board”	the board of Directors
“CAD”	Canadian dollar, the lawful currency of Canada
“CHF”	Swiss franc, the lawful currency of Switzerland and Liechtenstein
“Company”	KML Technology Group Limited 高萌科技集團有限公司 (stock code: 8065), an exempted company incorporated in the Cayman Islands on 5 May 2017 with limited liability, the shares of which are listed on GEM of the Stock Exchange
“Currency Linked Investment Products”	the currency linked investment products subscribed by KML Capitals from DBS Bank
“DBS Bank”	DBS Bank (Hong Kong) Limited
“Director(s)”	the director(s) of the Company
“GBP”	British pound sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM of the Stock Exchange
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“KML Capitals”	KML Capitals Limited, a company established in Hong Kong on 24 March 2021 with limited liability and a wholly-owned subsidiary of the Company
“NZD”	New Zealand dollar, the lawful currency of New Zealand

“SGD”	Singapore dollar, the lawful currency of Singapore
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscriptions of the Currency Linked Investment Products

By order of the Board
KML Technology Group Limited
Luk Kam Ming
Chairman and Executive Director

Hong Kong, 16 June 2022

For illustrative purpose, the exchange rates of the various currencies mentioned in this announcement are as follow: HK\$5.601 to AUD1, HK\$9.810 to GBP1, HK\$4.996 to NZD1 and HK\$5.647 to SGD1.

As at the date of this announcement, the executive Directors are Mr. LUK Kam Ming, Mr. CHAN Chak Lun Philip, Mr. LUK Kwai Lung and Mr. LUK Yin Cheung; and the independent non-executive Directors are Mr. LAU On Kwok, Mr. LAW Wing Chi Stephen and Dr. TSE Chi Kong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for a minimum period of 7 days from the date of publication and on the website of the Company at www.kml.com.hk.