

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors (the “**Director(s)**”) of KML Technology Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**” or “**We**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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.*

## **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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

## **FINANCIAL HIGHLIGHTS**

Revenue of the Group for the six months ended 30 September 2018 amounted to approximately Hong Kong dollars (“**HK\$**”)105.0 million, representing an increase of approximately HK\$3.5 million or 3.4% as compared with approximately HK\$101.5 million for the six months ended 30 September 2017.

Gross profit of the Group for the six months ended 30 September 2018 amounted to approximately HK\$32.0 million, representing an increase of approximately HK\$1.1 million or 3.6% as compared with approximately HK\$30.9 million for the six months ended 30 September 2017.

Net profit of the Group for the six months ended 30 September 2018 amounted to approximately HK\$8.8 million (2017: net loss approximately HK\$4.8 million).

The board of Directors (the “**Board**”) does not recommend a payment of an interim dividend for the six months ended 30 September 2018 (2017: nil).

## **FINANCIAL RESULTS**

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended 30 September 2018, together with the unaudited comparative figures for the same period in 2017 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (UNAUDITED)**

*For the six months ended 30 September 2018*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2018</b>	<b>2017</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>105,025</b>	101,478
Cost of sales		<u><b>(72,990)</b></u>	<u>(70,541)</u>
Gross profit		<b>32,035</b>	30,935
Other income		<b>223</b>	163
Other gains		–	70
Administrative expenses		<b>(21,501)</b>	(19,371)
Listing expenses		<u>–</u>	<u>(14,665)</u>
Profit (loss) before taxation		<b>10,757</b>	(2,868)
Income tax expense	5	<u><b>(1,986)</b></u>	<u>(1,942)</u>
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of the Company		<u><b>8,771</b></u>	<u>(4,810)</u>
Earnings (loss) per share			
– Basic (HK cents)	6	<u><b>2.54</b></u>	<u>(1.60)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)***As at 30 September 2018*

		<b>As at</b>	
		<b>30 September</b>	<b>31 March</b>
		<b>2018</b>	<b>2018</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,108</b>	3,312
Deposits		<b>1,365</b>	1,335
Retention held by customers for contract works		<b>9,197</b>	9,361
		<hr/> <b>13,670</b>	<hr/> 14,008
<b>Current assets</b>			
Inventories		<b>495</b>	508
Trade receivables	7	<b>42,835</b>	44,853
Retention held by customers for contract works		<b>11,565</b>	7,428
Other receivables, deposits and prepayments		<b>4,746</b>	7,365
Contract assets		<b>21,701</b>	–
Amounts due from customers for contract works		–	27,225
Tax recoverable		–	73
Pledged bank deposits		<b>5,000</b>	5,000
Time deposits with original maturity over three months		<b>16,597</b>	20,007
Bank balances and cash		<b>70,244</b>	40,225
		<hr/> <b>173,183</b>	<hr/> 152,684

		As at	
		30 September 2018	31 March 2018
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Current liabilities			
Trade payables	8	12,634	10,027
Other payables and accrued charges		14,395	11,592
Contract liabilities		24,838	–
Amounts due to customers for contract works		–	21,022
Amount due to a related company		252	–
Tax payable		1,844	–
		<u>53,963</u>	<u>42,641</u>
Net current assets		<u>119,220</u>	<u>110,043</u>
Total assets less current liabilities		<u>132,890</u>	<u>124,051</u>
Non-current liabilities			
Deferred tax liabilities		<u>316</u>	<u>248</u>
Net assets		<u>132,574</u>	<u>123,803</u>
Capital and reserves			
Share capital		4,000	4,000
Share premium and reserves		<u>128,574</u>	<u>119,803</u>
Total equity		<u>132,574</u>	<u>123,803</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2018

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 Note	Accumulated profits HK\$'000	
<b>Six months ended 30 September 2018</b>					
At 1 April 2018 (audited)	4,000	47,552	14,339	57,912	123,803
Profit and total comprehensive income for the year	–	–	–	8,771	8,771
At 30 September 2018 (unaudited)	<u>4,000</u>	<u>47,552</u>	<u>14,339</u>	<u>66,683</u>	<u>132,574</u>
<b>Six months ended 30 September 2017</b>					
At 1 April 2017 (audited)	14,339	–	–	85,058	99,397
Loss and total comprehensive expenses for the year	–	–	–	(4,810)	(4,810)
Dividend recognised as distribution	–	–	–	(25,000)	(25,000)
Arising from Reorganisation ( <i>Note</i> )	<u>(14,339)</u>	<u>–</u>	<u>14,339</u>	<u>–</u>	<u>–</u>
At 30 September 2017 (unaudited)	<u>–</u>	<u>–</u>	<u>14,339</u>	<u>55,248</u>	<u>69,587</u>

*Note:* Other reserve represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of subsidiaries acquired through an exchange of shares pursuant to the reorganisation stated in the Company's prospectus dated 29 September 2017 (the "**Prospectus**") in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group on 6 September 2017, the details of which are set out under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***For the six months ended 30 September 2018*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<b>24,974</b>	(9,175)
INVESTING ACTIVITIES		
Bank interest received	<b>174</b>	77
Purchase of property, plant and equipment	<b>(381)</b>	(838)
Proceeds from disposal of property, plant and equipment	–	7
Withdrawn of time deposits with original maturity date over three months	<b>5,000</b>	–
Advance to (repayment from) subsidiary	<b>252</b>	–
Net cash outflow arising from disposal of a subsidiary	–	(3)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<b>5,045</b>	(757)
CASH USED IN FINANCING ACTIVITIES		
Dividends paid	–	(25,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>30,019</b>	(34,932)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>40,225</b>	58,619
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	<b>70,244</b>	23,687

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2018*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, a consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at B12, G/F, Shatin Industrial Centre, Siu Lek Yuen Road, Shatin, New Territories, Hong Kong.

The Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2017 (the "**Listing**"). The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of electrical and mechanical ("**E&M**") engineering solutions and services. The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company and its principal subsidiaries.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the Relevant Period (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical costs is generally based on the fair value of the consideration given in exchange for goods and services.

The condensed consolidated financial statements for the six months ended 30 September 2018 have been reviewed by the Company's audit committee.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation in the Interim Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.



## Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the Interim Financial Statements.

## 4. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue for both periods is as follows:

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
E&M engineering solutions and service ( <i>Note a</i> )	87,515	85,492
E&M engineering maintenance services	14,209	10,880
E&M engineering design and fabrication services ( <i>Note b</i> )	2,867	3,715
Sales of parts and components	434	1,389
	<u>105,025</u>	<u>101,476</u>

Notes:

- (a) Amount represents revenue generated from design, supply, installation of systems and implementation of E&M engineering solutions and services, including revenue generated from design and fabrication services for the fabrication of made-to-order products for the customers, where applicable (“**E&M engineering solutions and services**”).
- (b) Amount represents revenue generated from design and fabrication services for the fabrication of made-to-order products for the customers, such as control room consoles, public access kiosks and terminals, relay racks, test rigs, control room technical furniture and industrial enclosures and instrument cabinets, and also the conducting of ergonomic and work place studies without supply, installation of systems and implementation of E&M engineering solutions and services (“**E&M engineering design and fabrication services**”).

### Segment information

The Group’s operations are solely derived from E&M engineering solutions and services, E&M engineering maintenance services with focus on (i) automatic fare collection system at railway stations; (ii) electronic payment and ticketing system; (iii) road and tunnel toll collection system; (iv) traffic control and surveillance system; and (v) railway signaling communication and control system, E&M engineering design and fabrication services and sales of parts and components during both years. For the purposes of resources allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) reviews the condensed consolidated financial position of the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

## 5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Hong Kong:		
Current tax	1,918	1,874
Deferred tax	68	68
	<u>1,986</u>	<u>1,942</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (“**BVI**”) pursuant to the rules and regulations in those jurisdictions.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings (loss):		
Earnings (loss) for the purposes of basic earnings (loss) per share (profit (loss) for the period attributable to the owners of the Company)	<b>8,771</b>	<b>(4,810)</b>
	<b>345,753</b>	<b>300,000</b>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has retrospectively adjusted and determined on the assumption that the group reorganization and the capitalization issue as described in “History, Reorganisation and Corporate Structure” to the Prospectus has been effective on 1 April 2016.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue during both periods.

## 7. TRADE RECEIVABLES

The Group grants credit terms of 30 to 60 days to its customers from the date of invoices on progress billings of contract and maintenance works and sales of goods. An aged analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at	
	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
0-30 days	27,695	17,118
31-60 days	7,532	19,370
61-90 days	3,745	2,700
Over 90 days	3,863	5,665
	<u>42,835</u>	<u>44,853</u>

Included in the Group's trade receivable are debtors with aggregate carrying amount of approximately HK\$11,012,000 (31 March 2018: approximately HK\$23,547,000) which are past due as at 30 September 2018 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

## 8. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services ranges from 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at	
	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
0-30 days	6,479	3,464
31-60 days	748	89
61-90 days	3	694
91-365 days	503	879
Over 365 days	4,901	4,901
	<u>12,634</u>	<u>10,027</u>

As at 30 September 2018, included in the trade payable aged over 365 days was an amount of HK\$4,901,000, representing the full provision of the Group's contractual obligation, which was pending settlement as the Group was in dispute with the counterparty for final settlement. No reversal of this payable was recognised during the six months ended 30 September 2018 and 2017 as the derecognition criteria in accordance with the Group's accounting policies has not been met.

**9. INTERIM DIVIDEND**

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2018.

**10. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD**

As of the date of this announcement, there were no subsequent events after the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group has been providing electrical and mechanical (“E&M”) engineering solutions and services, with a primary focus on Transportation Mission Critical System Solutions in Hong Kong for over 40 years. We mainly undertake projects that are related to the design, supply, installation, fabrication and/or maintenance of, among others, the following, depending on our customers’ needs:

- (i) Automatic fare collection system at railway stations;
- (ii) Electronic payment and ticketing system;
- (iii) Road and tunnel toll collection system;
- (iv) Traffic control and surveillance system; and
- (v) Railway signalling communication and control system.

We also undertake other E&M engineering solutions and services, comprising:

- (i) Security and access control system;
- (ii) Railway station E&M engineering services and architectural works;
- (iii) Rolling stock refurbishment and renovation works; and
- (iv) Trackside and depot E&M engineering works.

Our customers comprise mainly transportation companies and other engineering companies in Hong Kong and Taiwan, and also various departments of the Hong Kong Government.

With technical knowledge in the areas of electrical, mechanical and electronic engineering, and a strong focus on product design and research and development, and through our vertically-integrated business model that combines design and fabrication, equipment assembly and system implementation, we are an E&M engineering solutions and services provider in Hong Kong who is capable of independently providing a full suite of custom-built products and services. We provide services and technical support to our customers on system solutions, equipment assembly and installation, network optimization, inspection and testing. We possess technologies and know-how in the Hong Kong Transportation Mission Critical System Solution market and have strong system integration capabilities. Our comprehensive offerings enable us to provide our customers with a complete and convenient one-stop solution, which reduces their operation and management costs and mitigates the incompatibility risks of different E&M engineering systems. In turn, our vertically-integrated business model enhances our ability to customize our products and services to address customers' needs and become more competitive in bidding for new projects. In addition, our business model also promotes the synergies among our individual products and services, reduces our marketing costs and lays a solid foundation for us to develop our maintenance services after our systems and equipment are put into operation.

## **OUTLOOK**

### **Modernisation and Upgrading of Transportation System**

To keep pace with the growing transport needs, modernization, upgrading and expansion projects are being launched. It is expected that there will be increasing opportunities for the Transportation Mission Critical System Solutions market in the coming years mainly from projects in relation to (i) railway signaling communication and control system relating to the Three Runway; (ii) upgrade of various systems and train refurbishment of the mass transit in Hong Kong; (iii) road and tunnel toll collection system replacement or upgrade at various government tunnels; (iv) upgrade of parking meter system in Hong Kong; and (v) automatic fare collection system upgrade in Taiwan railway and metro.

### **Vision of Smart City**

To foster the knowledge economy, enhance quality of life and create a vibrant eco-system by using information technology and promoting more effective resource management, the development of a smart city is the vision of the Hong Kong society. Application of Internet of Things (IoT), human face recognition, augmented reality/virtual reality, at the Group's future products and services aims to tie in this trend.

Giving our Group's extensive experience in automatic fare collection system and toll collection, the Group will devote more resources in the application and integration of different technologies and different emerging payment methods to our products and services in response to the evolving market conditions as well as changing customers' requirements. Our Group believes our city embracing mobile payment technology will bring benefits to the government, economy and individuals in the long run.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group for the six months ended 30 September 2018 amounted to approximately HK\$105.0 million, representing an increase of approximately HK\$3.5 million or 3.4% as compared with approximately HK\$101.5 million for the six months ended 30 September 2017. Such increase was mainly contributed by (i) an increase of number of projects undertaken by the Group during the six months ended 30 September 2018; and (ii) a variation order with substantial amount was received during the period.

### **Cost of Sales and Gross Profit**

The majority of the Group's cost of sales comprised (i) material and equipment; (ii) direct labour; and (iii) subcontracting cost. The cost of sales increased by approximately 3.5% from approximately HK\$70.5 million for the six months ended 30 September 2017 to approximately HK\$73.0 million for the six months ended 30 September 2018. The increase in cost of sales is mainly due to the increase in number of projects undertaken by the Group during the period. The gross profit of the Group increased by approximately 3.6% from approximately HK\$30.9 million for the six months ended 30 September 2017 to approximately HK\$32.0 million for the six months ended 30 September 2018. The increase in gross profit is mainly due to the increase in revenue as discussed above.

### **Administrative Expenses**

The Group's administrative expenses increased by 10.8% from approximately HK\$19.4 million for the six months ended 30 September 2017 to approximately HK\$21.5 million for the six months ended 30 September 2018. The increase is mainly due to the increase of professional fee after listing.

### **Profit attributable to owners of the Company**

The Group recorded a profit attributable to the owners of the company of approximately HK\$8.8 million for the six months ended 30 September 2018 (2017: loss approximately HK\$4.8 million). The difference is mainly due to the Company's incurrence of listing expenses of approximately HK\$14.7 million for the six months ended 30 September 2017.

### **Liquidity, Financial Resources and Capital Structure**

Historically, the Company has met the liquidity and capital requirement primarily through operating cash flows and capital contribution from its shareholders.

The Company requires cash primarily for working capital needs. As at 30 September 2018, the Company had approximately HK\$86.8 million in (i) bank balances and cash; and (ii) time deposits with original maturity over three months (as at 30 September 2017: approximately HK\$23.7 million), representing an increase of approximately HK\$63.1 million as compared to that as at 30 September 2017.



On 16 October 2017 (the “**Listing Date**”), the ordinary shares of the Company (the “**Shares**”) were listed on GEM by way of share offer (the “**Share Offer**”) and completed the Share Offer of its 100,000,000 Shares, comprising 50,000,000 Shares offered by the Company for subscription and 50,000,000 Shares offered by the Company for placing, with a par value of HK\$0.01 each at offer price of HK\$0.60 per Share for the net proceeds of approximately HK\$35.6 million. The Company believed that the funding from the Share Offer on the GEM would allow the Group to access the capital market for raising funds in the future. There has been no change on the capital structure of the Group since the Listing Date and up to the date of this interim results announcement (i.e. 5 November 2018) (the “**Date of this Announcement**”). The capital of the Company only comprises of ordinary shares.

### **Capital Expenditure**

The Company purchased property, plant and equipment amounting to approximately HK\$0.4 million for the six months ended 30 September 2018 which comprised acquisition of furniture, fixtures and office equipment (2017: approximately HK\$0.8 million).

### **Employees and Remuneration Policies**

As at 30 September 2018, the Company had a total of 224 employees (30 September 2017: 225). The Company’s remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Company recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances. Other benefits include provident fund scheme, medical and life insurance, discretionary bonus and share options.

### **Use of Proceeds from the Listing**

On 16 October 2017, the Shares were listed on GEM by way of Share Offer (the “**Listing**”). The Group intends to apply the proceeds from the Listing in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As set out in the Prospectus, the business objectives and strategies of the Group are: (i) expand and enhance our E&M engineering technical capability; (ii) deepen our penetration of the Hong Kong E&M engineering industry with special focus on the Transportation Mission Critical System Solutions market by strengthening our research and development capabilities and increasing our brand awareness through marketing efforts; and (iii) strengthen the Group’s financial capabilities to undertake larger-scale E&M engineering projects in the future.

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK\$35.6 million. Up to 30 September 2018, the Group has utilized HK\$6.1 million of the net proceeds from the Listing as follows:

	<b>Planned use of net proceeds as stated in the Prospectus up to 30 September 2018 HK\$'000</b>	<b>Actual use of net proceeds up to 30 September 2018 HK\$'000</b>
Expand and enhance our E&M engineering technical capabilities	9,975	934
Deepen our penetration of the Hong Kong E&M engineering industry with special focus on the Transportation Mission Critical System Solutions market by strengthening our research and development capabilities and increasing our brand awareness through marketing efforts	6,276	174
Strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future	<u>5,000</u>	<u>5,000</u>

### **Comparison of Business Objectives with Actual Business Progress**

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2018 is set out below:

#### **Business strategy**

#### **Actual business progress up to 30 September 2018**

Expand and enhance our E&M engineering technical capabilities by:

The Group has purchased several fibre cable testing related equipment.

(i) Increasing our productivity through the purchase of new machineries and equipment;

The Group has enhanced our insurance coverage and employee remuneration packages, including (i) upgrading of employees' medical insurance plan; (ii) purchasing of the Group's professional indemnity insurance plan; (iii) purchasing of the Group's product liability insurance plan; and (iv) providing funds for the employees' performance bonus scheme.

(ii) Improving our material handling and field service capacity;

(iii) Purchasing and implementing information technology solutions; and

(iv) Retaining our talents and enhancing the risk mitigation measures.

The Group has rent a warehouse and will continue to identify additional material handling and storage facilities.

Deepen our penetration of the E&M engineering industry with special focus on the Transportation Mission Critical System Solutions market by strengthening our research and development capabilities and increasing our brand awareness through marketing efforts through:

- (i) Expanding our office space and work area;
- (ii) Increasing our marketing efforts and business exposure; and
- (iii) Enhancement of our research and development capabilities.

Strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future.

The Group has rented an additional office space and work area.

The Group has (i) arranged our employees to participate in exhibitions, conference and symposiums; and (ii) been making an effort to increase business exposure in Taiwan.

The Group is in the process of recruiting additional research and development staff.

The Group has devoted resources including hardware and software in relation to the development of mobile payment technology.

The Group has strengthened our financial capabilities to undertake large-scale E&M engineering projects through the provision of performance guarantees.

### **Gearing Ratio**

The ratio was not applicable for the six months ended 30 September 2018 as no borrowing was incurred. (2017: not applicable).

### **Foreign Exchange Exposure**

We conduct business with customers, suppliers and subcontractors located in Hong Kong, the People's Republic of China and overseas. The Group's exposure to currency risk mainly arise from the fluctuation of Renminbi, Euro, New Taiwan Dollar or United States dollars. The Group currently does not have any hedging policy in place for its foreign exchange exposure. However, the Board will remain alert to any relevant risk and, if necessary, consider hedging any potential material foreign exchange risk.

### **Treasury Policies**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 September 2018. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **Significant Investments and Future Plans for Material Investments and Capital Assets**

The Group did not hold any significant investments in equity interest in any other companies as at 30 September 2018. Except for those included in the section headed “Future Plans and Use of Proceeds” for inclusion in the Prospectus, the Group had no definite future plans for material investments and capital assets.

## **Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures**

Apart from the reorganisation in relation to the listing as disclosed in the Prospectus, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 September 2018.

## **Pledge of Assets**

As at 30 September 2018, the Group has a pledged bank deposit at HK\$5.0 million (2017: Nil).

## **Commitments**

The operating lease commitments of the Group were primarily related to the leases of its office premises and the workshops. The Group’s operating lease commitments for the year ended 31 March 2019 amounted to approximately HK\$2.9 million as at 30 September 2018 (2017: approximately HK\$2.9 million).

## **Contingent Liabilities**

As at 30 September 2018, the Group did not have any significant contingent liabilities (2017: Nil).

## **Financial Risk Management**

Risk management is carried out by the Company’s finance department under policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides guidance for overall risk management and specific areas, such as market risk, interest rate risk, credit risk and liquidity risk.

## **Interim Dividend**

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

## **CORPORATE GOVERNANCE/OTHER INFORMATION**

### **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. For the six months ended 30 September 2018, the Company has applied the principles as set out in the CG Code contained in Appendix 15 to the GEM Listing Rules which are applicable to the Company and has complied with the CG Code.

### **COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors’ securities transactions in the securities of the Company.

The Company has made specific enquiries to all Directors about their compliance with the required standard of dealings for the six months ended 30 September 2018, without noticing any violation of the required standard.

### **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee comprises three members, namely Mr. Lau On Kwok (chairman), Mr. Law Wing Chi Stephen and Dr. Tse Chi Kong, all of them are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the condensed consolidated results of the Group for the six months ended 30 September 2018 and the interim report. The Audit Committee is of the opinion that the condensed consolidated results of the Group for the six months ended 30 September 2018 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

## **CHANGES TO INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT**

Mr. Lau On Kwok, an independent non-executive Director, is appointed on 18 October 2018 as a director of both China Assets (Holdings) Limited, which was listed on the Stock Exchange (stock code: 0170) during the period from April 1992 to November 2017 and a director of China Assets Investment Management Limited, which is a licensed corporation under Securities and Futures Commission of Hong Kong. Mr. Lau resigned as the financial controller and company secretary of Winshine Science Company Limited, a company listed on the Stock Exchange (stock code: 0209) effective on 13 November 2018.

Mr. Hui Wah Pui, a senior management member of the Company, resigned as a director of KML Engineering Limited (“**KML Engineering**”), a subsidiary of the Company due to his early retirement, with effect from 29 September 2018.

Saved as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rules 17.50(2) and 17.50A(1) of the GEM Listing Rules during the six months ended 30 September 2018.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the six months ended 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **INTERESTS OF COMPLIANCE ADVISER**

As notified by the Company’s compliance adviser, Kingsway Capital Limited (“**Kingsway Capital**”), neither Kingsway Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and controlling Shareholders and their respective close associates as referred to in Rule 11.04 of the GEM Listing Rules (except for the compliance adviser service provided by Kingsway Capital as at the Date of this Announcement).

## SHARE OPTION SCHEME

In order to recognise and acknowledge the contributions that the directors and employees of the Group have made or may make to the Group, the Company approved and adopted the share option scheme pursuant to the written resolutions of the Shareholders passed on 20 September 2017 (the “**Share Option Scheme**”).

The Board may, at its absolute discretion and on such terms as it may think fit, grant an option to subscribe any director or employee of the Group, from time to time on the basis of his/her contribution or potential contribution to the development and growth of the Group.

On 3 September 2018, 9,200,000 share options (“**Options**”) has been granted by the Company under the Share Option Scheme. Among the Options granted, 4,000,000 Options were granted to 1 Director, 1,400,000 Options were granted to a director of a subsidiary of the Company and 600,000 Options were granted to an associate to a Director. Among the 9,200,000 Options granted, approximately 48.9% and approximately 51.1% will be vested on 3 March 2019 and 3 March 2020 respectively, provided that the grantee has to remain an Eligible Participant (as defined in the Share Option Scheme) on such vesting date.

As the granting of Options was close to the end of the six months ended 30 September 2018, valuation will be prepared at the next quarter.

Details regarding the number of Options, date of grant, exercise period and exercise price of the Options granted under the Share Option Scheme are set out below:

Name of participants	Date of Options granted	Number of Options granted	Exercise period	Exercise price of Options HK\$ per share	Closing price immediately before date of grant HK\$ per share
Mr. Chan Chak Lun Philip (Director and Chief executive officer)	3 September 2018	4,000,000	3 March 2019 to 3 September 2023	0.385	0.35
Ms. Wai Hang Ying Helen (Director of KML Engineering)	3 September 2018	1,400,000	3 March 2019 to 3 September 2023	0.385	0.35
Ms. Woo Siu Wai (Company Secretary)	3 September 2018	600,000	3 March 2019 to 3 September 2023	0.385	0.35
Employees	3 September 2018	3,200,000	3 March 2019 to 3 September 2023	0.385	0.35
Total		<u>9,200,000</u>			

Details of the movements of Options granted, exercised or cancelled/lapsed during the six months ended 30 September 2018 and still outstanding as at 30 September 2018 are as follows:

Name of participants	Outstanding as at 31 March 2018	Number of Options granted	Number of Options exercised	Number of Options cancelled	Number of Options lapsed	Outstanding as at 30 September 2018
Mr. Chan Chak Lun Philip (Director and Chief executive officer)	–	4,000,000	–	–	–	4,000,000
Ms. Wai Hang Ying Helen (Director of KML Engineering)	–	1,400,000	–	–	–	1,400,000
Ms. Woo Siu Wai (Company Secretary)	–	600,000	–	–	–	600,000
Employees	–	3,200,000	–	–	–	3,200,000
Total	–	9,200,000	–	–	–	9,200,000

#### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as otherwise disclosed in this announcement, at no time during the six months ended 30 September 2018 and up to the Date of this Announcement was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

#### **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS**

Up to the Date of this Announcement, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.



## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

As of the date of this announcement, there were no subsequent events after the reporting period.

## **PUBLICATION OF THE INTERIM RESULTS AND 2018 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kml.com.hk](http://www.kml.com.hk)), and the 2018 interim report containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board  
**KML Technology Group Limited**  
**Luk Kam Ming**  
*Chairman and Executive Director*

Hong Kong, 5 November 2018

*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 will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of publication and on the website of the Company at [www.kml.com.hk](http://www.kml.com.hk).*