

*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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

CHARACTERISTICS OF THE 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 nine months ended 31 December 2020 amounted to approximately Hong Kong dollars (“**HK\$**”) 176.1 million, representing an increase of approximately HK\$16.0 million or approximately 10.0% as compared with the revenue of approximately HK\$160.1 million for the nine months ended 31 December 2019.

Gross profit of the Group for the nine months ended 31 December 2020 amounted to approximately HK\$49.1 million (2019: approximately HK\$44.9 million).

The net profit of the Group for the nine months ended 31 December 2020 amounted to approximately HK\$26.2 million (2019: approximately HK\$10.9 million).

The board of Directors (the “**Board**”) does not recommend a payment of an interim dividend for the nine months ended 31 December 2020 (2019: Nil).

FINANCIAL RESULTS

The Board of the Company is pleased to announce the unaudited condensed consolidated third quarterly results of the Group for the nine months ended 31 December 2020, together with the unaudited comparative figures for the same period in 2019 as follows:

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

For the nine months ended 31 December 2020

| | | Nine months ended | |
|---|--------------|--------------------------|--------------------|
| | | 31 December | |
| | | 2020 | 2019 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 176,053 | 160,081 |
| Cost of sales | | (126,983) | (115,149) |
| Gross profit | | 49,070 | 44,932 |
| Other income | | 13,019 | 898 |
| Other gains and loss, net | | – | 185 |
| Impairment losses on financial assets and contract assets, net of reversal | | (90) | (122) |
| Administrative expenses | | (32,327) | (32,512) |
| Finance costs | 5 | (218) | (129) |
| Profit before tax | | 29,454 | 13,252 |
| Income tax expense | 6 | (3,226) | (2,374) |
| Profit and total comprehensive income for the period attributable to owners of the Company | | 26,228 | 10,878 |
| Earnings per share attributable to ordinary equity holders of the Company | 8 | | |
| Basic | | HK6.62 cents | HK2.72 cents |
| Diluted | | HK6.61 cents | HK2.72 cents |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

| | Attributable to owners of the Company | | | | | | Total equity HK\$'000 |
|--|---------------------------------------|---------------------------|--|--------------------------------------|---|---------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Shares held under the share award scheme HK\$'000 | Other reserves HK\$'000 (Note) | Share-based payments reserves HK\$'000 | Accumulated profits HK\$'000 | |
| Nine months ended 31 December 2020 | | | | | | | |
| At 31 March 2020 and 1 April 2020 (audited) | 4,000 | 47,552 | (858) | 14,791 | 305 | 100,396 | 166,186 |
| Profit and total comprehensive income for the period | - | - | - | - | - | 26,228 | 26,228 |
| Equity-settled share option arrangements | - | - | - | - | 639 | - | 639 |
| Purchases of shares and contribution in the share award scheme | - | - | (142) | - | - | - | (142) |
| Equity-settled share award arrangements | - | - | - | - | 298 | - | 298 |
| Vesting of shares of share award scheme | - | - | 176 | - | (176) | - | - |
| Dividend paid | - | - | - | - | - | (7,931) | (7,931) |
| At 31 December 2020 (unaudited) | <u>4,000</u> | <u>47,552</u> | <u>(824)</u> | <u>14,791</u> | <u>1,066</u> | <u>118,693</u> | <u>185,278</u> |
| Nine months ended 31 December 2019 | | | | | | | |
| At 31 March 2019 and 1 April 2019 (audited) | 4,000 | 47,552 | - | 14,339 | 1,166 | 77,078 | 144,135 |
| Profit and total comprehensive income for the year | - | - | - | - | - | 10,878 | 10,878 |
| Equity-settled share option arrangements | - | - | - | - | 442 | - | 442 |
| At 31 December 2019 (unaudited) | <u>4,000</u> | <u>47,552</u> | <u>-</u> | <u>14,339</u> | <u>1,608</u> | <u>87,956</u> | <u>155,455</u> |

Note: The Group's other reserves mainly represent (i) the difference between the nominal value of the ordinary shares issued by the Company and the share capital of subsidiaries acquired through an exchange of shares pursuant to the reorganisation of the Group during the year ended 31 March 2018 and (ii) the deemed capital contribution from Mr. Luk Kam Ming ("Mr. KM Luk"), a controlling shareholder and an executive director of the Company, in respect of the transfer of 2,000,000 shares to the trust of the share award scheme at nil consideration.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

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 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 nine months ended 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

The condensed consolidated financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2020, except for the adoption of (i) accounting for joint operations and (ii) the revised HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as disclosed in note 3 below.

This condensed consolidated financial information has not been audited or reviewed by the Company's external auditors, but has been reviewed by the Company's audit committee.

3. CHANGES IN ACCOUNTING POLICIES

In the accounting period beginning from 1 April 2020, the Group has adopted, for the first time, the following amendments to HKFRSs issued by the HKICPA that affect the Group and are adopted for the current period's financial information:

| | |
|---|--------------------------------|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |

These amendments have had no material effect on how the Group's results and financial position for the current or prior periods that have been presented in this condensed consolidated financial information. The Group has not applied any other new standards or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENTAL INFORMATION

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

| | Nine months ended 31 December | |
|---|--|--|
| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) |
| E&M engineering solutions and services (<i>Note a</i>) | 138,263 | 132,860 |
| E&M engineering maintenance services | 28,540 | 23,536 |
| E&M engineering design and fabrication services (<i>Note b</i>) | 8,305 | 2,797 |
| Sales of parts and components | 945 | 888 |
| | 176,053 | 160,081 |

Notes:

- (a) Amount represents revenue generated from design, supply, installation of systems and implementation of E&M engineering solutions and services, 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 and also control room technical furniture and industrial enclosures and instrument cabinets 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 operation is derived from E&M engineering solutions and services, and E&M engineering maintenance services with focus on (i) the automatic fare collection system at railway stations; (ii) the electronic payment and ticketing system; (iii) the road and tunnel toll collection system; (iv) the traffic control and surveillance system; and (v) the railway signaling communication and control system, E&M engineering design and fabrication services, as well as sales of parts and components during both periods. For the purposes of resource allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no separate analysis of this single segment is presented other than entity-wide disclosure.

5. FINANCE COSTS

An analysis of finance costs is as follows:

| | Nine months ended 31 December | |
|-------------------------------|--|--|
| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) |
| Interest on a bank loan | – | 14 |
| Interest on lease liabilities | <u>218</u> | <u>115</u> |
| | <u>218</u> | <u>129</u> |

6. INCOME TAX EXPENSE

| | Nine months ended 31 December | |
|-----------------------|--|--|
| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) |
| Current – Hong Kong: | | |
| Charge for the period | 2,668 | 1,504 |
| Deferred | <u>558</u> | <u>870</u> |
| | <u>3,226</u> | <u>2,374</u> |

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulations in those jurisdictions.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2020.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the nine months ended 31 December 2020 is based on the profit for the period attributable to owners of the Company of HK\$26,228,000 (2019: HK\$10,878,000), and the weighted average number of ordinary shares in issue less treasury shares held under share award scheme during the nine months ended of 396,211,000 (2019: 400,000,000). No adjustment has been made to the basic earnings per share amount presented for the nine months ended 31 December 2019 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amounts for the nine months ended 31 December 2020 is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue as used in the basic earnings per share calculation, and the weighted average number of 556,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the shares held under share award scheme into ordinary shares.

9. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with its related parties:

| | Nine months ended 31 December | |
|---|-------------------------------|--------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Purchase of materials from Logistic Industrial Supply Company Limited ("Logistic Industrial") (Note a) | 7 | 119 |
| Rental payments K M L Limited (Note b) | <u>4,168</u> | <u>4,051</u> |

Notes:

- (a) Logistic Industrial is a company over which Mr. KM Luk and Ms. Leung Kwok Yee have significant influence. The purchase prices of goods were mutually agreed between the parties.
- (b) K M L Limited is controlled by Mr. KM Luk. Rental payments were on a mutually-agreed basis and constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been providing electrical and mechanical (“E&M”) engineering solutions and services in Hong Kong for over 40 years. Our principal business is the provision of E&M engineering works, and comprises (i) E&M engineering solutions and services on Transportation Mission Critical Systems Solutions and other E&M engineering solutions and services; (ii) E&M engineering design and fabrication services; (iii) E&M engineering maintenance services; and (iv) sales of parts and components. Depending on our customers’ needs and requirements, we provide a full spectrum of solutions and services covering design, equipment assembly, supply, installation, fabrication, testing, and commissioning and maintenance support with a focus on Hong Kong Transportation Mission Critical System Solutions.

The following table sets forth the details of our Group’s revenue by type of projects and services we undertook for the nine months ended 31 December 2020 and 2019:

| Type of Projects | For the nine months ended 31 December | | | |
|--|---------------------------------------|---------------------|-----------------------|---------------------|
| | 2020 | | 2019 | |
| | HK\$’000 | % | HK\$’000 | % |
| E&M Engineering Solutions and Services | | | | |
| – Transportation Mission Critical System Solutions | 47,925 | 27.2 | 33,438 | 20.9 |
| – Other E&M Engineering Solutions and Services | <u>90,338</u> | <u>51.3</u> | <u>99,422</u> | <u>62.1</u> |
| Subtotal | 138,263 | 78.5 | 132,860 | 83.0 |
| E&M Engineering Design and Fabrication Services | 8,305 | 4.7 | 2,797 | 1.7 |
| E&M Engineering Maintenance Services | 28,540 | 16.3 | 23,536 | 14.7 |
| Sale of Parts and Components | <u>945</u> | <u>0.5</u> | <u>888</u> | <u>0.6</u> |
| Total | <u>176,053</u> | <u>100.0</u> | <u>160,081</u> | <u>100.0</u> |

E&M Engineering Solutions and Services segment accounts for the largest business segment of our Group's business. Approximately 78.5% of the revenue was attributable to this segment for the nine months ended 31 December 2020. The second largest segment is E&M Engineering Maintenance Services. Revenue from this segment increased by approximately 21.3% from approximately HK\$23.5 million for the nine months ended 31 December 2019 to approximately HK\$28.5 million for the nine months ended 31 December 2020. The Group foresees that revenue generated from these two segments will continue to grow especially in relation to the renovation and replacement of E&M, communication and automatic fare collection (“AFC”) assets projects from our customers as well as new business opportunities the Group has identified.

During the nine months ended 31 December 2020, the Group has submitted 272 tenders and quotations to our customers (2019: 252 tenders and quotations) with 107 contracts being awarded (2019: 122 contracts) including (i) supply of AFC equipment for a new station at the Taoyuan Airport MRT; (ii) supply and installation charging facilities for electric vehicles in one public carpark; and (iii) provision of electrical supervision work for part of a new Integrated Waste Management Facilities Project in Hong Kong.

OUTLOOK

The Group has been providing a full spectrum of E&M engineering solutions and services including development, design, fabrication, installation and maintenance for our customers. Apart from the existing business, the Group has been and will continue to expand our business scope as well as explore different market sectors. In April 2020, KML Engineering Limited (“**KML Engineering**”) has been successfully admitted to the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under the category of Video Electronics Installation. The Group expects that we could expand our market portfolio by undertaking more projects in relation to the video electronics and closed circuit television (“**CCTV**”).

In addition, the Group has started to explore more business opportunities including those in relation to the provisioning of electric vehicles charging facilities. Several tenders in relation to the electric vehicles charging facilities in government car parks have been submitted. In December 2020, KML Engineering has been awarded a tender in relation to the supply and installation charging facilities for electric vehicles in one public carpark.

Meanwhile, the Group will continue its focus in opportunities in relation to the provision of electronic payment (“**ePayment**”) in different sectors. In October 2020, KML Technology Limited has signed two teaming agreements with a credit card company and a merchant payment solution service provider respectively in relation to the provision of ePayment system. The Group will continue to deepen and widen our penetration in providing or upgrading ePayment services and solutions.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the nine months ended 31 December 2020 amounted to approximately HK\$176.1 million, representing an increase of approximately HK\$16.0 million or approximately 10.0% as compared with approximately HK\$160.1 million for the nine months ended 31 December 2019. Such increase was mainly contributed by the contracts awarded during the year ended 31 March 2019 and 2020 which have substantial work completed 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 10.3% from approximately HK\$115.1 million for the nine months ended 31 December 2019 to approximately HK\$127.0 million for the nine months ended 31 December 2020. The gross profit of the Group increased by approximately 9.4% from approximately HK\$44.9 million for the nine months ended 31 December 2019 to approximately HK\$49.1 million for the nine months ended 31 December 2020. The increase in gross profit is mainly due to the increase in revenue as discussed above.

Administrative Expenses

The Group's administrative expenses have slightly decreased by 0.6% from approximately HK\$32.5 million for the nine months ended 31 December 2019 to approximately HK\$32.3 million for the nine months ended 31 December 2020.

Profit attributable to owners of the Company

The Group recorded net profit attributable to the owners of the Company of approximately HK\$26.2 million for the nine months ended 31 December 2020 (2019: net profit approximately HK\$10.9 million). The increase in net profit is mainly due to (i) an increase of gross profit; (ii) financial support received from the Government of the Hong Kong Special Administrative Region in response to the novel coronavirus epidemic; and (iii) receipt of a long outstanding payment from a customer.

Dividend

The Board does not recommend a payment of an interim dividend for the nine months ended 31 December 2020 (2019: Nil).

SUBSEQUENT EVENT AFTER REPORTING PERIOD

As at the date of this announcement (i.e. 3 February 2021) (the “**Date of this Announcement**”), there were no subsequent events after this reporting period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholder(s)**”) 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. During the nine months ended 31 December 2020, the Company has complied with all applicable code provisions of 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. Having made specific enquiries of all the Directors, each of the Director has confirmed that he has complied with the required standard of dealings during the nine months ended 31 December 2020 and up to the Date of this Announcement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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 the financial reporting matters of the Company, including the review of the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2020 and this announcement. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2020 comply with the applicable accounting standards that adequate disclosure has been made.

CHANGES TO DIRECTORS’ INFORMATION

As at the Date of this Announcement, the Directors confirm that no information is required to be disclosed pursuant to GEM Rule 17.50A(1) of the GEM Listing Rules.

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

During the nine months ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which (i) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or (ii) were recorded in the register required to be kept pursuant to Section 352 of the SFO or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

| Name | Capacity/ Nature of Interest | Number of Shares/ underlying Shares held/ interested | Long/short position ⁽⁵⁾ | Approximate percentage of shareholding in the Company (%) |
|--|--|--|---------------------------------------|---|
| Mr. Luk Kam Ming (“Mr. KM Luk”) ⁽¹⁾ | Beneficial owner; Interest of spouse | 157,000,000 | L | 39.25 |
| Mr. Luk Kwai Lung (“Mr. KL Luk”) ⁽²⁾ | Interest in controlled corporation | 138,000,000 | L | 34.50 |
| Mr. Luk Yin Cheung (“Mr. YC Luk”) ⁽²⁾⁽³⁾ | Interest in controlled corporation; Interest of spouse | 138,600,000 | L | 34.55 |
| Mr. Chan Chak Lun Philip (“Mr. CL Chan”) ⁽⁴⁾ | Beneficial owner | 4,000,000 | L | 1.00 |

Notes:

- (1) Mr. KM Luk directly holds 100,000,000 shares of the Company (the “Shares”). Since Mr. KM Luk is the spouse of Ms. Leung Kwok Yee (“Madam Leung”), Mr. KM Luk is deemed to be interested in all the Shares in which Madam Leung is interested or deemed to be interested under the SFO, which is 57,000,000 Shares.
- (2) Each of Mr. KL Luk and Mr. YC Luk owns one common share in KML Holdings Limited (“KML Holdings”), representing 50% of the issued share capital of KML Holdings carrying voting rights. Mr. KL Luk and Mr. YC Luk are deemed to be interested in all Shares in which KML Holdings is interested or deemed to be interested under the SFO, which is 138,000,000 Shares.

- (3) Since Mr. YC Luk is the spouse of Ms. Woo Siu Wai (“**Madam Woo**”), Mr. YC Luk is deemed to be interest in all the Shares in which Madam Woo is interested or deemed to be interested under the SFO, which is 600,000 Shares.
- (4) Mr. CL Chan directly holds 2,000,000 Shares and was interested as a grantee of options to subscribe for up to 2,000,000 Shares under the share option scheme (announced on 2 January 2020).
- (5) The Letter “L” denotes the entity/person’s long position in the Shares.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name | Capacity/ Nature of Interest | Number of Shares/ underlying Shares held/ interested | Long/Short position⁽⁵⁾ | Approximate percentage of shareholding in the Company (%) |
|----------------------------------|---|---|--|--|
| KML Holdings ⁽¹⁾ | Beneficial owner | 138,000,000 | L | 34.50 |
| Madam Leung ⁽²⁾ | Beneficial owner; Interest of spouse | 157,000,000 | L | 39.25 |
| Ms. Chan Patricia ⁽³⁾ | Interest of spouse | 138,000,000 | L | 34.50 |
| Madam Woo ⁽⁴⁾ | Beneficial owner; Interest of spouse | 138,600,000 | L | 34.65 |

Notes:

- (1) Each of Mr. KL Luk and Mr. YC Luk owns one common share in KML Holdings, representing 50% of the issued share capital of KML Holdings carrying voting rights. Mr. KL Luk and Mr. YC Luk also own approximately 50% and approximately 50%, respectively, of the issued preferred shares in KML Holdings which do not carry voting rights but only rights to dividends.
- (2) Madam Leung is the spouse of Mr. KM Luk. By virtue of the SFO, Madam Leung is deemed to be interested in all the Shares in which Mr. KM Luk is interested or deemed to be interested under the SFO, and vice versa.
- (3) Ms. Chan Patricia is the spouse of Mr. KL Luk. By virtue of the SFO, Ms. Chan Patricia is deemed to be interested in all the Shares in which Mr. KL Luk is interested or deemed to be interested under the SFO.
- (4) Madam Woo is the spouse of Mr. YC Luk. By virtue of the SFO, Madam Woo is deemed to be interested in all the Shares in which Mr. YC Luk is interested or deemed to be interested under the SFO, which is 138,000,000 Shares. Madam Woo directly holds 300,000 Shares and was interested as a grantee of options to subscribe for up to 300,000 Shares under the share option scheme (announced on 2 January 2020)
- (5) The Letter “L” denotes the entity/person’s long position in our Shares.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

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**”).

- (i) 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.
- (ii) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 40,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme.

- (iii) The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting.
- (iv) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.
- (v) An offer for the grant of options must be accepted within three business days from the date of offer. The amount payable by the eligible persons of an option to the Company on acceptance of the offer for the grant of an option is HK\$10.
- (vi) The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to an eligible person and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.
- (vii) The Share Option Scheme will remain in force for a period of 10 years commencing on the date of listing and shall expire at the close of business on the business day immediately preceding the 10th anniversary thereof unless terminated earlier by the Shareholders in a general meeting.

On 2 January 2020, the Company granted 9,800,000 share options (“**Options**”) to certain eligible participants (the “**Grantee(s)**”), subject to acceptance by the Grantees, to subscribe for Shares with nominal value of HK\$0.01 each of the Company under the Share Option Scheme. Among the Options granted, 2,000,000 Options were granted to a Director of the Company, 700,000 Options were granted to a director of a subsidiary of the Company and 300,000 Options were granted to an associate to a Director.

The estimated fair values of the above 9,800,000 Options granted was approximately HK\$1,057,000, which was calculated by using the binomial option pricing model based on following inputs. The values of the Options are subject to certain fundamental limitations, including the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The expected volatility was determined with reference to the historical daily volatilities of the Share price of the Company. The risk-free rate was determined with reference to the prevailing rates on debt securities as reference from Thomson Reuters.

Date of grant**2 January 2020**

| | |
|---------------------------|--------------------------------|
| Share price at grant date | HK\$0.250 |
| Exercise price | HK\$0.259 |
| Expected volatility | 54.96% |
| Expected life | 5 years from the date of grant |
| Risk-free rate | 2.056% |
| Expected dividend yield | 0% |
| Exercise multiple | 2.x |

Details regarding the number of Options, date of grant, vesting period, 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 | Total number of Options granted | Number of Options granted | Vesting period | Exercise period | Exercise price of Options <i>HK\$ per share</i> | Closing price immediately before date of grant <i>HK\$ per share</i> |
|--|-------------------------|---------------------------------|---------------------------|----------------------------------|----------------------------------|--|---|
| Mr. CL Chan (Director and chief executive officer) | 2 January 2020 | 2,000,000 | 2,000,000 | 2 January 2020 to 30 June 2021 | 1 July 2021 to 1 January 2025 | 0.259 | 0.25 |
| Ms. Wai Hang Ying Helen (Director of KML Engineering) | 2 January 2020 | 700,000 | 700,000 | 2 January 2020 to 30 June 2021 | 1 July 2021 to 1 January 2025 | 0.259 | 0.25 |
| Madam Woo (Company Secretary) | 2 January 2020 | 300,000 | 300,000 | 2 January 2020 to 30 June 2021 | 1 July 2021 to 1 January 2025 | 0.259 | 0.25 |
| Employees | 2 January 2020 | 6,800,000 | 3,500,000 | 2 January 2020 to 30 June 2020 | 1 July 2020 to 1 January 2025 | 0.259 | 0.25 |
| | | | 3,300,000 | 2 January 2020 to 1 January 2021 | 2 January 2021 to 1 January 2025 | 0.259 | 0.25 |
| Total | | <u>9,800,000</u> | | | | | |

Details of the movements of Options granted, exercised or cancelled/lapsed during the nine months ended 31 December 2020 and still outstanding as at 31 December 2020 are as follows:

| Name of participants | Outstanding as at 1 October 2020 | Number of Options granted | Number of Options exercised | Number of Options cancelled | Number of Options lapsed | Outstanding as at 31 December 2020 |
|---|---|---------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---|
| Mr. CL Chan (Director and chief executive officer) | 2,000,000 | – | – | – | – | 2,000,000 |
| Wai Hang Ying Helen (Director of KML Engineering) | 700,000 | – | – | – | – | 700,000 |
| Madam Woo (Company Secretary) | 300,000 | – | – | – | – | 300,000 |
| Employees | <u>6,800,000</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>6,800,000</u> |
| Total | <u>9,800,000</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>9,800,000</u> |

SHARE AWARD SCHEME

The Company adopted a share award scheme (the “**Share Award Scheme**”) on 5 November 2018 (the “**Adoption Date**”). Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date.

On 29 June 2020 and 6 July 2020, 800,000 and 1,750,000 awarded shares were granted to employees of KML Engineering respectively. The 2,550,000 awarded shares granted represent approximately 0.6% of the total number of Shares in issue as at the Date of this Announcement.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the nine months ended 31 December 2020 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

For the nine months ended 31 December 2020, none of the Directors, controlling Shareholders 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.

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

Hong Kong, 3 February 2021

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 Company Announcements" page of the GEM website at 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.