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*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 2019

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 2019 amounted to approximately Hong Kong dollars (“**HK\$**”) 106.6 million, representing an increase of approximately HK\$1.6 million or 1.5% as compared with the revenue of approximately HK\$105.0 million for the six months ended 30 September 2018.

Gross profit of the Group for the six months ended 30 September 2019 amounted to approximately HK\$28.7 million (2018: approximately HK\$32.0 million).

The net profit of the Group for the six months ended 30 September 2019 amounted to approximately HK\$6.0 million (2018: approximately HK\$8.8 million).

The board of directors (the “**Board**”) does not recommend a payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

FINANCIAL RESULTS

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended 30 September 2019, together with the unaudited comparative figures for the same period in 2018 as follows:

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

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	106,589	105,025
Cost of sales		(77,920)	(72,990)
Gross profit		28,669	32,035
Other income		511	223
Other gains		8	–
Impairment losses, net of reversal		(107)	–
Administrative expenses		(21,805)	(21,501)
Profit before taxation		7,276	10,757
Income tax expense	5	(1,243)	(1,986)
Profit and total comprehensive income for the period attributable to owners of the Company		6,033	8,771
Earnings per share			
– Basic (HK cents)	6	1.51	2.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2019*

		As at	
		30 September	31 March
		2019	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		5,560	2,924
Right-of-use assets		2,866	–
Deposits		985	1,875
Contract assets		6,628	6,785
Deposit paid for life insurance policies		5,107	–
		<hr/>	<hr/>
		21,146	11,584
Current assets			
Inventories		463	463
Trade receivables	7	54,384	41,146
Other receivables, deposits and prepayments		5,597	5,453
Contract assets		54,091	42,548
Pledged bank deposits		14,138	10,782
Time deposits with original maturity over three months		19,206	40,050
Bank balances and cash		36,718	36,989
		<hr/>	<hr/>
		184,597	177,431

		As at	
		30 September 2019	31 March 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Current liabilities			
Trade payables	8	12,644	13,289
Lease liabilities		2,722	–
Other payables and accrued charges		15,733	12,621
Contract liabilities		18,369	17,145
Tax payable		2,309	1,617
Bank borrowings		2,600	–
		<u>54,377</u>	<u>44,672</u>
Net current assets		<u>130,220</u>	<u>132,759</u>
Total assets less current liabilities		<u>151,366</u>	<u>144,343</u>
Non-current liabilities			
Lease liabilities		143	–
Deferred tax liabilities		760	208
Net assets		<u>150,463</u>	<u>144,135</u>
Capital and reserves			
Share capital		4,000	4,000
Share premium and reserves		<u>146,463</u>	<u>140,135</u>
Total equity		<u>150,463</u>	<u>144,135</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Share option reserve HK\$'000	Accumulated profits HK\$'000	
Six months ended 30 September 2019						
At 31 March 2019 (audited)	4,000	47,552	14,339	1,166	77,078	144,135
Profit and total comprehensive income for the year	–	–	–	–	6,033	6,033
Recognition of equity-settled share-based payment	–	–	–	295	–	295
At 30 September 2019 (unaudited)	4,000	47,552	14,339	1,461	83,111	150,463
Six months ended 30 September 2018						
At 01 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)	4,000	47,552	14,339	–	66,683	132,574

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*For the six months ended 30 September 2019*

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	23,746	24,974
INVESTING ACTIVITIES		
Bank interest received	453	174
Purchase of property and equipment	(3,350)	(381)
Proceeds from disposal of property and equipment	8	–
Withdrawn of time deposits with original maturity date over three months	(17,488)	5,000
Advance to subsidiary	–	252
Deposit paid for life insurance policies	(6,240)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(26,617)	5,045
CASH FROM FINANCING ACTIVITIES		
New bank borrowings raised	2,600	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(271)	30,019
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,989	40,225
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36,718	70,244

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 unaudited condensed consolidated financial statements for the six months ended 30 September 2019 (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 Interim 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 Interim Financial Statements 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 2019.

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 January 2019 for the preparation of the Group's Interim Financial Statements:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)–Int 22	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

4. REVENUE AND SEGMENTAL INFORMATION

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
E&M engineering solutions and service (<i>Note a</i>)	88,335	87,515
E&M engineering maintenance services	16,177	14,209
E&M engineering design and fabrication services (<i>Note b</i>)	1,580	2,867
Sales of parts and components	497	434
	106,589	105,025

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 is 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 periods. For the purposes of resources allocation and performance assessment, the chief operation decision make (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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong:		
Current tax	691	1,918
Deferred tax	552	68
	1,243	1,986

Hong Kong Profits Tax is calculated on the basis at 8.25% of the estimated assessable profits up to HK\$2 million and 16.5% on any part of the estimated assessable profits over HK\$2 million for the six months ended 30 September 2019 (2018: 16.5%).

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. TRADE RECEIVABLES

An ageing analysis of the current trade receivables as at 30 September 2019, based on the invoice date and net of loss allowance, is as follows:

	As at	
	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
0-30 days	17,824	12,968
31-60 days	13,936	16,338
61-90 days	12,206	5,473
Over 90 days	10,713	6,484
	54,679	41,263
Less: Accumulated loss allowance	(295)	(117)
	54,384	41,146

8. TRADE PAYABLES

An ageing analysis of the current trade payables as at 30 September 2019, based on the invoice date and net of loss allowance, is as follows:

	As at	
	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
0-30 days	5,254	5,964
31-60 days	1,523	153
61-90 days	498	1,804
91-365 days	468	467
Over 365 days	4,901	4,901
	12,644	13,289

9. DIVIDEND

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2019.

10. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

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

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 six months ended 30 September 2019 and 2018:

Type of Projects	For the six months ended 30 September			
	2019		2018	
	HK\$’000	%	HK\$’000	%
E&M Engineering Solutions and Services				
– Transportation Mission Critical System Solutions	20,014	18.8	43,732	41.6
– Other E&M Engineering Solutions and Services	68,321	64.1	43,783	41.7
Subtotal	88,335	82.9	87,515	83.3
E&M Engineering Design and Fabrication Services	1,580	1.5	2,867	2.7
E&M Engineering Maintenance Services	16,177	15.2	14,209	13.5
Sale of Parts and Components	497	0.4	434	0.5
Total	106,589	100.0	105,025	100.0

E&M Engineering Solutions and Services segment accounts for the largest business segment of our Group's business. Approximately 82.9% of the revenue was attributable to this segment for the six months ended 30 September 2019. The second largest segment is E&M Engineering Maintenance Services. Revenue from this segment increased by approximately 14.1% from approximately HK\$14.2 million for the six months ended 30 September 2018 to approximately HK\$16.2 million for the six months ended 30 September 2019. 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 one of our major customers. For the coming six months, the Group will continue to undertake projects including (i) advance works related to the Airport Three Runway System; (ii) Replacement and Modification of Smoke Curtains System at Airport Express Line and Tung Chung Line; and (iii) retrofit of about 1,000 ticket gates to enable Alipay HK QR Code payment for travel on Hong Kong's MTR system.

During the six months ended 30 September 2019, the Group has submitted 147 tenders and quotations to our customers (2018: 200) with 73 contracts being awarded (2018: 92) including (i) several subcontracts in relation to the replacement works of the closed circuit television ("CCTV") systems in various railway lines with total subcontract sum of approximately HK\$22.5 million; and (ii) maintenance services contract for AFC Equipment at MTR Shatin to Central Link with contract sum of approximately HK\$16.2 million. The Group will continue to grasp opportunities at the existing E&M market among those emerging opportunities while at the same time explore and expand our clientele as well as diversify our business into other emerging markets.

OUTLOOK/MARKET REVIEW

While our Group continues to focus on deepening our penetration of the Hong Kong E&M engineering industry with special focus on the Transportation Mission Critical System Solutions market, in order to keep pace with the growing transport needs, modernization, upgrading and expansion projects, the Group has been devoting more resources to the development and application of different technologies. Looking forward to the year ended 31 March 2020, the Group will (i) expand our office space and work area in relation to research and development; (ii) recruit additional research and development staff; and (iii) invest in relevant software and be ready to apply for the payment card security related certification. In August 2019, our Group's subsidiary, KML Technology Limited ("**KML Technology**"), has successfully obtained the Licence for Operating Money Service from the Customs and Excise Department, Hong Kong Special Administrative Region. The Group expects that we could explore more business opportunities in relation to the electronic payment services and further diversify our clientele.

Nevertheless, the Group foresees the recent economic, social and/or political conditions in Hong Kong may have negative impact to our performance mainly due to the possible delay in the progress of some E&M engineering projects. We will closely monitor the conditions and keep our Shareholders informed the development.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 September 2019 amounted to approximately HK\$106.6 million, representing an increase of approximately HK\$1.6 million or 1.5% as compared with approximately HK\$105.0 million for the six months ended 30 September 2018.

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 6.7% from approximately HK\$73.0 million for the six months ended 30 September 2018 to approximately HK\$77.9 million for the six months ended 30 September 2019. The gross profit of the Group decreased by approximately 10.3% from approximately HK\$32.0 million for the six months ended 30 September 2018 to approximately HK\$28.7 million for the six months ended 30 September 2019. The decrease in gross profit is mainly due to certain projects with relatively high profit margin were completed during the period and therefore contributions in profit by such projects were reduced.

Administrative Expenses

The Group's administrative expenses increased by 1.4% from approximately HK\$21.5 million for the six months ended 30 September 2018 to approximately HK\$21.8 million for the six months ended 30 September 2019.

Profit attributable to the owners of the Company

The Group recorded net profit attributable to the owners of the company of approximately HK\$7.2 million for the six months ended 30 September 2019 (2018: net profit approximately HK\$8.8 million). The decrease in net profit is mainly due to (i) decrease in gross profit as discussed above; and (ii) loss arising from change in fair value of financial assets.

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 2019, the Company had approximately HK\$55.9 million in (i) bank balances and cash; and (ii) time deposits with original maturity over three months (as at 30 September 2018: approximately HK\$86.8 million), representing a decrease of approximately HK\$30.9 million as compared to that as at 30 September 2018.

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 announcement (i.e. 6 November 2019) (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\$3.4 million for the six months ended 30 September 2019 which comprised acquisition of furniture, fixtures and office equipment (2018: approximately HK\$0.4 million).

Employees and Remuneration Policies

As at 30 September 2019, the Company had a total of 204 full-time employees (2018: 209). 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, share options and share awards.

Use of Proceeds from the Listing

On 16 October 2017, the Shares were listed on GEM by way of the 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 expense and commissions, the net proceeds from Listing amounted to approximately HK\$35.6 million. The Board has considered the changes in the business environment and in order to utilise the remaining balance of net proceeds in a more effective way and to facilitate efficient allocation of the Company's financial resources, resolved on 10 July 2019 to reallocate the portion of the use of remaining unutilised net proceeds. An analysis of the planned usage of net proceeds as stated in the Prospectus, revised use of net proceeds, the actual utilisation of the net proceeds up to 30 September 2019, unutilised net proceeds as at 30 September 2019 and the expected time line for utilising the remaining unused net proceeds are set out as below:

	Planned use of net proceeds as stated in Prospectus HK\$'000	Revised use of net proceeds HK\$'000	Actual use of net proceeds up to 30 September 2019 HK\$'000	Unutilised net proceeds as at 30 September 2019 HK\$'000	Expected timeline for utilising the remaining unused net proceeds
Expand and enhance our E&M engineering technical capabilities	17,952	9,601	6,311	3,290	From 1 April 2019 to 31 March 2020
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	9,252	8,603	1,485	7,118	From 1 April 2019 to 31 March 2021
Strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future	6,000	15,000	15,000	–	n/a
Working Capital and other general corporate purposes	2,796	2,796	2,796	–	n/a
Total	36,000	36,000	25,592	10,408	

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 six-month period ended 30 September 2019 is set out below:

Business strategy

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

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

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.

Actual business progress up to 30 September 2019

The Group has purchased several fibre cable testing related equipment in order to maintain our competitiveness in the railway sector as the Group anticipates that E&M engineering systems in the railways will rely increasingly on optical fibre networks to transfer relevant system data in the future.

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.

The Group has rented additional space and storage facilities to cater for additional space required for operation and to accommodate the new machineries and equipment to be purchased.

The Group has purchased four vehicles to increase our travelling efficiency and allow our project teams to transport additional spare parts and equipment for use in our operations.

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 has produced corporate and promotional video in order to increase our corporate image as well as brand awareness.

The Group has purchased three-dimensional design software, enabling us to create three dimensional drawings and designs for our products.

The Group has purchased additional computer hardware and software, enhancing the development of electronic payment system.

The Group has completed the assessment process and successfully obtained the approval from the Hong Kong Science and Technology Parks for our tenancy application.

The Group is in the process of (i) recruiting additional marketing staff; and (ii) setting up the marketing and demonstration area.

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

The Group has further enhanced our banking facilities in order to improve the provision of performance guarantees such that the Group could undertake large-scale E&M engineering projects.

Gearing Ratio

The gearing ratio of the Group as at 30 September 2019 was approximately 1.7% (2018: nil).

The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.

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 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 2019. 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 2019. 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 2019.

Pledge of Assets

As at 30 September 2019, the Group pledged certain amount of bank deposit and investments in life insurance policies to secure short-term bank borrowings and other general banking facilities granted to the Group.

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 2020 amounted to approximately HK\$2.9 million as at 30 September 2019 (2018: approximately HK\$2.9 million).

Contingent Liabilities

As at 30 September 2019, the Group did not have any significant contingent liabilities (2018: 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 2019 (2018: Nil).

CORPORATE GOVERNANCE/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 “**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. During the six months ended 30 September 2019, 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 six months ended 30 September 2019 and up to the Date of this Announcement.

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 financial reporting matters of the Company, including the review of the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 and this interim results announcement. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 comply with the applicable accounting standards and that adequate disclosures have been made.

CHANGES TO INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Tse Chi Kong, an independent non-executive Director, is appointed on 21 October 2019 as a Chair Professor of Electrical Engineering at City University of Hong Kong. Dr. Tse resigned as Chair Professor of Electronic and Engineering of the Hong Kong Polytechnic University, effective on 18 October 2019.

Saved as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to the Rules 17.50(2) and 17.50A(1) of the GEM Listing Rules during the six months ended 30 September 2019 (the “**Relevant Period**”).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, 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**”).

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

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 HK\$ per share	Closing price immediately before date of grant HK\$ per share
Mr. CL Chan (Director and Chief executive officer)	3 September 2018	4,000,000	2,000,000	3 September 2018 to 2 March 2019	3 March 2019 to 3 September 2023	0.385	0.35
			2,000,000	3 September 2018 to 2 March 2020	3 March 2020 to 3 September 2023		
Ms. Wai Hang Ying Helen (Director of KML Engineering Limited ("KML Engineering"))	3 September 2018	1,400,000	700,000	3 September 2018 to 2 March 2019	3 March 2019 to 3 September 2023	0.385	0.35
			700,000	3 September 2018 to 2 March 2020	3 March 2020 to 3 September 2023		
Ms. Woo (Company Secretary)	3 September 2018	600,000	300,000	3 September 2018 to 2 March 2019	3 March 2019 to 3 September 2023	0.385	0.35
			300,000	3 September 2018 to 2 March 2020	3 March 2020 to 3 September 2023		
Employees	3 September 2018	3,200,000	1,500,000	3 September 2018 to 2 March 2019	3 March 2019 to 3 September 2023	0.385	0.35
			1,700,000	3 September 2018 to 2 March 2020	3 March 2020 to 3 September 2023		
Total		<u>9,200,000</u>					

Details of the movements of Options granted, exercised or cancelled/lapsed during the six months ended 30 September 2019 and still outstanding as at 30 September 2019 are as follows:

Name of participants	Outstanding as at 1 July 2019	Number of Options granted	Number of Options exercised	Number of Options cancelled	Number of Options lapsed	Outstanding as at 30 September 2019
Mr. CL Chan (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 (Company Secretary)	600,000	–	–	–	–	600,000
Employees	3,200,000	–	–	–	–	3,200,000
Total	9,200,000	–	–	–	–	9,200,000

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. Please refer to the announcement dated 5 November 2018 for details.

There were no awarded shares granted, vested, forfeited or outstanding during the six months ended 30 September 2019.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim results announcement, at no time during the Relevant Period 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

Save as disclosed in this interim results announcement, during the Relevant Period, 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 at the Date of this Announcement, there were no subsequent events after this reporting period.

PUBLICATION OF THE INTERIM RESULTS AND 2019 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) and the Company (www.kml.com.hk), and the 2019 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, 6 November 2019

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 Rules Governing the Listing of Securities on GEM of the Stock Exchange 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.