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KML Technology Group Limited
高萌科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8065)

**SUPPLEMENTAL ANNOUNCEMENT TO THE
ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2019 AND
CHANGE IN USE OF PROCEEDS**

Reference is made to prospectus dated 29 September 2017 (the "**Prospectus**") and the annual report dated 19 June 2019 (the "**Annual Report**") of KML Technology Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"). Unless otherwise defined, terms used herein shall bear the same meanings as those defined in the Prospectus and the Annual Report.

Reference is made to the paragraphs headed "Use of Proceeds from the Listing" of the Annual Report. The Board would like to clarify certain information and provide additional information to the Annual Report.

An analysis of the planned usage of net proceeds as stated in the Prospectus, the actual utilisation of the net proceeds from the Listing Date up to 31 March 2019, the revised use of net proceeds 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 the Prospectus	Planned use of net proceeds as stated in the Prospectus up to 31 March 2019	Actual use of net proceeds up to 31 March 2019	Unutilised net proceeds as at 31 March 2019
	HK'000	HK'000	HK'000	HK'000
Expand and enhance our E&M engineering technical capabilities	17,952	16,054	5,673	12,279 (Note 1)
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	7,564	790	8,462 (Note 2)
Strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future	6,000	6,000	5,000 (Note 3)	1,000
Working Capital and other general corporate purposes	2,796	---	---	2,796
Total	36,000	29,618	11,463 (Note 4)	24,537

Notes :

1. The unutilised net proceeds are mainly due to (i) there is no urgent need for the purchase of certain machineries and equipment as planned; and (ii) an alternative information technology solutions has been used to enhance our operational efficiency instead of setting up a hybrid cloud computing environment.
2. The unutilised net proceeds are mainly due to (i) the Group is still in the process of selecting suitable (a) marketing; and (b) research and development staff; and (ii) the work of expanding office space and work area as well as investment in relevant software and technical solutions has not started.
3. It is clarified that the relevant figure shall be HK\$5,000,000 instead of HK\$10,000,000 as disclosed at page 12 of the Annual Report. As at 31 March 2019, the Group applied a total of HK\$10,000,000 for strengthening financial capabilities to undertake large-scale E&M engineering projects, HK\$5,000,000 out of which was utilised by net proceeds from the Share Offer of the Company whereas HK\$5,000,000 out of which was utilised from the internal source of funding.

4. It is clarified that the relevant figure shall be HK\$11,463,000 instead of 16,463,000 as disclosed at page 12 of the Annual Report. Please also refer to Note 3 above.

The supplementary information provided in this announcement does not affect other information contained in the Annual Report and, save as disclosed above, the contents of the Annual Report remain unchanged.

CHANGES IN USE OF PROCEEDS

The board of directors of the Company (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 as follows :

Intended use of proceeds	Original allocation of net proceeds	Revised allocation of net proceeds	Actual use of net proceeds up to 31 March 2019	Remaining balance after revised allocation
	HK'000	HK'000	HK'000	HK'000
Expand and enhance our E&M engineering technical capabilities	17,952	9,601	5,673	3,928
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	790	7,813
Strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future	6,000	15,000	5,000	10,000
Working Capital and other general corporate purposes	2,796	2,796	---	2,796
Total	36,000	36,000	11,463	24,537

**Expected timeline for
utilising the remaining
unused net proceeds** (Note)

Expand and enhance our E&M engineering technical capabilities	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	From 1 April 2019 to 31 March 2021
Strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future	From 1 April 2019 to 31 March 2020

Note:

The expected timeline for utilising the remaining unused proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

REASONS FOR THE CHANGES IN USE OF PROCEEDS

The adjustments (the "**Adjustments**") are mainly the reallocation of approximately HK\$8.4 million and approximately HK\$0.6 million from the net proceeds originally allocated to (i) expanding and enhancing our E&M engineering technical capabilities; and (ii) deepening our penetration of the Hong Kong E&M engineering industry respectively to strengthening our financial capabilities to undertake larger-scale E&M engineering projects in the future.

According to the original intended use of proceeds, approximately HK\$18.0 million would be used to expand and enhance our E&M engineering technical capabilities which include the purchase of new machineries and equipment to increase our productivity. However, during the operation process and according to the latest market development and change of technology, some of the machineries and equipment could be purchased at a lower cost, whereas some of them are no longer needed in the short run. As a result, approximately HK\$8.4 million will be reallocated to further strengthen the Group's financial capabilities.

Besides, the Board foresees that the opportunities to undertake the grand scale renovation and replacement of E&M, communication and AFC assets projects which require the Group to provide performance guarantee in relative substantial amount. The Group will need to further strengthen our financial capabilities such that the banking facilities available to the Group are enhanced especially in relation to the amount of performance bonds available to issue. The Board is of the view that the Adjustments will help the Group continue to naturally extend its existing businesses and be able to undertake projects of larger scale in terms of contract sum and hence to capture the growth in market size of the Hong Kong Transportation Mission Critical System Solutions market.

The Board considers that the Adjustments would meet the financial needs of the Group more efficiently and is of the view that the reallocation is in line with the business strategy of the Group and is in the best interests of the Company and the Shareholders as a whole.

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

Hong Kong, 10 July 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 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.