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KML Technology Group Limited

高萌科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8065)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION RENEWAL OF TENANCY AGREEMENT

Reference is made to the announcement of the Company dated 30 September 2021 in relation to the Old Tenancy Agreement entered into between the Tenant (a wholly-owned subsidiary of the Company) as tenant and the Landlord as the landlord in respect of the Premises. The term of the Old Tenancy Agreement commenced on 1 October 2021 and expiring on 31 March 2023.

On 31 March 2023, the Tenant as the tenant and the Landlord as the landlord entered into the Tenancy Agreement in respect of the Premises for a term of 18 months from 1 April 2023 to 30 September 2024 (both days inclusive).

IMPLICATIONS UNDER THE GEM LISTING RULES

In accordance with HKFRS 16 “Leases”, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy Agreement. Accordingly, the lease under the Tenancy Agreement is regarded as an acquisition of asset by the Tenant for the purpose of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the value of the right-of-use of the Premises under the Tenancy Agreement exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirement but exempt from Shareholders’ approval requirement under the GEM Listing Rules.

As at the date of this announcement, the Landlord is owned as to approximately 78.2% by Golden Sail, which is wholly-owned by a trustee for a family trust where the beneficiaries include Mr. KM Luk (being an executive Director and one of the Controlling Shareholders) and Madam Leung (being one of the Controlling Shareholders). Therefore, the Landlord is an associate of each of Mr. KM Luk and Madam Leung and hence is a connected person of the Company. Accordingly, the transactions under the Tenancy Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the value of the right-of-use of the Premises under the Tenancy Agreement exceed 5% but are less than 25% and the value of the right-of-use of the Premises is less than HK\$10,000,000, the transaction contemplated under the Tenancy Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules but exempt from the circular (including independent financial advice) and Shareholders' approval requirements under the GEM Listing Rules.

THE TENANCY AGREEMENT

Reference is made to the announcement of the Company dated 30 September 2021 in relation to the Old Tenancy Agreement entered into between the Tenant (a wholly-owned subsidiary of the Company) as tenant and the Landlord as the landlord in respect of the Premises. The term of the Old Tenancy Agreement commenced on 1 October 2021 and expiring on 31 March 2023.

On 31 March 2023, the Tenant as the tenant and the Landlord as the landlord entered into the Tenancy Agreement in respect of the Premises for a term of 18 months from 1 April 2023 to 30 September 2024 (both days inclusive).

Principal Terms of the Tenancy Agreement

Date:	31 March 2023
Parties:	(i) K M L Limited as landlord; and (ii) KML Engineering Limited as tenant
Premises:	Workshop 12 on G/F of Block B, Workshop 5 on 1/F with Flat Roof of Block B, Workshops 7, 9, 10 and 11 on 1/F of Block B, Workshop 7 on 3/F with Flat Roof of Block B and Car Parking Spaces numbered V20, V25, L33, L37 and L39, Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong
Term:	18 months from 1 April 2023 to 30 September 2024 (both days inclusive)
Rent:	HK\$477,920 per calendar month payable monthly in advance (excluding management fees, government rates and government rents which shall be borne by the Tenant)

Basis of determination

The rent payable by the Tenant under the Tenancy Agreement for the 18-month term was negotiated on an arm's length basis with reference to (i) the historical rent paid by the Tenant to the Landlord under the Old Tenancy Agreement; (ii) the prevailing market conditions and the prevailing market rent for similar properties in the vicinity of the Premises at the relevant time; and (iii) the expected increases/decreases in the market rent for similar properties for the period from 1 April 2023 to 30 September 2024 with reference to the historical trend of the relevant market rent in respect of the Premises.

Having taken into account of the above factors, the Directors are of the view that the Tenancy Agreement was entered into on normal commercial terms and that the rent payable under the Tenancy Agreement is in line with the prevailing market rate.

RIGHT-OF-USE ASSETS

The value of the right-of-use assets recognised by the Group under the Tenancy Agreement amounted to approximately HK\$8.3 million, which is the present value of total rent payable for the entire lease term of the Tenancy Agreement in accordance with HKFRS 16. Discount rate of approximately 5.88% is applied to compute the present value of total consideration payable under the Tenancy Agreement.

REASONS AND BENEFITS FOR ENTERING INTO THE TENANCY AGREEMENT

The Group has been leasing the Premises from the Landlord as its head office and workshops in Hong Kong for more than 20 years. The Company considers that it would be beneficial to lease the Premises as it will enable the Group to secure its stable operation at the Premises without incurring additional costs and expenses in identifying, renovating and relocating to alternative premises and ensure that there will be no disruption to the operations, business and growth of the Group.

The terms of the Tenancy Agreement were determined after arm's lengths' negotiations between the Tenant and the Landlord. The Directors (including the independent non-executive Directors) are of the view the terms of the Tenancy Agreement are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms and conditions of the Tenancy Agreement and the transaction contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As Mr. KM Luk has material interests in the transactions contemplated under the Tenancy Agreement, Mr. KM Luk had abstained from voting on the resolutions passed by the Board to approve the Tenancy Agreement and the transaction contemplated thereunder. Save for Mr. KM Luk, none of the Directors has a material interest in the transactions contemplated under the Tenancy Agreement or is required to abstain from voting.

IMPLICATIONS UNDER THE GEM LISTING RULES

In accordance with HKFRS 16 “Leases”, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy Agreement. Accordingly, the lease under the Tenancy Agreement is regarded as an acquisition of asset by the Tenant for the purpose of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the value of the right-of-use of the Premises under the Tenancy Agreement exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirement but exempt from Shareholders’ approval requirement under the GEM Listing Rules.

As at the date of this announcement, the Landlord is owned as to approximately 78.2% by Golden Sail, which is wholly-owned by a trustee for a family trust where the beneficiaries include Mr. KM Luk (being an executive Director and one of the Controlling Shareholders) and Madam Leung (being one of the Controlling Shareholders). Therefore, the Landlord is an associate of each of Mr. KM Luk and Madam Leung and hence is a connected person of the Company. Accordingly, the transaction under the Tenancy Agreement constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the value of the right-of-use of the Premises under the Tenancy Agreement exceed 5% but are less than 25% and the value of the right-of-use of the Premises is less than HK\$10,000,000, the transaction contemplated under the Tenancy Agreement constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements under Chapter 20 of the GEM Listing Rules but exempt from the circular (including independent financial advice) and Shareholders’ approval requirements under the GEM Listing Rules.

INFORMATION ABOUT THE GROUP AND THE PARTIES TO THE TENANCY AGREEMENT

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

The Tenant is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the provision of mechanical and electrical engineering solutions and services.

The Landlord is a company incorporated in Hong Kong and is principally engaged in the leasing of the Premises. The Landlord is held as to approximately 78.2% by Golden Sail, 20.0% by an independent third party, 1.6% by Mr. KM Luk and 0.2% by Madam Leung and is a connected person of the Company. The ultimate beneficial owners of the Landlord are Mr. KM Luk and Madam Leung.

DEFINITION

“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	board of Directors
“Company”	KML Technology Group Limited 高萌科技集團有限公司 (stock code: 8065), an exempted company incorporated in the Cayman Islands on 5 May 2017 with limited liability, the shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Golden Sail”	Golden Sail International Limited, a company incorporated in the British Virgin Islands which is wholly owned by a trustee for a family trust where the beneficiaries include Mr. KM Luk and Madam Leung
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent third party”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company or connected persons of the Company as defined in the GEM Listing Rules
“Landlord”	K M L Limited, a company incorporated in Hong Kong, which is held as to approximately 78.2% by Golden Sail, 20.0% by an independent third party, 1.6% by Mr. KM Luk and 0.2% by Madam Leung
“Madam Leung”	Ms. Leung Kwok Yee, a Controlling Shareholder

“Mr. KM Luk”	Mr. Luk Kam Ming, a Controlling Shareholder and an executive Director
“Old Tenancy Agreement”	the tenancy agreement dated 30 September 2021 entered into between the Tenant and the Landlord in respect of the leasing of the Premises
“Premises”	Workshop 12 on G/F of Block B, Workshop 5 of 1/F with Flat Roof of Block B, Workshops 7, 9, 10 and 11 on 1/F of Block B, Workshop 7 on 3/F with Flat Roof of Block B and Car Parking Spaces numbered V20, V25, L33, L37 and L39, Shatin Industrial Centre, Nos. 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong
“Shareholder(s)”	holder(s) of shares of the Company
“Tenancy Agreement”	a tenancy agreement dated 31 March 2023 entered into between the Tenant as tenant and the Landlord as the landlord in respect of the leasing of the Premises
“Tenant”	KML Engineering Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 31 March 2023

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, Dr. TSE Chi Kong and Mr. Yu Wing Lok Garry.

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

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