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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

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 2018 amounted to approximately Hong Kong dollars (“**HK\$**”) 156.2 million, representing an increase of approximately HK\$9.5 million or approximately 6.5% as compared with approximately HK\$146.7 million for the nine months ended 31 December 2017.

Gross profit of the Group for the nine months ended 31 December 2018 amounted to approximately HK\$46.5 million (2017: approximately HK\$40.6 million).

The net profit of the Group for the nine months ended 31 December 2018 amounted to approximately HK\$12.5 million (2017: net loss approximately HK\$6.0 million).

The board of directors (the “**Board**”) does not recommend a payment of an interim dividend for the nine months ended 31 December 2018 (2017: 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 2018, together with the unaudited comparative figures for the same period in 2017 as follows:

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

For the nine months ended 31 December 2018

		Nine months ended	
		31 December	
	Notes	2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	156,243	146,687
Cost of sales		<u>(109,745)</u>	<u>(106,052)</u>
Gross profit		46,498	40,635
Other income		658	411
Other gains		3	7
Administrative expenses		(32,142)	(29,811)
Listing expenses		<u>–</u>	<u>(15,389)</u>
Profit (loss) before taxation		15,017	(4,147)
Income tax expense	4	<u>(2,561)</u>	<u>(1,820)</u>
Profit (loss) and total comprehensive income (loss) for the period attributable to owners of the Company		<u>12,456</u>	<u>(5,967)</u>
Earnings (loss) per share			
– Basic (HK cents)	6	<u>3.11</u>	<u>(1.49)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	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 (Note 7)	Accumulated profits HK\$'000	
<u>Nine months ended 31 December 2018</u>						
At 1 April 2018 (audited)	4,000	47,552	14,339	–	57,912	123,803
Profit and total comprehensive income for the period	–	–	–	–	12,456	12,456
Recognition of equity-settled share-based expenses (Note 7)	–	–	–	745	–	745
At 31 December 2018 (unaudited)	4,000	47,552	14,339	745	70,368	137,004
<u>Nine months ended 31 December 2017</u>						
At 1 April 2017 (audited)	14,339	–	–	–	85,058	99,397
Effect of the Corporate Reorganisation (Note)	(14,339)	–	14,339	–	–	–
Loss and total comprehensive expenses for the period	–	–	–	–	(5,967)	(5,967)
Dividend	–	–	–	–	(25,000)	(25,000)
Issue of shares pursuant to the listing of the Company	1,000	59,000	–	–	–	60,000
Capitalisation issue of shares	3,000	(3,000)	–	–	–	–
Expenses incurred in connection with issue of new shares	–	(8,382)	–	–	–	(8,382)
At 31 December 2017 (unaudited)	4,000	47,618	14,339	–	54,091	120,048

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2018

1. GENERAL INFORMATION

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

The Company's shares (the "**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 unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HKS**"), 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 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 unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 have been reviewed by the Company's audit committee.

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

3. REVENUE AND SIGMENTAL INFORMATION

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

	Nine months ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
E&M engineering solutions and service (<i>Note a</i>)	129,744	123,584
E&M engineering maintenance services	21,548	15,336
E&M engineering design and fabrication services (<i>Note b</i>)	4,203	6,114
Sales of parts and components	748	1,653
	<u>156,243</u>	<u>146,687</u>

Notes:

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

Segment information

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

4. INCOME TAX EXPENSE

	Nine months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong:		
Current tax	2,219	1,692
Deferred tax	<u>342</u>	<u>128</u>
	<u>2,561</u>	<u>1,820</u>

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

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.

5. DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2018.

6. EARNINGS PER SHARE

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

	Nine months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss):		
Earnings (loss) for the purposes of basic earnings per share (profit (loss) for the period attributable to the owners of the Company)	<u>12,456</u>	<u>(5,967)</u>

	Nine months ended 31 December	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of Shares:		
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>400,000</u>	<u>400,000</u>

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

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

7. SHARE-BASED PAYMENTS TRANSACTIONS

The Company operates a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group pursuant to a resolution passed on 20 September 2017.

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.

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.

The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue at the date of approval of the Share Option Scheme.

An offer for the grant of options must be accepted within three business days from the date of offer. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$10.

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.

On 3 September 2018, the Company has granted 9,200,000 share options (“**Options**”) to the Company’s employees at the exercise price of HK\$0.385 per option share. The Options are valid for a period of five years commencing from the date of Options granted. The closing price of Company’s share immediately before 3 September 2018, the date before grant, was HK\$0.35.

During the nine months ended 31 December 2018, 9,200,000 Options were granted on 3 September 2018 and the estimated fair values of the Options granted was approximately HK\$1,706,000, 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 Shares price of Company. The risk-free rate was determined with reference to the prevailing rate on debt securities as reference from Thomson Reuters.

Date of grant **3 September 2018**

Share price at grant date	HK\$0.385
Exercise price	HK\$0.385
Expected volatility	61.93%
Expected life	5 years from date of granted
Risk-free rate	2.112%
Expected dividend yield	0%
Exercise Multiple	2.x

The Group recognised an expense of approximately HK\$745,000 in relation to Options granted by the Company for the nine months ended 31 December 2018.

8. RELATED PARTY TRANSACTIONS

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

	Nine months ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Purchase of materials from Logistic Industrial (Note a)	130	28
Rental fee paid to KML Ltd. (Note b)	3,547	3,073

Notes:

- (a) Logistic Industrial Supply Company Limited (“**Logistic Industrial**”) is a company which Mr. Luk Kam Ming (“**Mr. KM Luk**”) and Ms. Leung Kwok Yee (“**Madam Leung**”) have significant influence over it.
- (b) KML Ltd. is controlled by Mr. KM Luk. The rental fee paid is regarded as continuing connected transaction.

9. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

As at the date of this announcement, there was no subsequent event 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 undertake for the nine months ended 31 December 2018 and 2017:

Type of Projects	For the nine months ended 31 December			
	2018		2017	
	HK\$’000	%	HK\$’000	%
E&M Solutions and Services				
– Transportation Mission Critical System Solutions	61,887	39.6	60,124	41.0
– Other E&M Solutions and Services	67,857	43.4	63,460	43.2
Subtotal	129,744	83.0	123,584	84.2
E&M Design and Fabrication Services	4,203	2.7	6,114	4.2
E&M Maintenance Services	21,548	13.8	15,336	10.5
Sale of Parts and Components	748	0.5	1,653	1.1
Total	156,243	100.0	146,687	100.0

Our Group’s revenue for the nine months ended 31 December 2018 amounted to approximately HK\$156.2 million, representing an increase of approximately HK\$9.5 million or approximately 6.5% as compared with approximately HK\$146.7 million for the nine months ended 31 December 2017.

E&M Solutions and Services segment accounts for the largest business segment of our Group's business. Approximately 83.0% of the revenue was attributable to this segment for the nine months ended 31 December 2018. During this reporting period, we have substantially completed the projects including (i) Supply and Installation of "Stop-and-go" e-Payment System at Government Tolled Tunnels and Roads; (ii) Provision of over 400 units of Octopus-enabled kiosks to facilitate a public services project; (iii) Refurbishment of KTT Train; and (iv) mobile payment of Taoyuan Metro Phase I. For the next quarter, the Group will continue to undertake projects including (i) Optical Fibre Backbones for the Communication-based Train Control (CBTC) Signalling Systems in the Island Line (ISL), Kwun Tong Line (KTL), Tseung Kwan O Line (TKL), Airport Express Line (AEL), Tung Chung Line (TCL) and Disneyland Resort Line (DRL); and (ii) Replacement and Modification of Smoke Curtains at AEL and TCL.

OUTLOOK

Modernisation and Upgrading of Transportation System

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 such as quick response code ("**QR Code**") and different emerging payment methods. For the nine months ended 31 December 2018, the Group has been awarded over 140 projects including (i) Taoyuan Metro Mobile Payment Design and Implementation; and (ii) Partnering with Alipay HK to retrofit about 1,000 ticket gates to enable Alipay HK QR Code payment for travel on Hong Kong's MTR system. The award of these two projects signifies the success of the Group in deploying the latest technology particularly in relation to mobile payment to our projects in terms of system design and integration. In view of the expanding market for the modernization and upgrading of transportation system, the Group expects the revenue derived from this segment will continue to grow both in the short and long run.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the nine months ended 31 December 2018 amounted to approximately HK\$156.2 million, representing an increase of approximately HK\$9.5 million or approximately 6.5% as compared with approximately HK\$146.7 million for the nine months ended 31 December 2017. Such increase was mainly contributed by (i) an increase of number of projects undertaken by the Group including a new maintenance contract in relation to the signalling equipment for the Express Rail Link (XRL) during the nine months ended 31 December 2018; and (ii) a variation order with substantial amount received during the period.

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised (i) material and equipment; (ii) direct labour; and (iii) subcontracting cost. The cost of sales increased by approximately 3.4% from approximately HK\$106.1 million for the nine months ended 31 December 2017 to approximately HK\$109.7 million for the nine months ended 31 December 2018. The increase in cost of sales is mainly due to the increase in the number of projects undertaken by the Group during the period. The gross profit of the Group increased by approximately 14.5% from approximately HK\$40.6 million for the nine months ended 31 December 2017 to approximately HK\$46.5 million for the nine months ended 31 December 2018. The increase in gross profit is mainly due to the increase in revenue as discussed above.

Administrative Expenses

The Group's administrative expenses increased by approximately 7.7% from approximately HK\$29.8 million for the nine months ended 31 December 2017 to approximately HK\$32.1 million for the nine months ended 31 December 2018. The increase is mainly due to (i) the increase of professional fee after listing; and (ii) the increase of staff costs including the estimated fair value of the option granted on 3 September 2018.

Profit attributable to owners of the Company

The Group recorded a profit attributable to the owners of the Company of approximately HK\$12.5 million for the nine months ended 31 December 2018 (2017: loss approximately HK\$6.0 million).

Dividend

The Board does not recommend a payment of an interim dividend for the nine months ended 31 December 2018 (2017: Nil).

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

As at the date of this announcement (i.e. 30 January 2019) (the "**Date of this Announcement**"), there was no subsequent event 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 “**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 nine months ended 31 December 2018, 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 Directors has confirmed that he has complied with the required standard of dealings during the nine months ended 31 December 2018 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 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 2018 and this quarterly results announcement. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2018 comply with the applicable accounting standards and that adequate disclosures have 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 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 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

INTERESTS OF THE 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).

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

As at 31 December 2018, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) 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 (ii) to be 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 the Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity/ Nature of Interest	Number of Shares/ underlying Shares	Long/short position ⁽⁵⁾	Approximate percentage of shareholding of the Company (%)
Mr. Luk Kam Ming ("Mr. KM Luk") ⁽¹⁾	Beneficial owner; Interest of spouse	162,000,000	L	40.5
Mr. Luk Kwai Lung ("Mr. KL Luk") ⁽²⁾	Interest in a controlled corporation	138,000,000	L	34.5
Mr. Luk Yin Cheung ("Mr. YC Luk") ^{(2) (3)}	Interest in a controlled corporation; Interest of spouse	138,600,000	L	34.7
Mr. Chan Chak Lun Philip ("Mr. CL Chan") ⁽⁴⁾	Beneficial owner	4,000,000	L	1.0

Notes:

- (1) Mr. KM Luk directly holds 105,000,000 shares (“**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 (“**Ms. Woo**”), Mr. YC Luk is deemed to be interest in all the Shares in which Ms. Woo is interested or deemed to be interested under the SFO, which is 600,000 Shares. Ms. Woo was interested as a grantee of options to subscribe for up to 600,000 Shares under the Share Option Scheme (announced on 3 September 2018).
- (4) Mr. CL Chan was interested as a grantee of options to subscribe for up to 4,000,000 Shares under the Share Option Scheme (announced on 3 September 2018).
- (5) The Letter “L” denotes the entity/person’s long position in the Shares.

Save as disclosed above, as at 31 December 2018, 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 the 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 2018, 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 of the Company 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	34.5
Madam Leung ⁽²⁾	Beneficial owner; Interest of spouse	162,000,000	L	40.5
Ms. Chan Patricia ⁽³⁾	Interest of spouse	138,000,000	L	34.5
Ms. Woo ⁽⁴⁾	Beneficial owner; Interest of spouse	138,600,000	L	34.7

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) Ms. Woo is the spouse of Mr. YC Luk. By virtue of the SFO, Ms. 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. Ms. Woo was interested as a grantee of options to subscribe for up to 600,000 Shares under the Share Option Scheme (announced on 3 September 2018).
- (5) The Letter “L” denotes the entity/person’s long position in the Shares.

Save as disclosed above, as at 31 December 2018, 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 of the Company which would fall to be disclosed under 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**”).

The Board may, at its absolute discretion and on such terms as it may think fit, grant an option to subscribe to 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.

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.

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.

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.

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.

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.

The Share Option Scheme will remain in force for a period of 10 years commencing on the Listing Date 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.

From the date of the adoption of the Share Option Scheme and up to 31 December 2018, 9,200,000 share options (“**Options**”) had been granted on 3 September 2018 pursuant to the Share Option Scheme. Among the Options granted, 4,000,000 Options were granted to 1 Director, 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. No share option was granted under the Share Option Scheme for the period from 1 October 2018 to 31 December 2018. Among the 9,200,000 Options granted, approximately 48.9% and approximately 51.1% will be vested on 3 March 2019 and 3 March 2020 respectively, provided that the grantee has to remain an Eligible Participant (as defined in the Share Option Scheme) on such vesting date.

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		Vesting period	Exercise period	Exercise price of Options HK\$ per share	Closing price immediately before date of grant HK\$ per share
		Number of Options granted	Number of Options granted				
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)	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 nine months ended 31 December 2018 and still outstanding as at 31 December 2018 are as follows:

Name of participants	Outstanding as at 30 September 2018	Number of Options granted	Number of Options exercised	Number of Options cancelled	Number of Options lapsed	Outstanding as at 31 December 2018
Mr. CL Chan (Director and Chief executive office)	4,000,000	–	–	–	–	4,000,000
Ms. Wai Hang Ying Helen (Director of KML Engineering Limited)	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 nine months ended 31 December 2018.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this quarterly results announcement, at no time during the nine months ended 31 December 2018 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.

DIRECTOR'S, CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the nine months ended 31 December 2018, 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, 30 January 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.