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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 2021**

### **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 six months ended 30 September 2021 amounted to approximately Hong Kong dollars (“**HK\$**”) 95.2 million, representing a decrease of approximately HK\$25.4 million or approximately 21.1% as compared with the revenue of approximately HK\$120.6 million for the six months ended 30 September 2020.

Gross profit of the Group for the six months ended 30 September 2021 amounted to approximately HK\$29.0 million (2020: approximately HK\$31.2 million).

The net profit of the Group for the six months ended 30 September 2021 amounted to approximately HK\$7.5 million (2020: net profit approximately HK\$15.7 million).

The board of directors (the “**Board**”) does not recommend a payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

## **FINANCIAL RESULTS**

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended 30 September 2021, together with the unaudited comparative figures for the same period in 2020 as follows:

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

*For the six months ended 30 September 2021*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>95,206</b>	120,645
Cost of sales		<b>(66,192)</b>	(89,402)
Gross profit		<b>29,014</b>	31,243
Other income	5	<b>288</b>	7,482
Other gains and loss, net	5	<b>211</b>	148
Reversal of impairment losses on financial assets and contract assets, net		<b>8</b>	239
Administrative expenses		<b>(20,519)</b>	(21,551)
Finance costs	6	<b>(40)</b>	(158)
Profit before tax		<b>8,962</b>	17,403
Income tax expense	7	<b>(1,446)</b>	(1,655)
Profit and total comprehensive income for the period attributable to owners of the Company		<b>7,516</b>	15,748
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic		<b>HK1.89 cents</b>	HK3.98 cents
Diluted		<b>HK1.89 cents</b>	HK3.98 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at	
		30 September	31 March
		2021	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		5,718	5,890
Right-of-use assets		9,346	3,440
Deposits		1,160	1,321
Financial assets at fair value through profit or loss	11	5,764	5,661
<b>Total non-current assets</b>		<b>21,988</b>	<b>16,312</b>
<b>Current assets</b>			
Inventories		279	279
Trade receivables	12	38,437	40,729
Other receivables, deposits and prepayments		5,191	4,506
Contract assets		65,406	63,880
Pledged bank deposits		13,833	13,826
Time deposits with original maturity over three months		13,042	5,090
Bank balances and cash		90,557	108,801
<b>Total current assets</b>		<b>226,745</b>	<b>237,111</b>
<b>Current liabilities</b>			
Trade and retention payables	13	16,005	12,699
Other payables and accruals		14,241	12,540
Lease liabilities		3,064	3,213
Contract liabilities		18,419	32,317
Tax payable		1,729	340
<b>Total current liabilities</b>		<b>53,458</b>	<b>61,109</b>
<b>Net current assets</b>		<b>173,287</b>	<b>176,002</b>
<b>Total assets less current liabilities</b>		<b>195,275</b>	<b>192,314</b>

	As at	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	6,319	318
Deferred tax liabilities	244	185
	<hr/>	<hr/>
Total non-current liabilities	6,563	503
	<hr/>	<hr/>
Net assets	188,712	191,811
	<hr/>	<hr/>
Equity		
Share capital	4,025	4,025
Reserves	184,687	187,786
	<hr/>	<hr/>
Total equity	188,712	191,811
	<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Shares held under the share award scheme HK\$'000	Share-based payments reserves HK\$'000	Other reserves HK\$'000 (Note)	Accumulated profits HK\$'000	
<b>Six months ended 30 September 2021</b>							
At 31 March 2021 and 1 April 2021 (audited)	4,025	40,507	(825)	920	14,791	132,393	191,811
Profit and total comprehensive income for the period	-	-	-	-	-	7,516	7,516
Equity-settled share option arrangements	-	-	-	57	-	-	57
Equity-settled share award arrangements	-	-	-	237	-	-	237
Vesting of shares of share award scheme	-	-	125	(125)	-	-	-
Cancellation of share options	-	-	-	(63)	-	63	-
Dividend paid	-	(10,909)	-	-	-	-	(10,909)
At 30 September 2021 (unaudited)	<u>4,025</u>	<u>29,598</u>	<u>(700)</u>	<u>1,026</u>	<u>14,791</u>	<u>139,972</u>	<u>188,712</u>
<b>Six months ended 30 September 2020</b>							
At 31 March 2020 and 1 April 2020 (audited)	4,000	47,552	(858)	305	14,791	100,396	166,186
Profit and total comprehensive income for the period	-	-	-	-	-	15,748	15,748
Equity-settled share option arrangements	-	-	-	472	-	-	472
Purchase of shares for share award scheme	-	-	(142)	-	-	-	(142)
Equity-settled share award arrangements	-	-	-	237	-	-	237
Vesting of shares of share award scheme	-	-	176	(176)	-	-	-
Dividend paid	-	-	-	-	-	(7,931)	(7,931)
At 30 September 2020 (unaudited)	<u>4,000</u>	<u>47,552</u>	<u>(824)</u>	<u>838</u>	<u>14,791</u>	<u>108,213</u>	<u>174,570</u>

*Note:* The Group's other reserves mainly represent the difference between the nominal value of the ordinary shares issued by the Company and the share capital of subsidiaries acquired through a exchange of shares pursuant to the reorganization of the Group during the year ended 31 March 2018.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	4,356	21,101
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	140	244
Purchase of property and equipment	(785)	(1,752)
Withdrawn of time deposits with original maturity date over three months	–	16,632
Placement of time deposits with original maturity date over three months	(7,952)	(26,751)
Placement of pledged deposits	(7)	(121)
Deposit paid for life insurance policy	(106)	–
Net cash flows used in investing activities	(8,710)	(11,748)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of shares for the share award scheme	–	(142)
Principal portion of lease payments	(2,981)	(2,838)
Dividend paid	(10,909)	(7,931)
Net cash flows used in financing activities	(13,890)	(10,911)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,244)	(1,558)
Cash and cash equivalents at beginning of the period	108,801	76,652
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	90,557	75,094

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 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 mechanical and electrical ("**M&E**") engineering solutions and services. The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company and its principal subsidiaries.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the Group (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**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and the Hong Kong Companies Ordinance.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should read in conjunction with the Group's annual financial statements for the year ended 31 March 2021.

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

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

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 2021.

In the accounting period beginning from 1 April 2021, the Group has adopted, for the first time, the following amendments to HKFRSs issued by the HKICPA that affect the Group and are adopted for the current period's financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, *Interest Rate Benchmark Reform – Phase 2*  
HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs have had no material effect on how the Group's results and financial position for the current or prior periods that have been presented in this Interim Financial Statements. The Group has not applied any other new standards or interpretation that is not yet effective for the current accounting period.

#### 4. REVENUE AND SEGMENTAL INFORMATION

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
Transportation Mission Critical System Solutions	16,847	20,531
Mobile Ticketing and Digital Payment Solutions and Services	16,380	22,634
Digital Fabrication and Maintenance Services	20,030	23,356
M&E Technology Solutions and Engineering Services	39,856	51,007
Sales of Products, Parts and Components	2,093	3,117
	<hr/>	<hr/>
	95,206	120,645
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#### Segment information

The Group's revenue during both periods was derived from:

(i) *Transportation Mission Critical System Solutions*

Provision of a complete and convenient one-stop solution including design, supply, installation of systems and implementation of transportation system solutions.

(ii) *Mobile Ticketing and Digital Payment Solutions and Services*

Provision of mobile ticketing and digital payment solution in adoption of multiple ePayment including quick response code (“QR Code”), credit cards, octopus and account-based ticketing and fare collection enabled by credit cards or mobile Apps conforming to the EMV specifications.

(iii) *Digital Fabrication and Maintenance Services*

Provision of computerised and advanced maintenance support services for various systems, terminals and equipment, including the replacement of parts/components, equipment upgrading and/or improvement modification.

(iv) *M&E Technology Solutions and Engineering Services*

Provision of M&E engineering systems such as railway station M&E engineering services and architectural works, train-borne systems provisions, trackside and depot M&E works and different kinds of renovation works.

(v) *Sales of Products, Parts and Components*

Provision of parts and components and customises certain products according to customers' requirements.

For the purposes of resource allocation and performance assessment, the chief operation decision maker (i.e. the executive directors of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no separate analysis of this single segment is presented other than entity-wide disclosure.

**5. OTHER INCOME AND GAINS AND LOSSES, NET**

**Other income**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Bank Interest Income	<b>140</b>	244
Sundry income	<b>148</b>	237
Government subsidies – Employment support scheme	<b>–</b>	7,001
	<b>288</b>	<b>7,482</b>

**Other gains and losses, net**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gain on disposal of property, plant and equipment	<b>40</b>	–
Net foreign exchange gain	<b>171</b>	148
	<b>211</b>	<b>148</b>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	40	158
	<u>40</u>	<u>158</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong:		
Charge for the period	1,317	1,383
Deferred	129	272
	<u>1,446</u>	<u>1,655</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 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.

## 8. DIVIDEND

On 12 August 2021, the Board declared a final dividend of year ended 31 March 2021 of HK2.73 cents per ordinary share (2020: HK2.0 cents). The total amount of final dividend distributed was HK\$10,988,000 and was paid on 26 August 2021 including dividend of HK\$79,000 for share held under the share award scheme. The Board does not recommend the payment of any dividend for the six months ended 30 September 2021 (2020: Nil).

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

The calculation of the basic earnings per share amount for the period ended 30 September 2021 is based on the profit for the period attributable to owners of the Company of HK\$7,516,000 (2020: HK\$15,748,000), and the weighted average number of ordinary shares in issue less treasury shares held under share award scheme during the period of 398,196,000 (2020: 396,045,000).

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 September 2020 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2021, the Group acquired property, plant and equipment with aggregate cost of HK\$785,000 (30 September 2020: HK\$1,752,000).

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

As at 30 September 2021, the unlisted investments of approximately HK\$5,764,000 (unaudited) (31 March 2021: HK\$5,661,000 (audited)) were the deposits paid for life insurance products issued by financial institutions in Hong Kong. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The entire balance of the life insurance products is determined in United States dollars.

## 12. TRADE RECEIVABLES

The Group grants credit terms of 30 to 60 days to its customers from the date of invoices on progress billings of contract and maintenance works, as well as sales of products, parts and components. The following is an ageing analysis of the trade receivables is presented based on the invoice date.

	As at	
	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Within 30 days	37,412	11,529
31 to 60 days	564	16,927
61 to 90 days	–	10,641
Over 90 days	611	1,914
	<hr/>	<hr/>
	38,587	41,011
Less: Accumulated loss allowance	(150)	(282)
	<hr/>	<hr/>
Total	<b>38,437</b>	<b>40,729</b>

### 13. TRADE AND RETENTION PAYABLES

The credit period on purchases and subcontracting of contract work services ranges from 30 to 60 days. The following is an ageing analysis of the trade and retention payables are presented based on the invoice date.

	As at	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Within 30 days	4,415	2,050
31 to 60 days	616	115
61 to 90 days	93	122
91 to 365 days	7	71
Over 365 days	<u>5,849</u>	<u>5,839</u>
Retention payables	<u>10,980</u> <u>5,025</u>	<u>8,197</u> <u>4,502</u>
Total	<u>16,005</u>	<u>12,699</u>

### 14. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Purchase of materials from Logistic Industrial Supply Company Limited ("Logistic Industrial") (Note a)	6	7
Rental payments K M L Limited (Note b)	<u>2,779</u>	<u>2,779</u>

Notes:

- Logistic Industrial is a company over which Mr. Luk Kam Ming ("Mr. KM Luk") and Ms. Leung Kwok Yee have significant influence. The purchase prices of goods were mutually agreed between the parties.
- K M L Limited is controlled by Mr. KM Luk. Rental payments were on a mutually-agreed basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

The Group has been providing electrical and mechanical engineering solutions and services in Hong Kong for over 40 years. We are diversifying our businesses and comprise mainly the provision of (i) transportation mission critical system solutions; (ii) mobile ticketing and digital payment solutions and services; (iii) digital fabrication and maintenance services; (iv) mechanical and electrical (“M&E”) technology solutions and engineering services; and (v) sales of products, 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 7 x 24 maintenance support.

During the six months ended 30 September 2021, the Group has submitted 214 tenders and quotations to our customers (2020: 168 tenders and quotations) with 55 contracts being awarded (2020: 66 contracts). As at 30 September 2021, the Group had outstanding contracts in hand value at approximately HK\$493.0 million including approximately HK\$140.9 million being awarded during the six months ended 30 September 2021.

#### Transportation Mission Critical System Solutions

The Group possesses technologies and know-how in the Hong Kong Transportation Mission Critical System Solutions market and have strong system integration capabilities. Our comprehensive offerings enable us to provide our customers with a complete and convenient one-stop solution, which reduces their operations and management costs and mitigates the incompatibility risks of different transportation systems. The Group has extensive experience to the works in relation to the railway signalling, communication and control system and platform screen door (PSD) system.

For the six months ended 30 September 2021, revenue generated from this segment amounted to approximately HK\$16.8 million (2020: approximately HK\$20.5 million). The major projects in progress during the six months ended 30 September 2021 included:

- provision of platform gap light-emitting diode (LED) flashing lights system for certain railway lines
- provision of pedestrian warning system at some hotspot locations of several light rail stops
- installation of optical fibre backbones for communications-based train control (CBTC) signalling systems in several railway lines
- provision of installation service for the train intelligent detection system in a railway line

As at 30 September 2021, the total value of outstanding contracts of this segment amounted to approximately HK\$36.7 million.

## **Mobile Ticketing and Digital Payment Solutions and Services**

This segment offers mobile ticketing and digital payment solutions and services to different sectors in Hong Kong and overseas. The Group's capabilities in payment solution adoption of quick response code ("QR Code"), credit cards, octopus, multiple ePayment including QR Code and account-based ticketing and fare collection system enabled by credit cards or mobile Apps conforming to the EMV specifications have provided us with increasing numbers of business opportunities as digital payment and mobile ticketing have been penetrating to our everyday activities.

The major projects in progress during the six months ended 30 September 2021 included:

- supply and installation of lane equipment for ePayment system for the Cross Harbour Tunnel
- replacement and upgrading of automatic fare collection ("AFC") gates and ticket issuing machines for various railway lines
- supply of AFC equipment for Taoyuan Airport MRT
- application of QR Code for Travel on MTR

For the six months ended 30 September 2021, revenue generated from this segment amounted to approximately HK\$16.4 million (2020: approximately HK\$22.6 million). As at 30 September 2021, the total value of outstanding contracts of this segment amounted to approximately HK\$129.2 million. Meanwhile, the Group is expecting the award of more contracts in relation to AFC system in the next months.

## **Digital Fabrication and Maintenance Services**

This segment mainly offers computerised and advanced maintenance support services for various systems, terminals and equipment, including the replacement of parts/components, equipment upgrading or improvement modification, provision of upgrade and/or replacement services for both hardware and/or software, testing, and provision of routine preventive, corrective and workshop maintenance services. During the reporting period, the major maintenance projects included:

- maintenance and enhancement of AFC equipment and security systems at various railway lines
- maintenance of trackside signalling equipment for a high-speed railway line
- maintenance and enrichment of kiosks dedicated for the Public Transport Fare Subsidy Scheme
- maintenance of various access control equipment and carpark system at different premises of a major bank in Hong Kong

For the six months ended 30 September 2021, revenue generated from this segment amounted to approximately HK\$20.0 million (2020: approximately HK\$23.4 million). As at 30 September 2021, the total value of outstanding contracts of this segment amounted to approximately HK\$48.9 million, including a new three years' maintenance contract awarded to the Group during the reporting period i.e. Maintenance Services for Trackside Signalling Equipment in a high speed railway line which amounted to approximately HK\$31.0 million.

### **M&E Technology Solutions and Engineering Services**

M&E Technology Solutions and Engineering Services continued to be the largest business segment of the Group in the reporting period in terms of revenue. Its capabilities encompass design, installation, testing and commissioning and maintenance of miscellaneous M&E engineering systems such as railway station M&E engineering services and architectural works, train-borne systems provisions, trackside and depot M&E works and different kinds of renovation works. For the six months ended 30 September 2021, revenue generated from this segment amounted to approximately HK\$39.9 million (2020: approximately HK\$51.0 million). The major projects in progress during the reporting period included:

- replacement and modification of smoke curtains at two railway lines
- standardisation of shop signs in a railway line
- replacement of trackside advertising panels along a railway line and a railway station
- improvement of environmental control system (ECS) at various railway stations
- installation of local intrusion buzzer alarm at various railway stations

As at 30 September 2021, the total value of outstanding contracts of this segment amounted to approximately HK\$277.6 million, including (i) a new major project of Replacement of Station Lighting with LED Technology at three railway lines which amounted to approximately HK\$87.1 million; and (ii) three new projects awarded in relation to the “EV-charging at Home Subsidy Scheme” (“EHSS”). EHSS is a government pilot scheme to encourage and subsidise the installation of electric vehicle (“EV”) charging-enabling infrastructure (“EVCEI”) in private car parks in order to support the wider use of electric private cars in Hong Kong. The Group’s role is to provide professional consultancy services for design and project management of the installation of EVCEI.

### **Sales of Products, Parts and Components**

The Group sources certain parts and components and sometime customises certain products to our customers according to their requirements. We primarily supply railway signalling and AFC related products, parts and components.

For the six months ended 30 September 2021, revenue generated from this segment amounted to approximately HK\$2.1 million (2020: approximately HK\$3.1 million). As at 30 September 2021, the total value of outstanding contracts of this segment amounted to approximately HK\$0.6 million.

## **OUTLOOK**

During the six months ended 30 September 2021, the Group has submitted 214 tenders and quotations to our customers (2020: 168 tenders and quotations) with 55 contracts being awarded (2020: 66 contracts). Among the 214 tenders and quotations submitted for the six months ended 30 September 2021, 91 tenders and quotations were in relation to EHSS. As at 30 September 2021, the Group has been awarded with three contracts in relation to the EHSS from different customers. The Group considers that the EHSS related projects provide a good opportunity for the Group to diversify our project portfolio and at the same time widen our customer base such as properties management companies. The Group will continue to explore more potential opportunities including those relating to the upgrade of power system as a result of the installation of EV chargers, in order to enhance the benefit of the shareholders of the Company.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group for the six months ended 30 September 2021 amounted to approximately HK\$95.2 million, representing a decrease of approximately HK\$25.4 million or approximately 21.1% as compared with approximately HK\$120.6 million for the six months ended 30 September 2020. Such decrease was mainly due to the contracts awarded during the years ended 31 March 2019 and 2020 which have completed during the year ended 31 March 2021.

### **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 decreased by approximately 26.0% from approximately HK\$89.4 million for the six months ended 30 September 2020 to approximately HK\$66.2 million for the six months ended 30 September 2021. The gross profit of the Group decreased by approximately 7.1% from approximately HK\$31.2 million for the six months ended 30 September 2020 to approximately HK\$29.0 million for the six months ended 30 September 2021. The decrease in gross profit is mainly due to the decrease of revenue as discussed above.

### **Administrative Expenses**

The Group's administrative expenses decreased from approximately HK\$21.6 million for the six months ended 30 September 2020 to approximately HK\$20.5 million for the six months ended 30 September 2021. The decrease was mainly due to (i) a decrease of equity-settled share-based payment expenses exercised or vested; and (ii) a decrease of professional fee.

## **Profit attributable to the owners of the Company**

The Group recorded net profit attributable to the owners of the Company of approximately HK\$7.5 million for the six months ended 30 September 2021 (2020: net profit approximately HK\$15.7 million). The difference is mainly due to financial support received from the Hong Kong Special Administrative Region Government in response to the novel coronavirus epidemic at the previous year.

## **Liquidity, Financial Resources and Capital Structure**

Historically, the Group has met the liquidity and capital requirement primarily through operating cash flows and capital contribution from its shareholders. The Group requires cash primarily for working capital needs. As at 30 September 2021, the Group had approximately HK\$103.6 million in (i) bank balances and cash; and (ii) time deposits with original maturity over three months (as at 30 September 2020: approximately HK\$91.6 million), representing an increase of approximately HK\$12.0 million as compared to that as at 30 September 2020. There has been no change on the capital structure of the Group for the six months ended 30 September 2021 and up to the date of this announcement (i.e. 5 November 2021) (the “**Date of this Announcement**”). The capital of the Company only comprises of ordinary shares.

## **Capital Expenditure**

The Group purchased property, plant and equipment amounting to approximately HK\$0.8 million for the six months ended 30 September 2021 which comprised acquisition of furniture, fixtures and office equipment (2020: approximately HK\$1.8 million).

## **Employees and Remuneration Policies**

As at 30 September 2021, the Group had a total of 205 employees (2020: 213). The total staff cost of the Group for the six months ended 30 September 2021 was approximately HK\$37.3 million (2020: approximately HK\$37.8 million). The Group’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 Group 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 of the Company (the “**Shares**”) were listed on GEM by way of the share offer (“**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.

After deduction of all related listing expenses and commissions, the net proceeds from Listing amounted to approximately HK\$36.0 million. The Board resolved on 10 July 2019 to change the intended use of part of the net proceeds from Listing. For further details, please refer to the announcement of the Company dated 10 July 2019.

The net proceeds have been utilised in a manner consistent with the disclosures set out in the Prospectus and the said announcement of the Company dated 10 July 2019. An analysis of the planned and revised usage of net proceeds, the actual utilisation of the net proceeds for the six months ended 30 September 2021 and from the Listing Date up to 30 September 2021, 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 <i>HK\$'000</i>	Revised use of net proceeds <i>HK\$'000</i>	Actual use of net proceeds for the six months ended 30 September 2021 <i>HK\$'000</i>	Aggregate use of net proceeds up to 30 September 2021 <i>HK\$'000</i>	Unutilised net proceeds as at 30 September 2021 <i>HK\$'000</i>	Expected Timeline for utilising the remaining unused net proceeds
Expand and enhance our E&M engineering technical capabilities	17,952	9,601	-	9,601	-	Not applicable
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	1,229	7,639	964	From 1 October 2021 to 31 March 2022
Strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future	6,000	15,000	-	15,000	-	Not applicable
Working Capital and other general corporate purposes	2,796	2,796	-	2,796	-	Not applicable
<b>Total</b>	<b>36,000</b>	<b>36,000</b>	<b>1,229</b>	<b>35,036</b>	<b>964</b>	

## 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 2021 is set out below:

### Business strategy

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

### Actual business progress up to 30 September 2021

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 purchased additional equipment for material handling and field services for carrying out high level works. It helps to maintain our competitiveness and operational flexibility as well as work safety.

The Group has arranged specific trainings for employees on building information modelling (“**BIM**”) and purchased the workstations and subscribed the BIM software in order to fulfil upcoming contract requirement, promote productivity and uplift quality of our work.

The Group has rented and continued the rental of additional space and storage facilities to cater for space required for operation and to accommodate the new machineries and equipment 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 continued to enhance 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 and share award scheme as one of the measures for retaining talents and risk mitigation.

## **Business strategy**

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:

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

## **Actual business progress up to 30 September 2021**

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 on various platforms.

The Group has set up office at the Hong Kong Science and Technology Parks and recruited three additional R&D staff enhancing our R&D capabilities.

The Group has started to apply virtual reality (VR), augmented reality (AR) and mixed reality (MR) technologies in providing training to employees such that they could familiarise themselves with different types of equipment in a more effectively manner.

The Group has set up a marketing and demonstration area as well as fitting out well-equipped conference room.

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 and other Asian countries.

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

The Group has started the preparation for obtaining the certification of ISO 90003 in order to enhance our software engineering standard.

The Group has arranged additional banking facilities in order to improve the provision of performance guarantees such that the Group could undertake more or larger scale of E&M engineering projects.

## **Gearing Ratio**

The ratio was not applicable for the six months ended 30 September 2021 as no borrowing was incurred. (2020: not applicable).

## **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 2021. 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 2021. 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 2021.

## **Pledge of Assets**

As at 30 September 2021, the Group has pledged (i) approximately HK\$13.8 million bank deposits; and (ii) approximately HK\$5.5 million investments in life insurance policies to secure general banking facilities granted to the Group.

## **Capital Commitments**

The Group did not have any capital commitment as at 30 September 2021 (2020: Nil).

## **Contingent Liabilities**

As at 30 September 2021, the Group did not have any significant contingent liabilities (2020: Nil).

## **Financial Risk Management**

Financial risk management is carried out by the Group's finance department under policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with 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 2021 (2020: Nil).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholder(s)**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. During the six months ended 30 September 2021, 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 2021.

## 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 with the management internal control and 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 2021 and the interim report. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 September 2021 comply with the applicable accounting standards and that adequate disclosure has been made.

## CHANGES TO DIRECTORS’ INFORMATION

As at the Date of this Announcement, the Directors confirm that no information is required to be disclosed pursuant to Rules 17.50(2) and 17.50A(1) of the GEM Listing Rules during the six months ended 30 September 2021.

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

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## 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 principal terms of the Share Option Scheme are summarised below:

- (i) The Board may, at its absolute discretion and on such terms as it may think fit, grant an option to subscribe any director or employee of the Group, from time to time on the basis of his/her contribution or potential contribution to the development and growth of the Group;
- (ii) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue as at the date of the adoption of the Share Option Scheme;

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

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

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

**Date of grant** **2 January 2020**

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

The Group recognised an expense of approximately HK\$57,000 in relation to Options granted by the Company for the six months ended 30 September 2021.

Details regarding the number of Options, date of grant, exercise period and exercise price of the Options granted on 2 January 2020 are set out below:

Name of participants	Date of Options granted	Number of Options granted	Vesting period	Exercise period	Exercise price of Options <i>HK\$ per share</i>	Closing price immediately before date of grant <i>HK\$ per share</i>
Mr. Chan Chak Lun Philip ("Mr. CL Chan") (Director and chief executive officer)	2 January 2020	2,000,000	2 January 2020 to 30 June 2021	1 July 2021 to 1 January 2025	0.259	0.25
Ms. Wai Hang Ying Helen (Director of KML Engineering Limited ("KML Engineering"))	2 January 2020	700,000	2 January 2020 to 30 June 2021	1 July 2021 to 1 January 2025	0.259	0.25
Ms. Woo Siu Wai ("Madam Woo") (Company Secretary)	2 January 2020	300,000	2 January 2020 to 30 June 2021	1 July 2021 to 1 January 2025	0.259	0.25
Employees	2 January 2020	3,500,000	2 January 2020 to 30 June 2020	1 July 2020 to 1 January 2025	0.259	0.25
		3,300,000	2 January 2020 to 1 January 2021	2 January 2021 to 1 January 2025	0.259	0.25
Total:		<u>9,800,000</u>				

Details of the movements of Options granted, exercised or cancelled/lapsed during the six months ended 30 September 2021 and still outstanding as at 30 September 2021 are as follows:

Name of participants	Outstanding as at 1 April 2021	Number of Options granted	Number of Options exercised	Number of Options cancelled	Number of Options lapsed	Outstanding as at 30 September 2021
Mr. CL Chan (Director and Chief executive office)	2,000,000	-	-	-	-	2,000,000
Ms. Wai Hang Ying Helen (Director of KML Engineering)	700,000	-	-	-	-	700,000
Madam Woo (Company Secretary)	300,000	-	-	-	-	300,000
Employees	4,300,000	-	-	-	600,000	3,700,000
Total	7,300,000	-	-	-	600,000	6,700,000

As at the Date of this Announcement, excluding the 19,000,000 share options had been granted, the maximum number of Shares in respect of which options may be granted is 21,000,000, representing approximately 5.2% of the total number of Shares in issue as at the Date of this Announcement.

## 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.

During the six months ended 30 September 2021, 2,375,000 awarded Shares were granted to employees of KML Engineering. As at 30 September 2021, a total of 4,925,000 awarded Shares were granted representing approximately 1.2% of the total number of Shares in issue among which 1,370,000 awarded Shares were vested.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2021 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS**

For the six months ended 30 September 2021, 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 businesses 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 2021 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](http://www.hkexnews.hk)) and the Company ([www.kml.com.hk](http://www.kml.com.hk)), and the 2021 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, 5 November 2021

*As at the Date of this Announcement, the executive Directors are Mr. LUK Kam Ming, Mr. CHAN Chak Lun Philip, Mr. LUK Kwai Lung and Mr. LUK Yin Cheung; and the independent non-executive Directors are Mr. LAU On Kwok, Mr. LAW Wing Chi Stephen and Dr. TSE Chi Kong.*

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://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](http://www.kml.com.hk).*