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KML Technology Group Limited

高萌科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8065)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given 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 year ended 31 March 2021 amounted to approximately Hong Kong dollars (“**HK\$**”) 224.8 million (2020: approximately HK\$224.2 million).

Gross profit of the Group for the year ended 31 March 2021 amounted to approximately HK\$64.2 million, representing a decrease of approximately HK\$7.1 million or approximately 10.0% as compared with approximately HK\$71.3 million for the year ended 31 March 2020.

The net profit of the Group for the year ended 31 March 2021 amounted to approximately HK\$32.0 million (2020: approximately HK\$21.6 million).

The Board recommends the payment of a final dividend of HK2.73 cents per ordinary share for the year ended 31 March 2021 (2020: HK2.0 cents).

FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Group for the year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 March 2021*

| | <i>Notes</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| REVENUE | 3 | 224,839 | 224,228 |
| Cost of sales | | <u>(160,656)</u> | <u>(152,897)</u> |
| Gross profit | | 64,183 | 71,331 |
| Other income | | 13,072 | 1,395 |
| Other gains and losses, net | | 225 | 140 |
| Impairment losses on financial assets and contract assets, net of reversal | | (144) | (113) |
| Administrative expenses | | (40,618) | (46,059) |
| Finance costs | 4 | <u>(261)</u> | <u>(159)</u> |
| PROFIT BEFORE TAX | 5 | 36,457 | 26,535 |
| Income tax expense | 6 | <u>(4,460)</u> | <u>(4,923)</u> |
| PROFIT FOR THE YEAR | | <u>31,997</u> | <u>21,612</u> |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | | <u>31,997</u> | <u>21,612</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic | 8 | <u>HK8.07 cents</u> | <u>HK5.41 cents</u> |
| Diluted | 8 | <u>HK8.06 cents</u> | <u>HK5.41 cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

| | <i>Notes</i> | 2021 HK\$'000 | 2020 HK\$'000 |
|--|--------------|--------------------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 5,890 | 5,973 |
| Right-of-use assets | | 3,440 | 8,687 |
| Deposits | <i>10</i> | 1,321 | 1,145 |
| Financial assets at fair value through profit or loss | | 5,661 | 5,181 |
| Total non-current assets | | 16,312 | 20,986 |
| CURRENT ASSETS | | | |
| Inventories | | 279 | 346 |
| Trade receivables | <i>9</i> | 40,729 | 45,665 |
| Other receivables, deposits and prepayments | <i>10</i> | 4,506 | 9,252 |
| Contract assets | | 63,880 | 63,125 |
| Pledged bank deposits | | 13,826 | 14,045 |
| Time deposits with original maturity over three months | | 5,090 | 6,347 |
| Bank balances and cash | | 108,801 | 76,652 |
| Total current assets | | 237,111 | 215,432 |
| CURRENT LIABILITIES | | | |
| Trade and retention payables | <i>11</i> | 12,699 | 18,570 |
| Other payables and accruals | | 12,540 | 10,699 |
| Lease liabilities | | 3,213 | 5,611 |
| Contract liabilities | | 32,317 | 31,462 |
| Tax payable | | 340 | 448 |
| Total current liabilities | | 61,109 | 66,790 |
| NET CURRENT ASSETS | | 176,002 | 148,642 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 192,314 | 169,628 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 318 | 3,090 |
| Deferred tax liabilities | | 185 | 352 |
| Total non-current liabilities | | 503 | 3,442 |
| Net assets | | 191,811 | 166,186 |
| EQUITY | | | |
| Share capital | <i>12</i> | 4,025 | 4,000 |
| Reserves | | 187,786 | 162,186 |
| Total equity | | 191,811 | 166,186 |

NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 March 2021

1. CORPORATE AND GROUP INFORMATION

KML Technology Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 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 principal activity of the Company is investment holding and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of electrical and mechanical (“**E&M**”) engineering solutions and services.

2.1 BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It 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. This financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) and the following revised HKFRSs for the first time for the current year’s financial information:

| | |
|--|---------------------------------------|
| Amendments to HKFRS 3 | <i>Definition of a Business</i> |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendments to HKAS 1 and HKAS 8 | <i>Definition of Material</i> |

The adoption of the above amendments to HKFRSs did not have material impact on the financial position and performance of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group’s revenue is as follows:

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Revenue from contracts with customers | | |
| E&M engineering solutions and services | 178,656 | 184,501 |
| E&M engineering maintenance services | 36,551 | 34,354 |
| E&M engineering design and fabrication services | 8,363 | 4,434 |
| Sales of parts and components | 1,269 | 939 |
| | <u>224,839</u> | <u>224,228</u> |

(a) **Disaggregated revenue information**

| | 2021 | 2020 |
|---|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| By timing of revenue recognition: | | |
| Transferred at a point in time | 9,632 | 5,373 |
| Transferred over time | 215,207 | 218,855 |
| | <hr/> | <hr/> |
| Total revenue from contracts with customers | 224,839 | 224,228 |
| | <hr/> | <hr/> |

(b) **Performance obligations**

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the reporting period are as follows:

| | E&M engineering solutions and services <i>HK\$'000</i> | E&M engineering maintenance services <i>HK\$'000</i> | Others <i>HK\$'000</i> |
|--------------------|---|---|-----------------------------------|
| 2021 | | | |
| Within one year | 149,758 | 19,812 | 1,541 |
| More than one year | 177,132 | 8,266 | – |
| | <hr/> | <hr/> | <hr/> |
| | 326,890 | 28,078 | 1,541 |
| | <hr/> | <hr/> | <hr/> |
| | | | |
| | E&M engineering solutions and services <i>HK\$'000</i> | E&M engineering maintenance services <i>HK\$'000</i> | Others <i>HK\$'000</i> |
| 2020 | | | |
| Within one year | 214,989 | 34,037 | 5,254 |
| More than one year | 128,601 | 28,956 | – |
| | <hr/> | <hr/> | <hr/> |
| | 343,590 | 62,993 | 5,254 |
| | <hr/> | <hr/> | <hr/> |

Segment information

The Group's operating income during both years was derived from E&M engineering solutions and services, and E&M engineering maintenance services with the focus on (i) the automatic fare collection system at railway stations; (ii) the electronic payment and ticketing system; (iii) the road and tunnel toll collection system; (iv) the traffic control and surveillance system; and (v) the railway signaling communication and control system, E&M engineering design and fabrication services, as well as sales of parts and components during both years. 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.

Geographical information

The Group's revenue from external customers based on the place of operation of customers and non-current assets by jurisdictions based on the location of the assets are detailed below:

| | Revenue | | Non-current assets | |
|-----------|-------------------------|-------------------------|--|--|
| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> <i>(note)</i> | 2020 <i>HK\$'000</i> <i>(note)</i> |
| Hong Kong | 219,641 | 219,468 | 9,330 | 14,660 |
| Taiwan | 2,354 | 3,482 | – | – |
| Canada | 41 | 207 | – | – |
| Others | 2,803 | 1,071 | – | – |
| | <u>224,839</u> | <u>224,228</u> | <u>9,330</u> | <u>14,660</u> |

Note: Non-current assets comprise property, plant and equipment and right-of-use assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% to the total revenue of the Group is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | <u>150,810</u> | <u>143,812</u> |

Other than disclosed above, there was no revenue from customers individually contributing over 10% to the total revenue of the Group during the years ended 31 March 2021 and 2020.

4. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Interest on a bank loan | – | 35 |
| Interest on lease liabilities | <u>261</u> | <u>124</u> |
| | <u>261</u> | <u>159</u> |

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditor's remuneration | 1,620 | 1,650 |
| Depreciation of property, plant and equipment | 1,980 | 1,618 |
| Depreciation of right-of-use assets | 5,830 | 5,596 |
| Directors' remuneration | 4,628 | 4,584 |
| Employee benefit expenses (excluding directors' and chief executive's remuneration): | | |
| Salaries and other benefits | 69,584 | 68,980 |
| Retirement benefit scheme contributions | 2,902 | 2,779 |
| Equity-settled share-based payment expenses | 903 | 581 |
| Total employee benefit expenses | <u>73,389</u> | <u>72,340</u> |
| Cost of sales | | |
| – E&M engineering solutions and services | 130,146 | 126,578 |
| – Others | 30,510 | 26,319 |
| Lease payments not included in the measurement of lease liabilities | 108 | 86 |
| Net foreign exchange (gain)/loss | (225) | 45 |
| Fair value (gain)/loss on financial assets at fair value through profit or loss | (154) | 1,207 |
| Gain on disposal of property, plant and equipment | <u>–</u> | <u>(185)</u> |

6. INCOME TAX EXPENSE

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current – Hong Kong | | |
| Charge for the year | 4,656 | 4,527 |
| (Overprovision)/underprovision in prior years | (29) | 252 |
| Deferred | <u>(167)</u> | <u>144</u> |
| Total tax expense for the year | <u>4,460</u> | <u>4,923</u> |

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulations in those jurisdictions.

7. DIVIDEND

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Dividend recognised as distribution during the year: | | |
| 2020 Final dividend of HK2.0 cents (2019: Nil) per ordinary shares | 8,000 | – |
| Less: Dividend for shares held under the share award scheme | <u>(69)</u> | – |
| | <u>7,931</u> | <u>–</u> |

The proposed final dividend of HK2.73 cents per share in respect of the year ended 31 March 2021 has been proposed by directors and is subject to approval at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount for the year ended 31 March 2021 is based on the profit for the year attributable to owners of the Company of HK\$31,997,000 (2020: HK\$21,612,000), and the weighted average number of ordinary shares in issue less treasury shares held under share award scheme during the year of 396,544,000 (2020: 399,849,000).

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 March 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.

The calculation of the diluted earnings per share amount for year ended 31 March 2021 is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue less treasury shares held under share award scheme as used in the basic earnings per share calculation, and the weighted average number of 518,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares and the effect of awarded shares.

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Earnings | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | <u>31,997</u> | <u>21,612</u> |
| | Number of shares | |
| | 2021 | 2020 |
| | '000 | '000 |
| Shares | | |
| Weighted average number of ordinary shares in issue less treasury shares held under the share award scheme during the year used in the basic earnings per share calculation | 396,544 | 399,849 |
| Effect of dilution – weighted average number of ordinary shares | | |
| Share options | 129 | – |
| Share awards | <u>389</u> | – |
| | <u>397,062</u> | <u>399,849</u> |

9. 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 and sales of goods. An ageing analysis of the trade receivables is presented based on the invoice date at the end of the reporting period.

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Within 30 days | 11,529 | 21,943 |
| 31 to 60 days | 16,927 | 17,403 |
| 61 to 90 days | 10,641 | 3,350 |
| Over 90 days | 1,914 | 3,286 |
| | <u>41,011</u> | <u>45,982</u> |
| Less: Accumulated loss allowance | (282) | (317) |
| | <u>40,729</u> | <u>45,665</u> |
| Total | <u>40,729</u> | <u>45,665</u> |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Non-current: | | |
| Deposits | 1,321 | 1,145 |
| Current: | | |
| Advances to suppliers | 2,407 | 7,163 |
| Prepayments | 1,682 | 1,850 |
| Interest receivables | 14 | 107 |
| Others | 403 | 132 |
| | <u>4,506</u> | <u>9,252</u> |
| Total | <u>5,827</u> | <u>10,397</u> |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

11. 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 trade payables presented based on the invoice date at the end of the reporting period:

| | 2021 | 2020 |
|------------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Trade payables: | | |
| Within 30 days | 2,050 | 7,311 |
| 31 to 60 days | 115 | 171 |
| 61 to 90 days | 122 | 115 |
| 91 to 365 days | 71 | 366 |
| Over 365 days | 5,839 | 5,391 |
| | <hr/> | <hr/> |
| | 8,197 | 13,354 |
| Retention payables | 4,502 | 5,216 |
| | <hr/> | <hr/> |
| Total trade and retention payables | 12,699 | 18,570 |
| | <hr/> | <hr/> |

As at 31 March 2021, included in the trade payables aged over 365 days was an amount of HK\$4,901,000 (2020: HK\$4,901,000), representing the full provision for the Group's contractual obligation, which was pending settlement as the Group was in dispute with the counterparty for the final settlement. No reversal of this payable was recognised during the two years ended 31 March 2021 and 2020 as the derecognition criteria in accordance with the Group's accounting policies were not met.

As at 31 March 2021, trade payables of HK\$54,000 (2020: HK\$39,000) were denominated in United States dollars.

Retention payables to sub-contractors of contract work are interest-free and payable by the Group after the completion of the maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the completion dates of the respective E&M engineering solutions and services contracts.

12. SHARE CAPITAL

| | Number | Amount |
|----------------------------------|------------------|-----------------|
| | of shares | HK\$'000 |
| | '000 | HK\$'000 |
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 31 March 2021 and 2020 | 3,800,000 | 38,000 |
| | <hr/> | <hr/> |
| Issued and fully paid: | | |
| At 31 March 2021 | 402,500 | 4,025 |
| | <hr/> | <hr/> |
| At 31 March 2020 | 400,000 | 4,000 |
| | <hr/> | <hr/> |

A summary of movement in the Company's share capital is as follows:

| | Number of shares in issue '000 | Share capital HK\$'000 |
|---|--------------------------------------|------------------------------|
| At 1 April 2019, 31 March 2020 and 1 April 2020 | 400,000 | 4,000 |
| Share options exercised (<i>note</i>) | <u>2,500</u> | <u>25</u> |
| At 31 March 2021 | <u>402,500</u> | <u>4,025</u> |

Note: Share options with rights to subscribe for 2,500,000 shares were exercised at the subscription price of HK\$0.259 per share, resulting in the issue of 2,500,000 shares for a total cash consideration, before expenses, of HK\$648,000. An amount of HK\$263,000 was transferred from the share-based payment reserves to share capital upon the exercise of the share options.

13. COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 31 March 2021 (2020: Nil).

14. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year ended 31 March 2021:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Purchase of materials from Logistic Industrial Supply Company Limited ("Logistic Industrial") (<i>note a</i>) | <u>7</u> | <u>120</u> |
| Rental payments K M L Limited (<i>note b</i>) | <u>5,557</u> | <u>5,402</u> |

Notes:

- (a) 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.
- (b) K M L Limited is controlled by Mr. KM Luk. Rental payments were on a mutually-agreed basis.

Save as disclosed elsewhere in this financial information, the Group had no material transactions and outstanding balances with related parties during the years ended 31 March 2021 and 2020.

15. SHARE OPTION SCHEME

During the year ended 31 March 2021, the Group recognised a share option expense of HK\$695,000 (2020: HK\$845,000) and no options were granted, cancelled or lapsed whereas 2,500,000 options were exercised.

As at 31 March 2021, the Company had 7,300,000 (2020: 9,800,000) share options outstanding under the Share Option Scheme.

16. SHARE AWARD SCHEME

On 5 November 2018, the Company adopted a share award scheme (the “**Share Award Scheme**”) for the purpose of recognising the contributions by certain eligible persons for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group.

During the year ended 31 March 2021, the Company purchased 595,000 (2020: 1,665,000) of its own shares through the trustee from open market. The total amount paid to acquire the shares was HK\$143,000 (2020: HK\$406,000) and has been deducted from equity. In addition, 2,000,000 shares were contributed by Mr. KM Luk, the controlling shareholder and an executive director of the Company to the trust of the Share Award Scheme as gift during the year ended 31 March 2020. The fair value of those shares contributed amounted to HK\$452,000. The aggregate amount paid to acquire the shares and the fair value of the share contribution of HK\$143,000 (2020: HK\$858,000) has been deducted from equity and the shares were classified as treasury shares of the Company as they were not yet awarded to any selected participants.

During the year ended 31 March 2021, 2,550,000 awarded shares were granted under the Share Award Scheme with a fair value of HK\$561,000. Equity-settled share award arrangement expense of HK\$359,000 was recognised during the year ended 31 March 2021.

During the year ended 31 March 2021, 800,000 shares were vested to an eligible participant under the Share Award Scheme (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been providing electrical and mechanical (“E&M”) engineering solutions and services in Hong Kong for over 40 years. Our principal business is the provision of E&M engineering works, and comprises (i) E&M engineering solutions and services on Transportation Mission Critical Systems Solutions and other E&M engineering solutions and services; (ii) E&M engineering design and fabrication services; (iii) E&M engineering maintenance services; and (iv) sales of parts and components. Depending on our customers’ needs and requirements, we provide a full spectrum of solutions and services covering design, equipment assembly, supply, installation, fabrication, testing, and commissioning and maintenance support with a focus on Hong Kong Transportation Mission Critical System Solutions.

The following table sets forth the details of our Group’s revenue by type of projects and services we undertook for the year ended 31 March 2021 and 2020:

| Type of Projects | For the year ended 31 March | | | |
|--|-----------------------------|--------------|-----------------|----------|
| | 2021 | | 2020 | |
| | <i>HK\$’000</i> | <i>%</i> | <i>HK\$’000</i> | <i>%</i> |
| E&M Engineering Solutions and Services | | | | |
| – Transportation Mission Critical System Solutions | 66,839 | 29.7 | 51,615 | 23.0 |
| – Other E&M Engineering Solutions and Services | 111,817 | 49.7 | 132,886 | 59.3 |
| Subtotal | 178,656 | 79.4 | 184,501 | 82.3 |
| E&M Engineering Design and Fabrication Services | 8,363 | 3.7 | 4,434 | 2.0 |
| E&M Engineering Maintenance Services | 36,551 | 16.3 | 34,354 | 15.3 |
| Sale of Parts and Components | 1,269 | 0.6 | 939 | 0.4 |
| Total | 224,839 | 100.0 | 224,228 | 100.0 |

E&M Engineering Solutions and Services segment accounts for the largest business segment of our Group's business. Approximately 79.4% of the revenue was attributable to this segment for the year ended 31 March 2021. Some major projects of this segment include (i) replacement and upgrading of automatic fare collection (“**AFC**”) gates and ticket issuing machines; (ii) replacement and modification of smoke curtains at the Airport Express Line (AEL) and Tung Chung Line (TCL); and (iii) application of quick response code (“**QR Code**”) for Travel on the MTR. The second largest segment is E&M Engineering Maintenance Services. Revenue from this segment increased by approximately 6.4% from approximately HK\$34.4 million for the year ended 31 March 2020 to approximately HK\$36.6 million for the year ended 31 March 2021. Major maintenance projects include maintenance services for AFC and access control system (ACS) equipment, maintenance services for AFC equipment at Shatin Central Link (SCL) and maintenance services for signalling equipment for Express Rail Link (XRL). The 3-year maintenance contract on the AFC equipment awarded to us at year 2015, and subsequently extended for another 3 years will be completed during the financial year ending 2022. This 3+3 maintenance contract generated the Group with a revenue over HK\$70 million. The Group is keen and confident to pursue the continuance of this maintenance contract and expect that the revenue generated from our maintenance contracts will maintain a steady growth.

During the year ended 31 March 2021, the Group has submitted 339 tenders and quotations to our customers (2020: 325 tenders and quotations) with 135 contracts being awarded (2020: 165 contracts) including (i) supply of AFC equipment for a new station at the Taoyuan Airport MRT; (ii) supply and installation charging facilities for electric vehicles in a public carpark; (iii) provision of electrical supervision work for part of a new Integrated Waste Management Facilities Project in Hong Kong; and (iv) replacement of smoke curtains at East Rail Line (ERL) and West Rail Line (WRL) Stations.

In respect of promoting social responsibility, our Group participated various campaign and activities during the year. For example, (i) KML Engineering Limited (“**KML Engineering**”) was recognised as a “Construction Industry Caring Organisation” by the Construction Industry Council (“**CIC**”); (ii) KML Engineering participated the “Life First” campaign organised by the CIC; and (iii) KML Engineering signed the “Mental Health Workplace Charter” jointly organised by the Department of Health, the Labour Department and the Occupational Safety and Health Council, and was commended as a “Mental Health Friendly Supreme Organisation”.

In response to the outbreak of COVID-19, a working group has been set up to regularly review the pandemic condition, coordinate and arrange various provision of services including supply of sufficient masks and hand sanitiser to our employees, ensured strict observance of personal and environmental hygiene and daily body temperature checks for employees and visitors entering into our premises. Besides, we have engaged specialist contractors to conduct a thorough cleaning and a long-acting antibacterial coating spraying at our premises. All these efforts aimed to ensure the health and safety of our employees and facilitate the prevention the outbreak in our premises.

OUTLOOK

The Group has been putting much effort to deepen our penetration in the E&M engineering industry and diversify our exposure at various E&M sectors. At the new financial year, the Group continues to benefit from the renovation and replacement of E&M, communication and AFC assets projects from our customers, we foresee a steady growth of revenue to be generated from this sector. At the first two months for the year ended 31 March 2022, two major projects were awarded to the Group which include: (i) refurbishment and replacement of air handling units (AHU) and primary air units (PAU) in Tsuen Wan Line (TWL), Kwun Tong Line (KTL), Island Line (ISL), Air Express Line (AEL), Tung Chung Line (TCL), Disneyland Resort Line (DRL), Tseung Kwan O Line (TKL) and East Rail Line (ERL); and (ii) revamp of trackside advertising panels along West Rail Line (WRL). These two projects amounted to approximately HK\$50.0 million. In addition, in order to prepare Hong Kong with the required charging infrastructure to support the wider use of electric private cars (“e-PCs”), the Government of the Hong Kong Special Administrative Region (“HKSAR”) is forward-looking and has been encouraging, among other initiatives, the installation of electric vehicle (“EV”) charging-enabling infrastructure (“EVCEI”) in private car parks. A HK\$2 billion pilot subsidy scheme was launched to promote installation of EVCEI in car parks of existing private residential buildings. The scheme, namely the “EV-charging at Home Subsidy Scheme” (“EHSS”), is to help car parks of existing private residential buildings with multiple ownership resolve technical and financial difficulties that are encountered frequently when retrofitting EVCEI and further facilitate car park owners to install EV chargers (or EV supply equipment) of their choice in the future in a simple and easy manner. The Group by utilising our experience and expertise is pursuing business opportunities in this area.

Besides, a new subsidiary will be set up this year targeting to the ePayment business. By making use of the knowledge and experience we gained when carrying out the project at the Taoyuan MRT on the integration of mobile payment application with QR Code and various contactless payment method, the Group has lined up with various business partners including bank and digital payment providers with a planning to take up broader roles in the ePayment business arena such as becoming a facilitator.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 March 2021 amounted to approximately HK\$224.8 million, representing more or less the same level as compared with approximately HK\$224.2 million for the year ended 31 March 2020.

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) sub-contracting cost. The cost of sales increased by approximately 5.1% from approximately HK\$152.9 million for the year ended 31 March 2020 to approximately HK\$160.7 million for the year ended 31 March 2021. The increase in cost of sales was mainly due to a decrease of efficiency when carrying out of our projects during the COVID-19 pandemic. The gross profit of the Group decreased by approximately 10.0% from approximately HK\$71.3 million for the year ended 31 March 2020 to approximately HK\$64.2 million for the year ended 31 March 2021. The decrease in gross profit was mainly due to (i) the increase of cost of sales as discussed above; and (ii) a decrease of gross profit margin for projects during the period.

Administrative Expenses

The Group's administrative expenses decreased by approximately 11.9% from approximately HK\$46.1 million for the year ended 31 March 2020 to approximately HK\$40.6 million for the year ended 31 March 2021. Such decrease was mainly due to (i) a decrease of professional and legal fees incurred as compared with the year ended 31 March 2020; (ii) better cost control measures implemented; and (iii) a decrease of staff cost in relation to reduced staff gathering events due to the various measures of social distancing and requirements to reduce gatherings.

Profit attributable to the owners of the Company

The Group recorded net profit attributable to the owners of the Company of approximately HK\$32.0 million for the year ended 31 March 2021 (2020: net profit of approximately HK\$21.6 million). The increase in net profit is mainly due to (i) financial support received from the Government of the HKSAR in response to the novel coronavirus epidemic; (ii) a decrease of administrative expenses; and (iii) receipt of a long outstanding payment from a customer.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

Historically, the Group has met the liquidity and capital requirements primarily through operating cash flows and capital contribution from its shareholders (the “**Shareholder(s)**”).

The Group requires cash primarily for working capital needs. As at 31 March 2021, the Group had approximately HK\$113.9 million in (i) bank balances and cash; and (ii) time deposits with original maturity over three months (2020: approximately HK\$83.0 million), representing an increase of approximately HK\$30.9 million as compared to that as at 31 March 2020.

There are 2,500,000 Shares issued on 2 March 2021 pursuant to exercise of share options granted under the share option scheme adopted on 20 September 2017.

Save as disclosed above, there has been no change on the capital structure of the Group for the year ended 31 March 2021 and up to the date of this announcement (i.e. 17 June 2021) (the “**Date of this Announcement**”). The share capital of the Company only comprises of ordinary shares.

As at 31 March 2021, the issued share capital of the Company was HK\$4,025,000 divided into 402,500,000 Shares of HK\$0.01 each.

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$1.9 million for the year ended 31 March 2021 which comprised acquisition of furniture, fixtures and office equipment (2020: approximately HK\$4.8 million).

Final Dividend

The Board recommends the payment of a final dividend of HK2.73 cents per Share for the year ended 31 March 2021 (2020: HK2.0 cents).

Closure of Register of Members

The Register of Members will be closed from Thursday, 12 August 2021 to Monday, 16 August 2021, both days inclusive, in order to determine the entitlement of the Shareholders who are entitled to receive the final dividend, during which period no transfers of shares shall be effected. In order to qualify for the entitlement of final dividend, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with the Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 11 August 2021.

Employees and Remuneration Policies

As at 31 March 2021, the Group employed 203 employees (2020: 199 employees). 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. On top of basic salaries, bonus may be paid with reference to the Group’s performance as well as individual’s performance. Other staff benefits include provision of retirement benefits, medical and life insurance benefits. Share options and/or share awards may also be granted to eligible employees by reference to the Group’s performance as well as the individual contribution.

Use of Proceeds from the Listing

On 16 October 2017, the Shares were listed on GEM by way of Share Offer. 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 usage of net proceeds, the actual utilisation of the net proceeds from the Listing Date up to 31 March 2021, the revised use of net proceeds and the expected time line for utilising the remaining unused net proceeds are set out as below:

| | Planned use of net proceeds as stated in the Prospectus <i>HK\$'000</i> | Revised use of net proceeds <i>HK\$'000</i> | Actual use of net proceeds for the year ended 31 March 2021 <i>HK\$'000</i> | Aggregate use of net proceeds up to 31 March 2021 <i>HK\$'000</i> | Unutilised net proceeds as at 31 March 2021 <i>HK\$'000</i> | Expected timeline for utilising the remaining unused net proceed |
|--|---|---|---|---|--|---|
| Expand and enhance our E&M engineering technical capabilities | 17,952 | 9,601 | 2,163 | 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 | 3,399 | 6,410 | 2,193 | From 1 April 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 |
| Total | 36,000 | 36,000 | 5,562 | 33,807 | 2,193 | |

GEARING RATIO

The ratio was not applicable for the year ended 31 March 2021 as no borrowing was incurred (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

We conducted business with customers, suppliers and subcontractors located in Hong Kong, the People's Republic of China (the "PRC") and overseas. The Group's exposure to the currency risk mainly arises from the fluctuation of Renminbi ("RMB"), Euro ("EUR") or United States dollars ("USD"). The Group currently does not have any hedging policy in place for its foreign currency exposure. The management will consider hedging significant currency exposure should the need arise.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 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 31 March 2021. Except for those included in the section headed "Future Plans and Use of Proceeds" 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

There were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2021.

PLEDGES OF ASSETS

As at 31 March 2021, the Group pledged certain amount of bank deposits and investments in life insurance policies to secure general banking facilities granted to the Group.

CAPITAL COMMITMENT

The Group did not have any capital commitment as at 31 March 2021 (2020: Nil).

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities (2020: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of 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. The Company has complied with all applicable code provisions of the CG Code for the year ended 31 March 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with 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. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings for the year ended 31 March 2021.

AUDIT COMMITTEE AND REVIEW OF ANNUAL 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 consolidated results of the Group for the year ended 31 March 2021 and the annual report.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the share award scheme adopted by the Company on 5 November 2018 (the "**Share Award Scheme**"), pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 595,000 Shares at a total consideration of approximately HK\$143,000.

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 adopting 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, 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.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this announcement, at no time during the year ended 31 March 2021 and up to the Date of this Announcement was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESS

Up to the Date of this Announcement, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Up to the Date of this Announcement, there were no subsequent events after this reporting period.

PUBLICATION OF THE ANNUAL RESULTS AND 2020/21 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kml.com.hk), and the 2020/21 annual 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.

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

Hong Kong, 17 June 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 will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.kml.com.hk.