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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 2024

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 2024 (the “**Reporting Period**”) amounted to approximately Hong Kong dollars (“**HK\$**”) 80.1 million, representing a decrease of approximately HK\$13.3 million or approximately 14.2% as compared with the revenue of approximately HK\$93.4 million for the six months ended 30 September 2023.

Gross profit of the Group for the Reporting Period amounted to approximately HK\$13.2 million (2023: approximately HK\$17.1 million).

The net loss of the Group for the Reporting Period amounted to approximately HK\$5.5 million (2023: net loss of approximately HK\$3.2 million).

The board of directors (the “**Board**”) does not recommend a payment of an interim dividend for the Reporting Period (2023: Nil).

FINANCIAL RESULTS

The Board is pleased to announce the condensed consolidated interim results of the Group for the Reporting Period, together with the unaudited comparative figures for the same period in 2023 as follows:

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

For the six months ended 30 September 2024

		Six months ended	
		30 September	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	4	80,093	93,426
Cost of sales		<u>(66,928)</u>	<u>(76,310)</u>
Gross profit		13,165	17,116
Other income	5	1,307	1,660
Other gains and losses, net	5	676	(195)
(Impairment loss)/reversal of impairment loss on financial assets and contract assets, net		(20)	28
Administrative expenses		(20,354)	(21,427)
Finance costs	6	<u>(241)</u>	<u>(317)</u>
LOSS BEFORE TAX		(5,467)	(3,135)
Income tax expense	7	<u>–</u>	<u>(113)</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(5,467)</u>	<u>(3,248)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK(1.36) cents	HK(0.81) cents
Diluted		<u>HK(1.36) cents</u>	<u>HK(0.81) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2024*

		As at	
		30 September	31 March
		2024	2024
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3,210	3,943
Right-of-use assets		9,046	3,201
Deposits		1,857	959
Financial assets at fair value through profit or loss	<i>11</i>	6,521	6,382
Deferred tax assets		113	56
		<hr/>	<hr/>
Total non-current assets		20,747	14,541
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		415	146
Trade receivables	<i>12</i>	36,394	38,640
Other receivables, deposits and prepayments		5,838	5,999
Contract assets		67,830	69,010
Financial assets at fair value through profit or loss	<i>11</i>	717	2,925
Tax recoverable		–	1,931
Pledged bank deposits		25,110	24,664
Bank balances and cash		28,595	45,569
		<hr/>	<hr/>
Total current assets		164,899	188,884
		<hr/>	<hr/>

		As at	
		30 September 2024	31 March 2024
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
CURRENT LIABILITIES			
Trade and retention payables	<i>13</i>	14,472	12,146
Other payables and accruals		12,472	11,537
Bank borrowing	<i>14</i>	–	15,000
Lease liabilities		2,883	3,156
Contract liabilities		11,470	15,881
Provision for contract works	<i>15</i>	7,501	9,237
		<hr/> 48,798	<hr/> 66,957
Total current liabilities			
		<hr/> 116,101	<hr/> 121,927
NET CURRENT ASSETS			
		<hr/> 136,848	<hr/> 136,468
TOTAL ASSETS LESS CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities		<hr/> 6,190	<hr/> 168
Total non-current liabilities		<hr/> 130,658	<hr/> 136,300
Net assets		<hr/> 130,658	<hr/> 136,300
EQUITY			
Share capital		4,050	4,050
Reserves		<hr/> 126,608	<hr/> 132,250
Total equity		<hr/> 130,658	<hr/> 136,300

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	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 payment reserve HK\$'000	Other reserves HK\$'000 (Note)	Accumulated profits HK\$'000	
Six months ended 30 September 2024							
At 31 March 2024 and 1 April 2024 (audited)	4,050	21,587	(369)	1,602	14,791	94,639	136,300
Loss and total comprehensive loss for the period	-	-	-	-	-	(5,467)	(5,467)
Purchases of shares and contribution in the share award scheme	-	-	(112)	-	-	-	(112)
Equity-settled share award arrangements	-	-	-	18	-	-	18
Vesting of shares under share award scheme	-	-	299	(299)	-	-	-
Forfeiture of share award	-	-	-	(81)	-	-	(81)
At 30 September 2024 (unaudited)	<u>4,050</u>	<u>21,587</u>	<u>(182)</u>	<u>1,240</u>	<u>14,791</u>	<u>89,172</u>	<u>130,658</u>
Six months ended 30 September 2023							
At 31 March 2023 and 1 April 2023 (audited)	4,050	21,587	(387)	1,267	14,791	108,336	149,644
Loss and total comprehensive loss for the period	-	-	-	-	-	(3,248)	(3,248)
Equity-settled share option arrangements	-	-	-	122	-	-	122
Equity-settled share award arrangements	-	-	-	172	-	-	172
Vesting of shares under share award scheme	-	-	519	(519)	-	-	-
Forfeiture of share options	-	-	-	(44)	-	44	-
At 30 September 2023 (unaudited)	<u>4,050</u>	<u>21,587</u>	<u>132</u>	<u>998</u>	<u>14,791</u>	<u>105,132</u>	<u>146,690</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,918)</u>	<u>(29,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest received	1,447	1,449
Purchase of property, plant and equipment	(54)	(736)
Proceed from disposals of property, plant and equipment	320	–
Addition of financial assets at fair value through profit or loss	(106)	(106)
Withdrawn of time deposits with original maturity date over three months	2,208	3,365
Placement of pledged deposits	<u>(446)</u>	<u>(118)</u>
Net cash flows from investing activities	<u>3,369</u>	<u>3,854</u>
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
New bank loan raised	–	6,000
Repayment of bank borrowings	(15,000)	–
Purchase of shares for the share award scheme	(112)	–
Principal portion of lease payments	(3,116)	(2,853)
Interest paid	<u>(197)</u>	<u>(99)</u>
Net cash flows (used in)/from financing activities	<u>(18,425)</u>	<u>3,048</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(16,974)</u>	<u>(22,657)</u>
Cash and cash equivalents at beginning of the period	<u>45,569</u>	<u>74,021</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>28,595</u>	<u>51,364</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 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 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").

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 2024.

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.

The condensed consolidated financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2024, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRS(s)") (which include all HKFRSs, HKAS(s) and Interpretations) as below:

Amendments to HKFRS 16

Amendments to HKAS 1

Amendments to HKAS 1

Amendments to HKAS 7 and HKFRS 7

Lease Liability in a Sale and Leaseback

Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

Non-current Liabilities with Covenants

Supplier Finance Arrangements

These new and 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 condensed consolidated financial information. 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
Transportation Mission Critical System Solutions	8,236	5,331
Mobile Ticketing and Digital Payment Solutions and Services	16,212	25,881
Digital Fabrication and Maintenance Services	12,095	12,351
M&E Technology Solutions and Engineering Services	42,083	49,488
Sales of Products, Parts and Components	1,467	375
	80,093	93,426

Segment information

The Group's operating income during both periods was derived from:

(a) Transportation Mission Critical System Solutions:

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.

(b) 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.

(c) 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.

(d) 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.

(e) 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

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	1,147	1,449
Sundry income	160	211
	1,307	1,660

Other gains and losses, net

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	298	7
Fair value gains on financial assets at fair value through profit or loss	236	14
Foreign exchange differences, net	142	(216)
	676	(195)

6. FINANCE COSTS

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	197	99
Interest on lease liabilities	44	218
	241	317

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong:		
Charge for the period	–	240
Deferred	–	(127)
	<hr/>	<hr/>
Total tax expense for the period	<hr/> –	<hr/> 113

The Group has no assessable profit arising in Hong Kong and no provision for the income tax has been made for the six months ended 30 September 2024. The Hong Kong profits tax rate is 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

The Board does not recommend the payment of any dividend for the Reporting Period (2023: Nil).

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

The calculation of the basic loss per share amount for the Reporting Period is based on the loss for the period attributable to owners of the Company of approximately HK\$5,467,000 (2023: loss of approximately HK\$3,248,000), and the weighted average number of ordinary shares in issue less treasury shares held under share award scheme during the period of 401,895,000 (2023: 401,295,000).

In respect of the period ended 30 September 2024, no adjustment has been made to the basic loss per share amount presented in respect of a dilution as the impact of the awarded shares and share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

For the Reporting Period, the Group acquired property, plant and equipment with aggregate cost of approximately HK\$54,000 (2023: approximately HK\$736,000).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

As at 30 September 2024, the unlisted investments of approximately HK\$6,521,000 (unaudited) (31 March 2024: HK\$6,382,000 (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 denominated in United States dollars.

Other than the above mentioned life insurance products, the remaining balances as at 30 September 2024 were being Hong Kong listed equity investments of approximately HK\$717,000 (unaudited) (31 March 2024: equity investments of HK\$925,000 (audited) and debt securities of HK\$2,000,000 (audited)) traded in Hong Kong.

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 and sales of products. The following is an ageing analysis of the trade receivables is presented based on the invoice date.

	As at	
	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Within 30 days	15,042	14,221
31 to 60 days	10,577	17,065
61 to 90 days	6,986	6,101
Over 90 days	3,835	1,284
	<u>36,440</u>	<u>38,671</u>
Less: Accumulated loss allowance	(46)	(31)
Total	<u>36,394</u>	<u>38,640</u>

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 trade payables presented based on the invoice date.

	As at	
	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables:		
Within 30 days	5,914	6,059
31 to 60 days	1,439	192
61 to 90 days	6	47
91 to 365 days	1,654	11
Over 365 days	401	335
	<u>9,414</u>	<u>6,644</u>
Retention payables	5,058	5,502
Total	<u>14,472</u>	<u>12,146</u>

14. BANK BORROWING

During the Reporting Period, the Group has fully settled all outstanding bank borrowings. As at 30 September 2024, the Group has nil (31 March 2024: HK\$15,000,000 (audited)) outstanding borrowings. The borrowing carried interest at Hong Kong Interbank Offered Rate plus 1.75% per annum.

15. PROVISION FOR CONTRACT WORKS

	As at	
	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
At beginning of period	9,237	16,169
Amount utilised during the period	<u>(1,736)</u>	<u>(6,932)</u>
At end of period	<u>7,501</u>	<u>9,237</u>

The Group recognises provision for contract works when the costs of meeting the performance obligations under the revenue contracts exceed the economic benefits expected to be received. The amount of provision is estimated based on contract costs to completion. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Purchase of materials from Logistic Industrial Supply Company Limited ("Logistic Industrial") (Note 1)	–	1
Rental payments K M L Limited (Note 2)	<u>2,868</u>	<u>2,868</u>

Notes:

- (1) 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.
- (2) 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 mechanical and electrical (“**M&E**”) engineering solutions and services in Hong Kong for over 45 years.

As at 30 September 2024, the Group had outstanding contracts in hand value at approximately HK\$351.2 million (2023: approximately HK\$376.4 million).

During the Reporting Period, the Group recorded approximately HK\$80.1 million (2023: approximately HK\$93.4 million) revenue and approximately HK\$13.2 million (2023: approximately HK\$17.1 million) gross profit respectively.

Transportation Mission Critical System Solutions

This type of works in relation to the railway signalling, communication and control system, point operating equipment and platform screen door system.

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$8.2 million (2023: approximately HK\$5.3 million). As at 30 September 2024, the total value of outstanding contracts of this segment amounted to approximately HK\$36.3 million (2023: approximately HK\$16.6 million).

Mobile Ticketing and Digital Payment Solutions and Services

These services offer mobile ticketing and digital payment solutions and services to different sectors in Hong Kong and overseas.

The major projects in progress during the Reporting Period included replacement and upgrading of Automatic Fare Collection (“**AFC**”) gates and ticket issuing machines at various railway lines.

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$16.2 million (2023: approximately HK\$25.9 million). As at 30 September 2024, the total value of outstanding contracts of this segment amounted to approximately HK\$96.8 million (2023: approximately HK\$120.3 million).

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.

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$12.1 million (2023: approximately HK\$12.4 million). As at 30 September 2024, the total value of outstanding contracts of this segment amounted to approximately HK\$67.9 million (2023: approximately HK\$29.1 million).

M&E Technology Solutions and Engineering Services

M&E Technology Solutions and Engineering Services 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.

The major projects in progress during the Reporting Period included (i) replacement and modification of smoke curtains at two railway lines; (ii) replacement of station lighting with light-emitting diode (“LED”) technology; and (iii) refurbishment and replacement of air handling unit (AHU) and primary air unit (PAU) at various railway lines.

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$42.1 million (2023: approximately HK\$49.5 million). As at 30 September 2024, the total value of outstanding contracts of this segment amounted to approximately HK\$149.7 million (2023: approximately HK\$210.3 million).

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 signaling and AFC related products, parts and components.

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$1.5 million (2023: approximately HK\$0.4 million). As at 30 September 2024, the total value of outstanding contracts of this segment amounted to approximately HK\$0.5 million (2023: approximately HK\$0.1 million).

OUTLOOK

As we reach the midpoint of our financial year 2024/25, it is an opportunity for self-review. This period has presented us with both opportunities and challenges.

Opportunities

We are thrilled to announce that we have been re-awarded the contract provide daily maintenance services for the High-Speed Railway until 2028. This contract not only underscores our professionalism and excellence but also ensures a stable revenue stream and significantly boosts our industry reputation. We are committed to delivering top-notch maintenance services that guarantee the safety and reliability of the railway system.

In addition, we have strengthened our ties with educational institutions in Hong Kong to explore more Business-School Partnership opportunities. These partnerships aim to bridge the gap between academia and industry, providing students with invaluable practical experience and exposure to real-world challenges. By collaborating with educational institutions, we are contributing to the development of a skilled workforce that meets the evolving needs of our industry.

In late September, banks in Hong Kong reduced the interest rate by 25 basis points, lowering borrowing costs for enterprises and individuals. We are optimistic that this reduction, along with any future cuts, will stimulate investments and economic growth momentum in Hong Kong. This reduction also positions us advantageously with lower borrowing costs should we need to pursue debt financing for our future growth.

Regarding Environmental, social and governance (“**ESG**”), we are honoured to be awarded the 6th InnoESG Prize “ESG Culture Award” from the Society Next Foundation. This accolade is a testament to our unwavering commitment to fostering an ESG culture, and more importantly, further reinforces our beliefs that sustainability is a shared responsibility from all levels of staff of a company. Besides, we were awarded a premium “Good Employer Charter” logo and “Supportive Family-friendly Good Employer” logo, in recognition of our continuous efforts to implement good human resource management practices over the years and effectively promote family-friendly employment culture. We believe that a successful ESG integration into our business values, strategies, and operations can lead us toward a sustainable and brighter future.

Challenges

The macroeconomic conditions in China and Hong Kong have remained largely unchanged since the end of the last financial year on 31 March 2024. Ongoing political tensions between China, the United States, and the European Union, along with China’s debt issues, continue to create turbulence in China’s economic growth. Given Hong Kong’s close economic ties with China, this has inevitably impacted Hong Kong’s economy as well. However, we remain resilient and are confident in our ability to navigate these challenges.

During this interim period, we successfully settled all outstanding borrowings by collecting receivables from our customers. Most of our receivables and contract assets are from customers with good credit ratings, mitigating the risk of bad debts. Moving forward, we will continue to closely monitor the collection of these receivables and contract assets to maintain a healthy cash flow.

Regarding the labour shortage issue, we observed a slight improvement during this period, possibly due to the slowdown in infrastructure and building construction in Hong Kong. However, this improvement is marginal and does not fully address the underlying issue. The construction industry continues to face challenges in attracting and retaining skilled workers, which could impact project timelines and costs. In the long term, we will continue to collaborate with educational institutions and the construction industry to attract, train, nurture, and retain talented workers in the M&E industries. We are exploring initiatives such as apprenticeship programs, scholarships, and industry partnerships to build a sustainable talent pipeline.

Looking Forward

As highlighted in our annual report for the year ended 31 March 2024, we will continue to seek opportunities to expand our business beyond Hong Kong. We are exploring potential markets in the Asia-Pacific region and beyond, leveraging our expertise and experience to tap into new growth areas. Our strategic focus includes diversifying our service offerings, investing in technology and innovation, and building strong partnerships with local stakeholders. By expanding our geographical footprint, we aim to enhance our competitiveness and create long-term value for our stakeholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Reporting Period amounted to approximately HK\$80.1 million, representing a decrease of approximately HK\$13.3 million or approximately 14.2% as compared with approximately HK\$93.4 million for the six months ended 30 September 2023. The revenue decline was attributed to a slowdown in the progress of multiple projects.

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 12.3% from approximately HK\$76.3 million for the six months ended 30 September 2023 to approximately HK\$66.9 million for the Reporting Period. The gross profit of the Group decreased by approximately 22.8% from approximately HK\$17.1 million for the six months ended 30 September 2023 to approximately HK\$13.2 million for the Reporting Period. The decrease in gross profit was mainly due to a decline in revenue, which resulted from a slowdown in the progress of several projects.

Administrative Expenses

The Group's administrative expenses decreased from approximately HK\$21.4 million for the six months ended 30 September 2023 to approximately HK\$20.4 million for the Reporting Period.

Loss attributable to the owners of the Company

The Group recorded net loss attributable to the owners of the Company of approximately HK\$5.5 million for the Reporting Period (2023: net loss of approximately HK\$3.2 million). The difference is mainly due to increase in gross loss during the Reporting Period.

Dividend

The Board does not recommend a payment of an interim dividend for the Reporting Period (2023: Nil).

Liquidity, Financial Resources and Capital Structure

The Group has met the liquidity and capital requirement primarily through operating cash flows, bank borrowing and equity. The Group requires cash primarily for working capital needs.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. 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.

As at 30 September 2024, the Group has net current assets of approximately HK\$116.1 million (31 March 2024: approximately HK\$121.9 million).

Bank balances and cash

As at 30 September 2024, the Group had approximately HK\$53.7 million in bank balances and cash (including pledged bank deposits) (as at 31 March 2024: approximately HK\$70.2 million).

Borrowings and Gearing Ratio

As at 30 September 2024, the Group does not have outstanding borrowing (31 March 2024: approximately HK\$15.0 million).

The gearing ratio, representing the proportion of total bank borrowings to total equity as at 30 September 2024 was not applicable (31 March 2024: 11.0%) which is primarily attributed to the fully settlement of borrowings during the Reporting Period.

Capital Structure

Other than the bank borrowing settled, there has been no change on the capital structure of the Group for the Reporting Period and up to the date of this announcement (i.e. 15 November 2024) (the “**Date of this Announcement**”). The share capital of the Company only comprises of ordinary shares (“**Share(s)**”).

Pledge of Assets

As at 30 September 2024, the Group has pledged (i) approximately HK\$25.1 million bank deposits (31 March 2024: approximately HK\$24.7 million); and (ii) approximately HK\$6.5 million investments in life insurance policies to secure general banking facilities granted to the Group (31 March 2024: approximately HK\$6.4 million).

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$0.1 million for the Reporting Period which comprised acquisition of furniture, fixtures and office equipment (2023: approximately HK\$0.7 million).

Capital Commitments

The Group did not have any capital commitment as at 30 September 2024 (31 March 2024: Nil).

Contingent Liabilities

As at 30 September 2024, the Group did not have any significant contingent liabilities (31 March 2024: 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.

Foreign Exchange Exposure

We conduct business with customers, suppliers and subcontractors located in Hong Kong, China and overseas. The Group's exposure to currency risk mainly arise from the fluctuation of Renminbi, Pound Sterling, 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.

Employees and Remuneration Policies

As at 30 September 2024, the Group had a total of 183 employees (2023: 191). The total staff cost of the Group for the Reporting Period was approximately HK\$35.0 million (2023: approximately HK\$34.1 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 recognises 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.

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 or did not have any future plans for material investments or capital assets as at 30 September 2024.

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 Reporting Period.

SUBSEQUENT EVENT AFTER REPORTING PERIOD

There were no subsequent events after the Reporting Period as at the Date of this Announcement.

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 C1 to the GEM Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all applicable code provisions in Part 2 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 Reporting Period.

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 Reporting Period and the interim report. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the Reporting Period comply with the applicable accounting standards and that adequate disclosure has been made.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rules 17.50(2) and 17.50A(1) of the GEM Listing Rules, change in the information of Directors required to be disclosed is shown as follows:

- (1) Ms. Lee Kam Han has been appointed as an executive Director and a member of the risk management committee of the Company with effect from 7 August 2024.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rules 17.50(2) and 17.50A(1) of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that trustee of 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 915,000 Shares at a total consideration of approximately HK\$112,000.

SHARE SCHEMES

The Company has adopted two share schemes, namely, (1) the Share Option Scheme; and (2) the Share Award Scheme (as defined below).

The total number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period was 3.13%.

(1) 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:

- (a) 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;
- (b) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 40,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of the adoption of the Share Option Scheme and approximately 9.9% of the total number of Shares in issued as at the Date of this Announcement;

- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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
- (g) The Share Option Scheme will remain in force for a period of 10 years commencing on 16 October 2017 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 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 Mr. Chan Chak Lun Philip (“**Mr. CL Chan**”), a former director, 700,000 Options were granted to Ms. Wai Hang Ying Helen (“**Ms. Wai**”), a former director of a subsidiary of the Company and 300,000 options were granted to Ms. Woo Siu Wai (“**Madam Woo**”), the Joint Company Secretary, a director of a subsidiary of the Company and an associate to a Director.

On 18 April 2023, 9,000,000 share options have been granted. Among the options granted, 1,000,000 options were granted to Mr. CL Chan, a former director of the Company, and 400,000 options were granted to Madam Woo, the Joint Company Secretary, a director of a subsidiary of the Company and an associate to a Director. The fair value of the equity-settled share options granted under the Share Option Scheme was approximately HK\$292,000 and the Group recognised an expense of approximately HK\$48,000 in relation to options granted by the Company for the Reporting Period.

The estimated fair value of the share options was determined in accordance with the valuation performed by an independent valuer using the binomial option pricing model based on following inputs. The value of the share 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 Bloomberg L.P..

Date of grant	18 April 2023
Share price at grant date	HK\$0.166
Exercise price	HK\$0.171
Expected volatility	50.35%
Expected life	5 years from the date of grant
Risk-free rate	3.00%
Expected dividend yield	13.51%
Exercise multiple	2.x to 3.x

Details regarding the number of share options, date of grant, exercise period and exercise price of the share options granted on 2 January 2020 and 18 April 2023 are set out below:

Name of participants	Date of share options granted	Number of share options granted	Vesting period	Exercise period	Exercise price of share options <i>HK\$ per share</i>	Closing price immediately before date of grant <i>HK\$ per share</i>
Mr. CL Chan ⁽¹⁾ (Former Director and former 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	0.250
	18 April 2023	500,000	18 April 2023 to 17 April 2024	18 April 2024 to 17 April 2028	0.171	0.166
	18 April 2023	500,000	18 April 2023 to 14 October 2024	15 October 2024 to 17 April 2028	0.171	0.166
Ms. Wai ⁽²⁾ (Former 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	0.250

Name of participants	Date of share options granted	Number of share options granted	Vesting period	Exercise period	Exercise price of share options <i>HK\$ per share</i>	Closing price immediately before date of grant <i>HK\$ per share</i>
Madam Woo (Joint Company Secretary)	2 January 2020	300,000	2 January 2020 to 30 June 2021	1 July 2021 to 1 January 2025	0.259	0.250
	18 April 2023	200,000	18 April 2023 to 17 April 2024	18 April 2024 to 17 April 2028	0.171	0.166
	18 April 2023	200,000	18 April 2023 to 14 October 2024	15 October 2024 to 17 April 2028	0.171	0.166
Employees	2 January 2020	3,500,000	2 January 2020 to 30 June 2020	1 July 2020 to 1 January 2025	0.259	0.250
	2 January 2020	3,300,000	2 January 2020 to 1 January 2021	2 January 2021 to 1 January 2025	0.259	0.250
	18 April 2023	3,800,000	18 April 2023 to 17 April 2024	18 April 2024 to 17 April 2028	0.171	0.166
	18 April 2023	3,800,000	18 April 2023 to 14 October 2024	15 October 2024 to 17 April 2028	0.171	0.166
Total:		<u>18,800,000</u>				

Notes:

- (1) Mr. CL Chan retired as the Director and ceased to be the chief executive officer of the Company starting from 7 August 2023. He remains as a director of KML Engineering.
- (2) Ms. Wai resigned as the director of KML Engineering on 29 November 2021. The share options granted to Ms. Wai were forfeited upon her departure during the year ended 31 March 2022.

The following table sets forth movements in the Options of the Company during the Reporting Period:

Name of participants	Outstanding as at 1 April 2024	Number of share options granted	Number of share options exercised	Number of share options cancelled	Number of share options lapsed/forfeited	Outstanding as at 30 September 2024
Mr. CL Chan	3,000,000	-	-	-	-	3,000,000
Madam Woo	700,000	-	-	-	-	700,000
Employees	8,500,000	-	-	-	-	8,500,000
Total	12,200,000	-	-	-	-	12,200,000

As at the Date of this Announcement, taking into account 28,000,000 share options had been granted, the maximum number of Shares in respect of which options may be granted is 12,000,000, representing approximately 3.0% of the total number of Shares in issue as at the Date of this Announcement.

The number of share options available for grant under the Share Option Scheme as at 1 April 2024 and 30 September 2024 was 12,000,000 options and 12,000,000 options respectively.

(2) 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 Reporting Period, no awarded Shares (2023: nil) were granted to employees of KML Engineering. As at 30 September 2024, 7,335,000 awarded Shares and 5,785,000 awarded Shares were granted and vested to employee respectively. During the Reporting Period, 1,310,000 (2023: 1,830,000) awarded Shares were vested to employee.

The number of share awards available for grant under the Share Award Scheme as at 1 April 2024 and 30 September 2024 was 32,665,000 Shares and 32,665,000 Shares respectively.

Details regarding the date of grant, the vesting period, the closing prices of Shares, the fair value of awarded Shares, the movements of awarded Shares granted, vested, cancelled, lapsed or forfeited during the Reporting Period, and the number of awarded Shares unvested as at 30 September 2024 are as follows:

Category of Participants	Date of grant	Closing Price of the Shares immediately before the date of grant	Fair value of awarded Shares on the date of grant	Number of awarded Shares as at 1 April 2024	Number of awarded Shares granted	Number of awarded Shares vested	Number of awarded Shares Cancelled/ Lapsed/ Forfeited	Number of awarded Shares unvested as at 30 September 2024	Vesting Period	Weighted average closing price of Shares immediately before the vesting date
Employees	6 July 2020	0.22	0.22	-	-	-	-	-	2-3 years ⁽¹⁾	0.22
	5 July 2021	0.38	0.39	265,000	-	(265,000)	-	-	2-3 years ⁽²⁾	0.39
	26 August 2022	0.19	0.20	1,430,000	-	(1,045,000)	-	385,000	2-3 years ⁽³⁾	0.19
	Total			1,695,000	-	(1,310,000)	-	385,000		

Notes:

- (1) 1,750,000 Shares were granted on 6 July 2020. For 1,050,000 awarded Shares granted, the relevant vesting period is 2 years as from the date of grant. For 700,000 awarded Shares granted, the relevant vesting period is 3 years as from the date of grant.
- (2) 2,375,000 Shares were granted on 5 July 2021. For 1,525,000 awarded Shares granted, the relevant vesting period is 2 years as from the date of grant. For 850,000 awarded Shares granted, the relevant vesting period is 3 years as from the date of grant.
- (3) 2,460,000 Shares were granted on 26 August 2022. For 1,410,000 awarded Shares granted, the relevant vesting period is 2 years as from the date of grant. For 1,000,000 awarded Shares granted, the relevant vesting period is 3 years as from the date of grant. 50,000 awarded Shares have not been allotted.
- (4) Pursuant to the Share Award Scheme, share awards were granted to the grantees at nil consideration and were or will be transferred to the grantees upon vesting at nil consideration.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period 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 Reporting Period, 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.

PUBLICATION OF THE INTERIM RESULTS AND 2024 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) and the Company (www.kml.com.hk), and the 2024 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, 15 November 2024

As at the Date of this Announcement, the executive Directors are Mr. LUK Kam Ming, Mr. LUK Kwai Lung, Mr. LUK Yin Cheung and Ms. LEE Kam Han; 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 Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for a minimum period of 7 days from the date of publication and on the Company's website at www.kml.com.hk.