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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 2023

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 year ended 31 March 2023 (the “**Reporting Period**”) amounted to approximately Hong Kong dollars (“**HK\$**”) 153.4 million (2022: approximately HK\$162.6 million).

Gross profit of the Group for the Reporting Period amounted to approximately HK\$9.9 million (2022: approximately HK\$44.5 million).

The net loss of the Group for the Reporting Period amounted to approximately HK\$32.2 million (2022: net profit of approximately HK\$7.9 million).

The Board does not recommend the payment of a final dividend for the Reporting Period (2022: 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 2023, together with the comparative figures for the year ended 31 March 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	3	153,409	162,559
Cost of sales		<u>(143,523)</u>	<u>(118,040)</u>
Gross profit		9,886	44,519
Other income		7,326	6,526
Other gains and losses, net		(733)	701
Impairment losses on financial assets and contract assets, net of reversal		(5,221)	(109)
Administrative expenses		(43,479)	(41,748)
Finance costs	4	<u>(178)</u>	<u>(236)</u>
(LOSS)/PROFIT BEFORE TAX	5	(32,399)	9,653
Income tax credit/(expense)	6	<u>177</u>	<u>(1,768)</u>
(LOSS)/PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(32,222)</u>	<u>7,885</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK(8.03) cents</u>	<u>HK1.97 cents</u>
Diluted		<u>HK(8.03) cents</u>	<u>HK1.96 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,868	4,705
Right-of-use assets		9,154	6,224
Deposits	<i>10</i>	948	1,011
Financial assets at fair value through profit or loss		6,214	5,913
Total non-current assets		21,184	17,853
CURRENT ASSETS			
Inventories		236	237
Trade receivables	<i>9</i>	29,000	50,974
Other receivables, deposits and prepayments	<i>10</i>	7,749	6,225
Contract assets		43,952	47,930
Financial assets at fair value through profit or loss		1,588	1,323
Tax recoverable		1,998	2,841
Pledged bank deposits		14,004	13,837
Time deposits with original maturity over three months		12,925	16,629
Bank balances and cash		74,021	75,397
Total current assets		185,473	215,393
CURRENT LIABILITIES			
Trade and retention payables	<i>11</i>	10,115	8,643
Other payables and accruals		13,863	11,536
Lease liabilities		5,837	6,190
Contract liabilities		7,612	17,053
Provision for contract works	<i>12</i>	16,169	–
Tax payable		–	246
Total current liabilities		53,596	43,668
NET CURRENT ASSETS		131,877	171,725
TOTAL ASSETS LESS CURRENT LIABILITIES		153,061	189,578

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		3,322	130
Deferred tax liabilities		95	21
Total non-current liabilities		3,417	151
Net assets		149,644	189,427
EQUITY			
Share capital	<i>13</i>	4,050	4,025
Reserves		145,594	185,402
Total equity		149,644	189,427

NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 March 2023

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 mechanical and electrical (“**M&E**”) 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 AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified as at 1 April 2022. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

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

	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Transportation Mission Critical System Solutions	24,528	33,987
Mobile Ticketing and Digital Payment Solutions and Services	19,782	26,333
M&E Technology Solutions and Engineering Services	80,336	67,754
Digital Fabrication and Maintenance Services	23,289	32,213
Sales of Products, Parts and Components	5,474	2,272
	153,409	162,559

(a) **Disaggregated revenue information**

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
By timing of revenue recognition:		
Transferred at a point in time	5,474	2,963
Transferred over time	147,935	159,596
	<hr/>	<hr/>
Total revenue from contracts with customers	153,409	162,559
	<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:

2023

	Transportation Mission Critical System Solutions <i>HK\$'000</i>	Mobile Ticketing and Digital Payment Solutions and Services <i>HK\$'000</i>	M&E Technology Solutions and Engineering Services <i>HK\$'000</i>	Digital Fabrication and Maintenance Services <i>HK\$'000</i>	Others <i>HK\$'000</i>
Within one year	12,836	61,648	171,151	20,544	149
More than one year	4,650	81,910	68,092	17,258	21
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	17,486	143,558	239,243	37,802	170
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

2022

	Transportation Mission Critical System Solutions <i>HK\$'000</i>	Mobile Ticketing and Digital Payment Solutions and Services <i>HK\$'000</i>	M&E Technology Solutions and Engineering Services <i>HK\$'000</i>	Digital Fabrication and Maintenance Services <i>HK\$'000</i>	Others <i>HK\$'000</i>
Within one year	35,482	42,588	153,423	17,233	4,416
More than one year	8,116	111,721	151,622	25,231	–
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	43,598	154,309	305,045	42,464	4,416
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Segment information

The Group's operating income was derived from the provision of M&E engineering solutions and services 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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i> <i>(note)</i>	2022 <i>HK\$'000</i> <i>(note)</i>
Hong Kong	147,562	156,401	14,022	10,929
Taiwan	4,500	3,641	–	–
Others	1,347	2,517	–	–
	<u>153,409</u>	<u>162,559</u>	<u>14,022</u>	<u>10,929</u>

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

4. FINANCE COSTS

Analysis of finance costs as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on a bank loan <i>(note)</i>	11	–
Interest on lease liabilities	<u>167</u>	<u>236</u>
	<u>178</u>	<u>236</u>

Note: A short-term bank loan of HK\$1,000,000 was borrowed and repaid during the year (2022:Nil).

5. (LOSS)/PROFIT BEFORE TAX

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

	2023	2022
	HK\$'000	HK\$'000
Cost of sales		
– Transportation Mission Critical System Solutions, Mobile Ticketing and Digital Payment Solutions and Services and M&E Technology Solutions and Engineering Services	125,264	97,109
– Others	18,259	20,931
Depreciation of property, plant and equipment	2,118	2,037
Depreciation of right-of-use assets	6,177	6,049
Auditor's remuneration	1,760	1,725
Directors' remuneration	4,716	4,752
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Salaries and other benefits	68,848	69,619
Retirement benefit scheme contributions	2,758	2,684
Equity-settled share-based payment expenses	494	611
Total employee benefit expenses	72,100	72,914
Lease payments not included in the measurement of lease liabilities	148	130
Fair value (gains)/losses on financial assets at fair value through profit or loss	(31)	180

6. INCOME TAX EXPENSE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	1,934
Overprovision in prior years	(251)	(2)
Deferred	74	(164)
	<hr/>	<hr/>
Total tax (credit)/expense for the year	(177)	1,768
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No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2022, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

7. DIVIDEND

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend recognised as distribution during the year:		
2022 Final dividend of HK2.0 cents (2021: HK2.73 cents) per ordinary share	8,050	10,988
Less: Dividend for shares held under the share award scheme	(39)	(79)
	<hr/>	<hr/>
	8,011	10,909
	<hr/>	<hr/>

The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2023.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of the basic (loss)/earnings per share are based on the loss for the year attributable to owners of the Company of HK\$32,222,000 (2022: profit of HK\$7,885,000), and the weighted average number of ordinary shares in issue less treasury shares held under share award scheme of 401,375,000 (2022: 399,428,000) during the year.

In respect of the year ended 31 March 2023, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the awarded shares and the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

In respect of the year ended 31 March 2022, the calculation of the diluted earnings per share amount for the year 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 earning per share calculation, and the weighted average number of 2,877,000 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.

	2023	2022
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	<u>(32,222)</u>	<u>7,885</u>
	Number of shares	
	2023	2022
	'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 (loss)/earnings per share calculation	401,375	399,428
Effect of dilution – weighted average number of ordinary shares		
Share options	–	1,754
Share awards	–	1,123
	<u>401,375</u>	<u>402,305</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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	11,316	20,195
31 to 60 days	14,240	14,691
61 to 90 days	2,715	11,485
Over 90 days	4,897	5,160
	<u>33,168</u>	<u>51,531</u>
Less: Accumulated loss allowance	<u>(4,168)</u>	<u>(557)</u>
Total	<u>29,000</u>	<u>50,974</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. Trade receivables are non-interest-bearing.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current:		
Deposits	948	1,011
Current:		
Advances to suppliers	5,967	5,324
Prepayments	638	708
Interest receivables	320	38
Others	824	155
	<u>7,749</u>	<u>6,225</u>
Total	<u>8,697</u>	<u>7,236</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:

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Trade payables:	<i>(a)</i>		
Within 30 days		5,751	3,685
31 to 60 days		132	210
61 to 90 days		7	455
91 to 365 days		459	99
Over 365 days		354	782
		6,703	5,231
Retention payables	<i>(b)</i>	3,412	3,412
Total trade and retention payables		10,115	8,643

Notes:

- (a) As at 31 March 2023, trade payables of HK\$6,000 (2022: HK\$218,000) was denominated in Renminbi (“**RMB**”). As at 31 March 2022, trade payables of HK\$42,000 and HK\$1,000 were denominated in Euro (“**EUR**”) and United States dollars (“**USD**”), respectively.
- (b) 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 contracts.

12. PROVISION FOR CONTRACT WORKS

	2023 HK\$'000	2022 <i>HK\$'000</i>
At beginning of year	–	–
Additional provision	16,169	–
At end of year	16,169	–

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.

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2023 and 2022	<u>3,800,000</u>	<u>38,000</u>
Issued and fully paid:		
At 31 March 2023	<u>404,960</u>	<u>4,050</u>
At 31 March 2022	<u>402,500</u>	<u>4,025</u>

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 2021, 31 March 2022, 1 April 2022	402,500	4,025
Issue of shares	<u>2,460</u>	<u>25</u>
At 31 March 2023	<u>404,960</u>	<u>4,050</u>

14. COMMITMENTS

The Group had no material capital commitments as at 31 March 2023 (2022: Nil).

15. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year ended 31 March 2023:

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Purchase of materials from Logistic Industrial Supply Company Limited ("Logistic Industrial")	(a)	<u>9</u>	<u>8</u>
Rental payments K M L Limited	(b)	<u>5,735</u>	<u>5,646</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.

16. SHARE OPTION SCHEME

There were no share option expense (2022: HK\$57,000) recognised during the year ended 31 March 2023.

No share options were exercised or forfeited during the year ended 31 March 2023.

A number of 1,300,000 share options were forfeited during the year ended 31 March 2022 due to the resignation of certain employees of the Group. The share options were forfeited during the year ended 31 March 2022, resulting in the transfer of the corresponding share-based payment reserve of HK\$143,000 to accumulated profits.

At as 31 March 2023 and 2022, the Company had 6,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,000,000 additional ordinary shares of the Company and additional share capital of HK\$60,000 and share premium of HK\$1,494,000 (before issue expenses).

17. SHARE AWARD SCHEME

During the year ended 31 March 2023, 2,410,000 (2022: 2,375,000) awarded shares were granted under the share award scheme with a fair value of HK\$383,000 (2022: HK\$926,000). Equity-settled share award arrangement expense of HK\$494,000 was recognised during the year ended 31 March 2023 (2022: HK\$592,000). The fair value of awarded shares granted is estimated based on the share price of the Company on dates of grant of HK\$0.20 (2022: HK\$0.39).

The fair value of share awards granted during the year was estimated as at the date of grant by reference to the closing price per share as stated in the daily quotation sheets issued by the Stock Exchange, taking into account all non-vesting conditions associated with the grants. The expected dividends during the vesting period was taken into account in the measurement of fair value.

During the year ended 31 March 2023, 1,275,000 shares were vested to eligible participants under the share award scheme (2022: 570,000).

A number of 215,000 (2022: 680,000) awarded shares were forfeited during the year due to the resignation of certain employees of the Group. The awarded shares were forfeited during the year, resulting in the transfer of the corresponding share-based payment reserve of HK\$41,000 (2022: HK\$96,000) to accumulated profits.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been providing mechanical and electrical (“**M&E**”) engineering solutions and services in Hong Kong for over 45 years. We are diversifying our businesses and redefining our businesses in five major segments comprise mainly the provision of (i) transportation mission critical system solutions; (ii) mobile ticketing and digital payment solutions and services; (iii) digital fabrication and maintenance services; (iv) M&E technology solutions and engineering services; and (v) sales of products, parts and components. Depending on our customers’ needs and requirements, we provide a full spectrum of solutions and services covering design, equipment assembly, supply, installation, fabrication, testing, and commissioning and 7 x 24 maintenance support.

During the Reporting Period, the Group had outstanding contracts in hand value at approximately HK\$438.3 million (2022: approximately HK\$549.8 million).

Transportation Mission Critical System Solutions

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

During the Reporting Period, revenue generated from this segment amounted to approximately HK\$24.5 million (2022: approximately HK\$34.0 million). The decrease of approximately 27.9% is mainly due to the completion of several large projects in 2022. The amount of projects released for tendering has decreased substantially since the outbreak of coronavirus disease 2019 (“**COVID-19**”). Following the reopening of the border between Hong Kong and mainland China, and the upcoming recovery of Hong Kong economy, the status is expected to improve in the coming year.

Mobile Ticketing and Digital Payment Solutions and Services

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

During the Reporting Period, revenue generated from this segment amounted to approximately HK\$19.8 million (2022: approximately HK\$26.3 million). The decrease of approximately 24.7% was mainly due to the major projects in hand at the Current Year are at their early stage that revenue recognised is not substantial and the fifth wave of COVID-19 disrupting the supply chain logistic of materials, resulting a delay in execution of several projects, especially those related to installation of automatic fare collection (“AFC(s)”).

Digital Fabrication and Maintenance Services

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

During the Reporting Period, the Group continued providing maintenance services of trackside signalling equipment and AFC equipment for customers in the railway line sector. Revenue generated from this segment amounted to approximately HK\$23.3 million (2022: approximately HK\$32.2 million). The decrease of approximately 27.6% is in line with decrease in revenue in other sectors mentioned above.

M&E Technology Solutions and Engineering Services

M&E Technology Solutions and Engineering Services continued to be the largest business segment of the Group in the Reporting Period in terms of revenue. Its capabilities encompass design, installation, testing and commissioning and maintenance of miscellaneous M&E engineering systems such as railway station M&E engineering services and architectural works, train-borne systems provisions, trackside and depot M&E works and different kinds of renovation works.

During the Reporting Period, revenue generated from this segment amounted to approximately HK\$80.3 million (2022: approximately HK\$67.8 million). The increase of approximately 18.4% mainly due to kick off of installation phases for several major projects such as replacement of smoke curtains, replacement of station lighting with light-emitting diode (LED) technology, refurbishment and replacement of air handling units (AHU) at various railway lines. In coming years, in order to catch up the project progress delayed by COVID-19, the Group is looking at various methodologies (including the use of artificial intelligence (“AI”)) and the investment in advance equipment that can substantially improve the operation efficiency.

Sales of Products, Parts and Components

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

During the Reporting Period, revenue generated from this segment amounted to approximately HK\$5.5 million (2022: approximately HK\$2.3 million), representing an increment of approximately 139.1%.

The economic recovery from coronavirus disease

Since the onset of COVID-19, numerous anti-pandemic measures had been implemented, leading to adverse effect on our operational efficiencies, supply chain, supply of workforce, impacting heavily on the Group's work progress as well as the cash flows from operation. Moreover, the tendering opportunities have been significantly decreased.

However, all these adverse impacts had been released progressively following the reopening of Hong Kong China border on 8 January 2023. For the first time in three years, the economy of Hong Kong starts to pick up in the fourth quarter. According to the Government's quarterly review, Hong Kong's real GDP resumed year-on-year growth of 2.7%, having contracted by 4.1% in the preceding quarter. It also forecasted that inbound tourism and domestic demand will be the major driver of economic recovery. As majority of the Group's customers are locally based, the Group will expect opening up to more business opportunities in the coming year. Throughout the past few years, the Group has been putting a lot of effort to concise its internal resources and to improve its governance so that it will be ready to grasp all these opportunities upon economic recovery.

Environmental, Social and Governance

The Group remains steadfast in our commitment to environment, social and governance (“**ESG**”) principles, which are integral to our long-term growth and success. During the Reporting Period, we achieved several notable milestones, including (i) the Company and two of its subsidiaries, KML Engineering Limited (“**KML Engineering**”) and KML Technology Limited (“**KML Technology**”), have been simultaneously awarded the ISO 45001:2018 Occupational Health and Safety Management Systems certificates, demonstrating our efforts and achievements in effectively managing occupational safety and health risks and providing our employees with a safe and healthy working environment; and (ii) KML Engineering has granted a statement of compliance under the ISO/IEC 90003:2018, which concretely implied our dedication to software quality in IT and engineering system solutions as well as our commitment to meeting the needs of our customers.

In addition to the milestones achieved, the Group also exercised ongoing efforts to enhance our ability to operate responsibly and sustainably by (i) establishing a group-wise Anti-corruption and Integrity Management Policy and imposing it on its external providers through contractual means; (ii) encouraging the members of the Board and senior management attended anti-corruption and sustainability-related training; (iii) replacing a fuel-consuming vehicle with an EV; and (iv) safeguarding our staff members' health and safety and exercising care initiatives in the difficult times. For more details, please refer to our ESG report published on the Group's website (www.kml.com.hk).

OUTLOOK

Looking forward, it is expected that talent shortage, and sharp rise in material and staff cost in Hong Kong will remain the biggest challenges to the Group's business. These adverse factors, if persist, will be jeopardising the return of our projects. The Group will closely monitor the situation and will take appropriate actions to tackle the challenges in order to turnaround the Group's financial performance. The Group will target to participate in the upcoming Hong Kong's railway network extension projects, including the Tung Chung line extension; the Tuen Mun South extension; the Northern Link (includes the construction of Kwu Tung station between Lok Ma Chau and Sheung Shui stations on the East Rail Line); and the construction of Hung Shui Kiu station. All these projects expected to commence between 2023 to 2025 and complete by 2029 to 2034.

Recently, the Group also won a tender in relation to the design and deployment of ferry fare collection system for a local customer who operates licensed outlying islands ferry services in Hong Kong. Other than Hong Kong, the Group is also looking forward to expanding its business in areas such as Taiwan and mainland China.

Since the announcement of the EHSS, the Group has been participating in the capacity of technical consultant. During the Reporting Period, we also extend our involvement in the market playing the role of contractor and have successfully completed the Tai O Medium EV Charging Station Installation Project, offering a brand-new, design flexible and socially inclusive medium EV charging station. The Group will pursue more on similar projects in the future, contributing its social responsibility in the environmental aspect in Hong Kong.

In terms of ESG development in coming years, our initiatives would include (i) the enhancement of cost and operational efficiency for works at height and maintaining the high safety operating standard simultaneously by purchasing additional equipment outfit, high level work platforms and lifting devices; (ii) the creation of a brand-new leisure working space for our staff members through the renovation of a designated office area; and (iii) the replacement of fuel-consuming vehicle with EV by engaging in "One-for-One Replacement Scheme".

In the aspect of technological development, the Group has been making significant progress in the application of robotic technology. A prototype robot has been developed to transport coins and banknote vault through the all-times crowded railway station concourse securely. The project is now at its testing phase and has been applied in few stations. Another robot undergoing research mainly to assist the testing of AFCs, which upon successful development, can perform repetitive and tedious human interfacing tests which were very manpower consuming. Meanwhile, the Group also studying the feasibility of applying AI in the area of programming and project execution which we believe can substantially enhance our operational efficiency.

Looking ahead, visitors arrivals should recover further as the economy recovers, the demand for solutions and project execution in the public transportation remains high. The room for integrating technological elements within the transportation system structure presents boundless opportunities for the Group's development. The Group's active cooperation approach towards the upstream and downstream

segments will leave room for further growth anticipation. The Group will continue to consolidate its established strengths in the industry with the aim to maintain long-term and steady growth.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Reporting Period amounted to approximately HK\$153.4 million, representing a decrease of approximately HK\$9.2 million as compared with approximately HK\$162.6 million for the year ended 31 March 2022. Such decrease was mainly due to (i) the impact of COVID-19, especially in terms of operational efficiencies and project delivery progress; (ii) major work progress of significant projects were completed in prior years; and (iii) major projects in hand are at early stage that revenue recognised is not substantial.

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 21.6% from approximately HK\$118.0 million for the year ended 31 March 2022 to approximately HK\$143.5 million for the Reporting Period. The increase in cost of sales was mainly due to (i) the impact of COVID-19, resulted in higher project staff costs and (ii) a provision for contract works of approximately HK\$16.2 million was recognised for the contract obligation as at 31 March 2023 due to the extra costs estimated to be employed resulted from the technical difficulties identified in certain projects during the Reporting Period and the adverse impact of the COVID-19. The gross profit of the Group decreased by approximately 77.8% from approximately HK\$44.5 million for the year ended 31 March 2022 to approximately HK\$9.9 million for the Reporting Period. The decrease in gross profit was mainly due to (i) the decrease of revenue; and (ii) the increase of cost of sales as discussed above.

Impairment loss on financial assets and contract assets

On 6 March 2023, a wholly owned subsidiary of the Group received the Order and the Judgment made to related to a long outstanding trade receivables customer to pay, among other things, partial amount of approximately HK\$2.1 million out total amount of approximately HK\$4.1 million by instalments. As at the Date of this Announcement, the Company had not received any of the above-mentioned amount from the customer. The Company is hence in the progress of seeking further legal advice in this regard.

The Group recognised an impairment loss of approximately HK\$5.2 million (2022: HK\$0.1 million), mainly due to the long outstanding trade receivable customer of approximately HK\$4.1 million as disclosed above and uncollectible contract assets of approximately HK\$1.6 million, netting of by the reversal of provision of approximately HK\$0.5 million.

Administrative Expenses

The Group's administrative expenses increased by approximately 4.3% from approximately HK\$41.7 million for the year ended 31 March 2022 to approximately HK\$43.5 million for the Reporting Period. Such increase was mainly due to an increase of professional and legal fees.

Loss attributable to the owners of the Company

The Group recorded net loss attributable to the owners of the Company of approximately HK\$26.4 million for the Reporting Period (2022: net profit of approximately HK\$7.9 million). The difference was mainly due to (i) the increase of cost of sales as discussed above; and (ii) the increase on provision of losses recognised on the long outstanding balances trade receivables for the Reporting Period.

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 2023, the Group had approximately HK\$86.9 million in (i) bank balances and cash; and (ii) time deposits with original maturity over three months (2022: approximately HK\$92.0 million), representing a decrease of approximately HK\$5.1 million as compared to that as at 31 March 2022.

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. 19 June 2023) (the “**Date of this Announcement**”). The share capital of the Company only comprises of ordinary shares.

As at 31 March 2023, the issued share capital of the Company was HK\$4,049,600 divided into 404,960,000 shares (“**Shares**”) of HK\$0.01 each.

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$2.3 million for the Reporting Period which comprised acquisition of furniture, fixtures and office equipment (2022: approximately HK\$0.9 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (2022: HK2.0 cents).

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 2 August 2023 to Monday, 7 August 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting (“AGM”), during which period no transfers of Shares shall be effected. In order to qualify for attending and voting at the AGM to be held on Monday, 7 August 2023, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 1 August 2023.

Employees and Remuneration Policies

As at 31 March 2023, the Group employed 190 employees (2022: 200 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.

GEARING RATIO

As at 31 March 2023, the gearing ratio (defined as net debt divided by total share capital plus net debt) of the Group was not applicable. During the Reporting Period, the Group borrowed and repaid a short-term bank loan of HK\$1.0 million (2022: 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 RMB, EUR or 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 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.

During the Reporting Period, the Group has opened a private bank account with a well-established bank in the name of KML Capitals Limited, a wholly-owned subsidiary of the Company. The Group would invest surplus funds via this private bank account aiming to earn a better yield than that generally offered by the commercial banks.

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 2023. Except for those included in the section headed “Future Plans and Use of Proceeds” in the the Company’s prospectus dated 29 September 2017 (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 Reporting Period.

PLEDGES OF ASSETS

As at 31 March 2023, 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 2023 (2022: Nil).

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any significant contingent liabilities (2022: 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. 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. 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 Reporting Period.

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 Reporting Period 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 Reporting Period as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditor on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 the trustee of the share award scheme adopted by the Company on 5 November 2018 (“**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 185,000 Shares at a total consideration of approximately HK\$44,000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this announcement, at no time during the Reporting Period 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

During the Reporting Period and 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

On 18 April 2023, the Company granted 9,000,000 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 Company’s share option scheme adopted on 20 September 2017. Among the Options granted, 1,000,000 Options were granted to a Director, and 400,000 Options were granted to a director of a subsidiary of the Company, who is also an associate to a Director and Company Secretary. The remaining 7,600,000 Options were granted to employees of the Group. Please refer to the announcement dated 18 April 2023 for details.

Save as disclosed above, up to the Date of this Announcement, there were no other subsequent events after the Reporting Period.

PUBLICATION OF THE ANNUAL RESULTS AND 2022/2023 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 2022/2023 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, 19 June 2023

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

This announcement 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 website of the Company at www.kml.com.hk.