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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 2024

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINANCIAL HIGHLIGHTS

Revenue of the Group for the year ended 31 March 2024 (the “**Reporting Year**”) amounted to approximately Hong Kong dollars (“**HK\$**”) 194.1 million (2023: approximately HK\$153.4 million).

Gross profit of the Group for the Reporting Year amounted to approximately HK\$29.9 million (2023: approximately HK\$9.9 million).

The net loss of the Group for the Reporting Year amounted to approximately HK\$13.8 million (2023: approximately HK\$32.2 million).

The Board does not recommend the payment of a final dividend for the Reporting Year (2023: nil).

FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Group for the Reporting Year, together with the comparative figures for the year ended 31 March 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
REVENUE	3	194,111	153,409
Cost of sales		<u>(164,176)</u>	<u>(143,523)</u>
Gross profit		29,935	9,886
Other income		3,729	7,326
Other gains and losses, net		(375)	(733)
Reversal of impairment losses/(impairment losses) on financial assets and contract assets, net		50	(5,221)
Administrative expenses		(46,473)	(43,479)
Finance costs	4	<u>(810)</u>	<u>(178)</u>
LOSS BEFORE TAX	5	(13,944)	(32,399)
Income tax credit	6	<u>151</u>	<u>177</u>
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(13,793)</u>	<u>(32,222)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK(3.43) cents</u>	<u>HK(8.03) cents</u>
Diluted		<u>HK(3.43) cents</u>	<u>HK(8.03) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,943	4,868
Right-of-use assets		3,201	9,154
Deposits	<i>10</i>	959	948
Financial assets at fair value through profit or loss		6,382	6,214
Deferred tax assets		56	–
		<hr/>	<hr/>
Total non-current assets		14,541	21,184
CURRENT ASSETS			
Inventories		146	236
Trade receivables	<i>9</i>	38,640	29,000
Other receivables, deposits and prepayments	<i>10</i>	5,999	7,749
Contract assets		69,010	43,952
Financial assets at fair value through profit or loss		2,925	1,588
Tax recoverable		1,931	1,998
Pledged bank deposits		24,664	14,004
Time deposits with original maturity over three months		–	12,925
Bank balances and cash		45,569	74,021
		<hr/>	<hr/>
Total current assets		188,884	185,473
CURRENT LIABILITIES			
Trade and retention payables	<i>11</i>	12,146	10,115
Other payables and accruals		11,537	13,863
Bank borrowings	<i>12</i>	15,000	–
Lease liabilities		3,156	5,837
Contract liabilities		15,881	7,612
Provision for contract works	<i>13</i>	9,237	16,169
		<hr/>	<hr/>
Total current liabilities		66,957	53,596
NET CURRENT ASSETS			
		121,927	131,877
TOTAL ASSETS LESS CURRENT LIABILITIES			
		136,468	153,061

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		168	3,322
Deferred tax liabilities		<u>—</u>	<u>95</u>
Total non-current liabilities		<u>168</u>	<u>3,417</u>
Net assets		<u>136,300</u>	<u>149,644</u>
EQUITY			
Share capital	<i>14</i>	4,050	4,050
Reserves		<u>132,250</u>	<u>145,594</u>
Total equity		<u>136,300</u>	<u>149,644</u>

NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 March 2024

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

These financial statements have 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”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have 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. These financial statements are 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 new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s financial statements.

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to HKAS 12 did not have any significant impact on the Group's financial statements.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. REVENUE AND SEGMENTAL INFORMATION

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

	2024	2023
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Transportation Mission Critical System Solutions	10,514	24,528
Mobile Ticketing and Digital Payment Solutions and Services	54,662	19,782
M&E Technology Solutions and Engineering Services	102,750	80,336
Digital Fabrication and Maintenance Services	25,168	23,289
Sales of Products, Parts and Components	1,017	5,474
	194,111	153,409

(a) **Disaggregated revenue information**

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
By timing of revenue recognition:		
Transferred at a point in time	1,017	5,474
Transferred over time	193,094	147,935
	<hr/>	<hr/>
Total revenue from contracts with customers	194,111	153,409
	<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:

2024

	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	24,897	39,697	131,365	14,154	1,125
More than one year	8,058	60,546	55,928	6,253	3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	32,955	100,243	187,293	20,407	1,128
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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/>

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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i> <i>(note)</i>	2023 <i>HK\$'000</i> <i>(note)</i>
Hong Kong	193,331	147,562	7,144	14,022
Taiwan	19	4,500	–	–
Others	761	1,347	–	–
	<u>194,111</u>	<u>153,409</u>	<u>7,144</u>	<u>14,022</u>

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank borrowings	459	11
Interest on lease liabilities	<u>351</u>	<u>167</u>
Total	<u>810</u>	<u>178</u>

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2024	2023
	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	148,610	125,264
– Others	15,566	18,259
Depreciation of property, plant and equipment	2,092	2,118
Depreciation of right-of-use assets	5,953	6,177
Auditor's remuneration	1,390	1,760
Directors' remuneration	3,858	4,716
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Salaries and other benefits*	68,464	68,848
Retirement benefit scheme contributions	2,786	2,758
Equity-settled share-based payment expenses	440	494
Total employee benefit expenses	71,690	72,100
Lease payments not included in the measurement of lease liabilities	156	148

* For the year ended 31 March 2024, HK\$46,803,000 (2023: HK\$48,548,000) of salaries and other benefits is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	–
Overprovision in prior years	–	(251)
Deferred	<u>(151)</u>	<u>74</u>
Total tax credit for the year	<u>(151)</u>	<u>(177)</u>

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.

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Nil (2023: 2022 Final dividend of HK2.0 cents) per ordinary share	–	8,050
Less: Dividend for shares held under the share award scheme	<u>–</u>	<u>(39)</u>
	<u>–</u>	<u>8,011</u>

The board of directors does not recommend the payment of a final dividend for the year (2023: nil).

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

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of HK\$13,793,000 (2023: HK\$32,222,000), and the weighted average number of ordinary shares in issue less treasury shares held under share award scheme during the year of 401,893,000 (2023: 401,375,000).

In respect of the years ended 31 March 2024 and 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 share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

	2024	2023
	HK\$'000	HK\$'000
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u>(13,793)</u>	<u>(32,222)</u>
	Number of shares	
	2024	2023
	'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 per share calculation	<u>401,893</u>	<u>401,375</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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	14,221	11,316
31 to 60 days	17,065	14,240
61 to 90 days	6,101	2,715
Over 90 days	1,284	4,897
	<u>38,671</u>	<u>33,168</u>
Less: Accumulated loss allowance	(31)	(4,168)
Total	<u>38,640</u>	<u>29,000</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current:		
Deposits	959	948
Current:		
Advances to suppliers	4,854	5,967
Prepayments	639	638
Interest receivables	364	320
Others	142	824
Subtotal	<u>5,999</u>	<u>7,749</u>
Total	<u>6,958</u>	<u>8,697</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>	2024 HK\$'000	2023 <i>HK\$'000</i>
Trade payables:	<i>(a)</i>		
Within 30 days		6,059	5,751
31 to 60 days		192	132
61 to 90 days		47	7
91 to 365 days		11	459
Over 365 days		335	354
		<hr/>	<hr/>
		6,644	6,703
Retention payables	<i>(b)</i>	5,502	3,412
		<hr/>	<hr/>
Total trade and retention payables		12,146	10,115
		<hr/>	<hr/>

Notes:

- (a) As at 31 March 2024, trade payables of HK\$14,000 were denominated in Euro. As at 31 March 2023, trade payables of HK\$6,000 were denominated in Renminbi.
- (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. BANK BORROWINGS

The bank borrowings bear interests of 6.45%-7.42% per annum and repayable within one year, and are denominated in HK\$ and secured by pledged deposits of HK\$14,080,000 and deposits paid for life insurance products of HK\$5,916,000.

13. PROVISION FOR CONTRACT WORKS

	2024 HK\$'000	2023 <i>HK\$'000</i>
At beginning of year	16,169	–
Additional provision	–	16,169
Amount utilised during the year	(6,932)	–
	<hr/>	<hr/>
At end of year	9,237	16,169
	<hr/>	<hr/>

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.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2024 and 2023	<u>3,800,000</u>	<u>38,000</u>
Issued and fully paid:		
At 31 March 2024	<u>404,960</u>	<u>4,050</u>
At 31 March 2023	<u>404,960</u>	<u>4,050</u>

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

	Number of shares in issue '000	Share capital HK\$'000
At 1 April 2022	402,500	4,025
Issue of shares	<u>2,460</u>	<u>25</u>
At 31 March 2023, 1 April 2023 and 31 March 2024	<u>404,960</u>	<u>4,050</u>

15. COMMITMENTS

The Group had no material capital commitments as at 31 March 2024 (2023: nil).

16. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year ended 31 March 2024:

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Purchase of materials from Logistic Industrial Supply Company Limited (“ Logistic Industrial ”)	<i>(a)</i>	<u>97</u>	<u>9</u>
Rental payments K M L Limited	<i>(b)</i>	<u>5,735</u>	<u>5,735</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.

17. SHARE OPTION SCHEME

The Group recognised a share option expense of HK\$202,000 (2023: nil) during the year ended 31 March 2024. 2,000,000 (2023: nil) share options were forfeited during the year ended 31 March 2024 due to the resignation of certain employees of the Group, resulting in the transfer of the corresponding share-based payment reserve of HK\$43,000 (2023: nil) to accumulated profits/(losses).

At at 31 March 2024, the Company had 12,200,000 (2023: 6,000,000) share options outstanding under the share option scheme (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 12,200,000 (2023: 6,000,000) additional ordinary shares of the Company and additional share capital of HK\$122,000 (2023: HK\$60,000) and share premium of HK\$2,633,400 (2023: HK\$1,494,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 12,200,000 share options outstanding under the Share Option Scheme, which represented approximately 3.0% of the Company’s shares in issue as at that date; and the total number of shares available for issue pursuant to the Share Option Scheme was 12,000,000 shares, representing approximately 3.0% of the Company’s shares in issue as at that date.

18. SHARE AWARD SCHEME

During the year ended 31 March 2023, 2,410,000 awarded shares were granted under the share award scheme (the “**Share Award Scheme**”) with a fair value of HK\$383,000. The fair value of awarded shares granted during the year ended 31 March 2023 is estimated based on the share price of the Company on dates of grant of HK\$0.20. Equity-settled share award arrangement expense of HK\$247,000 was recognised during the year ended 31 March 2024 (2023: HK\$494,000).

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 were taken into account in the measurement of fair value.

During the year ended 31 March 2024, 1,830,000 shares were vested to eligible participants under the Share Award Scheme (2023: 1,275,000).

225,000 (2023: 260,000) 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\$53,000 (2023: HK\$41,000) to accumulated profits/(losses).

At the date of approval of these financial statements, the Company had 2,470,000 shares held under the Share Award Scheme, which represented approximately 0.6% of the Company’s shares in issue as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the Reporting Year, approximately HK\$194.1 million (2023: approximately HK\$153.4 million) revenue was generated during the Reporting Year, representing a growth of approximately HK\$40.7 million or approximately 26.5%. The increase in revenue was primarily attributable to the improvement in the progress of the projects on hand during the Reporting Year.

The gross profit for the Reporting Year was approximately HK\$29.9 million (2023: approximately HK\$9.9 million). The increase in gross profit was mainly attributed to (i) increase in revenue; and (ii) the absence of provision for onerous contract (2023: approximately HK\$16.2 million) recognised during the Reporting Year.

The Group's outstanding contracts-in-hand was approximately HK\$342.0 million as at 31 March 2024 (2023: approximately HK\$438.3 million).

During the Reporting Year, our M&E Technology Solutions and Engineering Services continued to be the largest contributor to the revenue. During the Reporting Year, approximately HK\$102.8 million (2023: approximately HK\$80.3 million) revenue was recognised.

In addition, the revenue from mobile ticketing and digital payment solutions and services increased to approximately HK\$54.7 million (2023: approximately HK\$19.8 million) during the Reporting Year. The increment was contributed to partial completion of the replacement, modify and upgrade of the Automatic Fare Collection (“AFC”) systems of our customers.

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.

During the Reporting Year, revenue generated from this segment amounted to approximately HK\$10.5 million (2023: approximately HK\$24.5 million). The decrease of approximately 57.1% is mainly due to the completion of several large projects in 2023.

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.

During the Reporting Year, revenue generated from this segment amounted to approximately HK\$54.7 million (2023: approximately HK\$19.8 million). The increase of approximately 176.3% was mainly due to the higher completion percentage of major projects in hand in relation to installation of AFC systems during the Reporting Year.

Digital Fabrication and Maintenance Services

These services primarily provide computerised and advanced maintenance support services for various systems such as AFC system and trackside signalling system, terminals, and equipment. This includes part/component replacement, equipment upgrades and improvements, hardware and software upgrade/replacement services, testing, and routine preventive, corrective, and workshop maintenance services.

During the Reporting Year, revenue generated from the provision of these services amounted to approximately HK\$25.2 million (2023: approximately HK\$23.3 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.

During the Reporting Year, revenue generated from this segment amounted to approximately HK\$102.8 million (2023: approximately HK\$80.3 million). The increase of approximately 28.0% mainly due to higher percentage of completion of 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.

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 Year, revenue generated from this segment amounted to approximately HK\$1.0 million (2023: approximately HK\$5.5 million), representing a decrement of approximately 81.8%.

Environmental, Social and Governance

The Group is unwavering in its commitment to environmental, social, and governance (“ESG”) principles, which are fundamental to our long-term growth and success. During the Reporting Year, we achieved several achievements and progress, including (i) in the “Governance” pillar, we were awarded the Privacy-Friendly Silver Award from the Office of the Privacy Commissioner for Personal Data, Hong Kong, underscoring our commitment to upholding a high level of data privacy and security; (ii)

On the “Social” front, we have placed a strong emphasis on employee engagement and well-being. We fostered a happy, caring, healthy, safe working environment for our employees through various physical and mental health promotion, diversity initiatives, and we held the inaugural 3.8 International Women’s Day event winning overwhelming satisfaction and appreciation. Our dedicated efforts in promoting smoke-free and heart caring were endorsed with Hong Kong Smoke-free Leading Company Awards 2023 Gold Award and recognised as Heart Caring Organisation Award – Outstanding Organisation; and (iii) In the “Environmental” domain, we have introduced innovative and sustainable solutions in our business endeavour and promoted the Carbon Neutrality Competition to inspire sustainable practices. Additionally, we added one more electric vehicle to our fleet, contributing to our carbon reduction goals. For more details, please refer to our ESG report published on the Group’s website (www.kml.com.hk).

OUTLOOK

The shortage of talent and rising manpower costs in Hong Kong will continue to present significant challenges to the Group’s business. If these adverse factors persist, they could jeopardise the performance of our projects. The Group will closely monitor the situation and take appropriate actions, including proactively recruiting talent from the market and collaborating with educational institutions to develop a pipeline of emerging talent.

In addition, we will enhance our operational excellence by applying advanced technologies such as smart site safety systems and a virtual reality training system. This virtual platform mirrors the actual work environment, providing an immersive training experience and ensuring a seamless transition to on-site operations. We believe that leveraging these advanced technologies will help reduce manpower expenses and improve our financial performance.

Several ongoing infrastructure projects in Hong Kong will be completed soon, which we expect will ease the shortage of skilled labour and help reduce the currently soaring labour and subcontracting costs. Alongside our multifaceted approach to recruiting talent and engaging advanced technologies for reducing manpower costs, we will also utilise various project management tools to enable better monitoring and measurement of project performance align with the best industry practice.

We foresee stable demand for M&E engineering services in the transportation industry over the next few years due to the construction of new railways and the replacement or upgrade of existing railways. Additionally, we anticipate ample business opportunities in the installation of electric vehicle (“EV”) chargers, driven by the growing popularity of electric vehicles in Hong Kong and the ongoing progress of the EV-charging at Home Subsidy Scheme (“EHSS”).

With the estimated new supply of 140,000 EV chargers under EHSS set to address the shortage of charging facilities in Hong Kong by 2027/28, we strive to provide innovative and cutting-edge solutions that precisely cater to market demands. We are committed to actively pursuing these opportunities.

Anticipating robust demand for design and installation services beyond EHSS, we recognise the resilience of this market in Hong Kong, propelled by the growing adoption of EVs. Committed to this promising sector, we plan to allocate more resources to explore and expand business prospects within this domain.

Looking ahead, while our business is primarily based in Hong Kong, we are eager to expand our footprint to other areas with focus on Mobile Ticketing and Digital Payment Solutions and Services, such as the Greater Bay Area of China, Taiwan, and other Southeast Asian countries in order to diversify our market base, and enhance brand recognition, and foster robust business growth.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Reporting Year amounted to approximately HK\$194.1 million, representing an increase of approximately HK\$40.7 million or approximately 26.5% as compared with approximately HK\$153.4 million for the year ended 31 March 2023. The increment was mainly due to higher percentage of completion for ongoing major 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) sub-contracting cost. The cost of sales increased by approximately 14.4% from approximately HK\$143.5 million for the year ended 31 March 2023 to approximately HK\$164.2 million for the Reporting Year. The increase was mainly attributed to the higher consumption of materials and the increased expenditure on labour and subcontracting costs to support the accelerated pace of project progress.

The gross profit for the Reporting Year was approximately HK\$29.9 million (2023: approximately HK\$9.9 million). The increase in gross profit was mainly attributed to (i) the absence of provision for onerous contract (2023: approximately HK\$16.2 million) recognised; and (ii) the higher volume of works completed resulting increase in revenue during the Reporting Year.

Impairment loss on financial assets and contract assets

During the Reporting Year, the Group recognised approximately HK\$50,000 reversal of impairment loss (2023: impairment loss of approximately HK\$5.2 million). An impairment loss was recognised for credit-impaired long outstanding trade receivable of approximately HK\$4.1 million and uncollectible contract assets of approximately HK\$1.6 million in prior year. No such credit-impaired and uncollectible receivables are identified during the Reporting Year.

Administrative Expenses

The Group's administrative expenses increased by approximately 6.9% from approximately HK\$43.5 million for the year ended 31 March 2023 to approximately HK\$46.5 million for the Reporting Year. Such increase was mainly due to an increase of staff cost.

Loss attributable to the owners of the Company

The Group recorded net loss attributable to the owners of the Company of approximately HK\$13.8 million for the Reporting Year (2023: approximately HK\$32.2 million). The reduction in loss was mainly attributed to (i) the increase in revenue; (ii) the absence of provision of onerous contracts; and (iii) the decrease in impairment losses of trade receivables and contract assets, which is partially set-off by the increase of administrative expenses.

Borrowings and Gearing Ratio

As at 31 March 2024, the Group has HK\$15.0 million outstanding borrowing which are repayable within 12 months (2023: nil). The gearing ratio, representing the proportion of total bank borrowings to total equity as at 31 March 2024 was 11.0% (2023: not applicable) which is primarily attributed to the Group's borrowings raised during the Reporting Year.

Liquidity, Financial Resources and Capital Structure

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

The Group requires cash primarily for working capital needs. As at 31 March 2024, the Group had approximately HK\$70.2 million in (i) bank balances and cash; (ii) pledged bank deposits; and (iii) time deposits with original maturity over three months (2023: approximately HK\$101.0 million), representing a decrease of approximately HK\$30.8 million as compared to that as at 31 March 2023.

Other than the bank borrowings raised, there has been no change on the capital structure of the Group for the Reporting Year and up to the date of this announcement (the "**Date of this Announcement**"). The share capital of the Company only comprises of ordinary shares.

As at 31 March 2024, 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\$1.2 million for the Reporting Year which comprised acquisition of furniture, fixtures and office equipment (2023: approximately HK\$2.3 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the Reporting Year (2023: nil).

Closure of Register of Members

The register of members of the Company will be closed from Friday, 2 August 2024 to Wednesday, 7 August 2024, 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 Wednesday, 7 August 2024, 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 Thursday, 1 August 2024.

Employees and Remuneration Policies

As at 31 March 2024, the Group employed 179 employees (2023: 190 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.

FOREIGN EXCHANGE EXPOSURE

We conducted business with customers, suppliers and subcontractors located in Hong Kong, China and overseas. The Group’s exposure to the currency risk mainly arises 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 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 Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not hold any significant investments in equity interest in any other companies as at 31 March 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 Year.

PLEDGES OF ASSETS

As at 31 March 2024, 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 2024 (2023: nil).

CONTINGENT LIABILITIES

As at 31 March 2024, the Group did not have any significant contingent liabilities (2023: 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 C1 to the GEM Listing Rules as its own code of corporate governance. During the Reporting Year, 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 Year.

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 Year 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 Year 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 Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Up to the Date of this Announcement, there were no subsequent events after the Reporting Year.

PUBLICATION OF THE ANNUAL RESULTS AND 2023/2024 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 2023/2024 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, 24 June 2024

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

This announcement will remain on the "Latest 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.