

The background features a complex, abstract design. The upper portion is dominated by a large gear mechanism in shades of orange, red, and yellow, set against a light grey grid. Below this, a horizontal band of blue and white circuitry or data lines stretches across the page. The lower section is a lighter blue with faint, overlapping geometric shapes and lines, suggesting a digital or technological environment.

高萌·科技

KML Technology Group Limited

高萌科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8065

Interim Report 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Director(s)”) of KML Technology Group Limited (the “Company” or “KML Tech”, together with its subsidiaries, the “Group” or “We”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report, in both English and Chinese versions, is available on the Company’s website at www.kml.com.hk.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luk Kam Ming (*Chairman*)
Mr. Chan Chak Lun Philip (*Chief executive officer*)
Mr. Luk Kwai Lung
Mr. Luk Yin Cheung

Independent Non-executive Directors

Mr. Lau On Kwok
Dr. Tse Chi Kong
Mr. Law Wing Chi Stephen

Audit Committee

Mr. Lau On Kwok (*Chairman*)
Dr. Tse Chi Kong
Mr. Law Wing Chi Stephen

Remuneration Committee

Dr. Tse Chi Kong (*Chairman*)
Mr. Luk Kam Ming
Mr. Lau On Kwok

Nomination Committee

Mr. Luk Kam Ming (*Chairman*)
Dr. Tse Chi Kong
Mr. Law Wing Chi Stephen

Risk Management Committee

Mr. Law Wing Chi Stephen (*Chairman*)
Mr. Chan Chak Lun Philip
Mr. Luk Kwai Lung
Mr. Luk Yin Cheung
Mr. Lau On Kwok

AUTHORISED REPRESENTATIVES

Mr. Luk Kwai Lung
Ms. Woo Siu Wai

COMPANY SECRETARY

Ms. Woo Siu Wai

COMPLIANCE OFFICER

Mr. Luk Yin Cheung

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

Kingsway Capital Limited
7th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

B12, G/F
Shatin Industrial Centre
Siu Lek Yuen Road
Shatin, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.kml.com.hk

STOCK CODE

8065

DATE OF LISTING

16 October 2017

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 September 2017 amounted to approximately Hong Kong dollars ("HK\$") 101.5 million while gross profit of the Group for the same period amounted to approximately HK\$30.9 million.

The net loss of the Group for the six months ended 30 September 2017 amounted to approximately HK\$4.8 million and is mainly due to the listing expenses of approximately HK\$14.7 million incurred by the Company during the period. Should this non-recurring listing expenses be excluded, the net profit after tax of the Group for the six months ended 30 September 2017 would amount to approximately HK\$9.9 million, representing an increase of 179.6% as compared to the last period.

The board of directors (the "Board") does not recommend a payment of an interim dividend for the six months ended 30 September 2017.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF KML TECHNOLOGY GROUP LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of KML Technology Group Limited (the "Company") and its subsidiaries set out on pages 6 to 20, which comprises the condensed consolidated statement of financial position as of 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2016 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants
Hong Kong

8 November 2017

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

		Six months ended	
		30 September	
		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	101,476	75,856
Cost of sales		(70,541)	(54,658)
		<hr/>	<hr/>
Gross profit		30,935	21,198
Other income	5	163	80
Other gains	5	70	9
Administrative expenses		(19,371)	(17,115)
Listing expenses		(14,665)	–
		<hr/>	<hr/>
(Loss) profit before taxation	6	(2,868)	4,172
Income tax expense	7	(1,942)	(647)
		<hr/>	<hr/>
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company		(4,810)	3,525
		<hr/>	<hr/>
(Loss) earnings per share			
– Basic (HK cents)	9	(1.60)	1.18

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

		30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	2,821	2,386
Deposits	12	693	693
Retention held by customers for contract works	12	8,668	6,085
		12,182	9,164
Current assets			
Inventories		519	535
Trade receivables	11	32,748	31,478
Retention held by customers for contract works	12	6,522	5,262
Other receivables, deposits and prepayments	12	8,793	4,071
Amounts due from customers for contract works	13	40,222	32,243
Bank balances and cash		23,687	58,619
		112,491	132,208
Current liabilities			
Trade payables	14	11,373	8,793
Other payables and accrued charges	15	21,645	10,545
Amounts due to customers for contract works	13	21,438	19,257
Tax payable		471	3,289
		54,927	41,884
Net current assets		57,564	90,324
Total assets less current liabilities		69,746	99,488
Non-current liabilities			
Deferred tax liabilities		159	91
Net assets		69,587	99,397
Capital and reserves			
Share capital		-	14,339
Reserves		69,587	85,058
Total equity		69,587	99,397

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	Attributable to owners of the Company			Total equity HK\$'000
	Share Capital HK\$'000	Other reserve HK\$'000 (Note)	Accumulated profits HK\$'000	
Six months ended 30 September 2017				
At 1 April 2017 (audited)	14,339	–	85,058	99,397
Loss and total comprehensive (expense) for the period	–	–	(4,810)	(4,810)
Dividend (note 8)	–	–	(25,000)	(25,000)
Arising from Reorganisation (Note)	(14,339)	14,339	–	–
At 30 September 2017 (unaudited)	–	14,339	55,248	69,587
Six months ended 30 September 2016				
At 1 April 2016 (audited)	14,339	–	81,731	96,070
Profit and total comprehensive income for the period	–	–	3,525	3,525
At 30 September 2016 (unaudited)	14,339	–	85,256	99,595

Note: Other reserve represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation (as defined in note 2) during the six months ended 30 September 2017.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

		Six months ended 30 September	
	<i>Notes</i>	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(9,175)	19,106
INVESTING ACTIVITIES			
Bank interest received		77	54
Purchase of property, plant and equipment	10	(838)	(577)
Proceeds from disposal of property, plant and equipment		7	-
Withdrawn of pledged bank deposit		-	2,841
Net cash outflow arising from disposal of a subsidiary	18	(3)	-
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(757)	2,318
CASH USED IN FINANCING ACTIVITY			
Dividends paid		(25,000)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(34,932)	21,424
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		58,619	54,558
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		23,687	75,982

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, a consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at B12, G/F, Shatin Industrial Centre, Siu Lek Yuen Road, Shatin, New Territories, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 October 2017 (the "Listing").

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of electrical and mechanical ("E&M") engineering solutions and services.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and its principal subsidiaries.

2. REORGANISATION AND BASIS OF PREPARATION

Pursuant to the group reorganisation stated in the Company's prospectus dated 29 September 2017 (the "Prospectus") in preparation for the Listing (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group on 6 September 2017, the details of which are as set out in the Prospectus.

As the Group comprising the Company and its subsidiaries resulting from the Reorganisation continued to be controlled by Mr. Luk Kam Ming ("Mr. KM Luk"), Mr. Luk Yin Cheung ("Mr. YC Luk"), Mr. Luk Kwai Lung ("Mr. KL Luk"), Ms. Leung Kwok Yee ("Madam Leung") and KML Holdings Limited ("KML Holdings") (the "Controlling Shareholders") and is regarded as a continuing entity, accordingly, the condensed consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group throughout the six months ended 30 September 2016 and year ended 31 March 2017 under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting, Under Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 September 2016 includes the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the six months ended 30 September 2016.

The condensed consolidated financial statement of financial position of the Group as at 31 March 2017 has been prepared to present the assets and liabilities of the Companies now comprising the Group as if the current group structure had always been in existence.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

3. SIGNIFICANT ACCOUNTING POLICES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The significant accounting policies used in the preparation of these condensed consolidated financial statements for the six months ended 30 September 2017 are consistent with those followed in the preparation of the Group's financial information for each of the two years ended 31 March 2017 included in the accountants' report for inclusion in the Prospectus except as stated below.

In the current interim period, the Group has applied, for the first time, amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 April 2017.

The application of those amendments to HKFRSs that are mandatorily effective in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. The application of Amendments to HKAS 7 "Disclosure Initiative" will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided in the consolidated financial statements for the year ending 31 March 2018 on application.

4. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue for the six months ended 30 September 2017 and 2016 is as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
E&M engineering solutions and services (<i>Note a</i>)	85,492	55,514
E&M engineering maintenance services	10,880	11,736
E&M engineering design and fabrication services (<i>Note b</i>)	3,715	7,112
Sales of parts and components	1,389	1,494
	101,476	75,856

Notes:

- (a) Amount represents revenue generated from design, supply, installation of systems and implementation of E&M engineering solutions and services, including revenue generated from design and fabrication services for the fabrication of made-to-order products for the customers, where applicable ("E&M engineering solutions and services").
- (b) Amount represents revenue generated from design and fabrication services for the fabrication of made-to-order products for the customers, such as control room consoles, public access kiosks and terminals, relay racks, test rigs, control room technical furniture and industrial enclosures and instrument cabinets, and also the conducting of ergonomic and work place studies without supply, installation of systems and implementation of E&M engineering solutions and services ("E&M engineering design and fabrication services").

Segment information

The Group's operations is solely derived from E&M engineering solutions and services, E&M engineering maintenance services, E&M engineering design and fabrication services and sales of parts and components, and the chief operation decision maker (i.e. the executive directors of the Company) (the "CODM") reviews the condensed consolidated financial position of the Group as a whole for the purposes of allocating resources and assessing performance of the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

5. OTHER INCOME AND OTHER GAINS

Other income

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	77	54
Government subsidies (<i>Note</i>)	34	–
Sundry income	52	26
	<hr/>	<hr/>
	163	80
	<hr/>	<hr/>

Other gains

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	7	–
Exchange gain	63	9
	<hr/>	<hr/>
	70	9
	<hr/>	<hr/>

Note: Amounts represent subsidies received from the Government of Hong Kong Special Administration Region ("HKSAR") for the Group's participation in Youth Employment and Training Programme, which is initiated by the Labour Department of HKSAR.

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	650	193
Depreciation of property, plant and equipment	403	481
Directors' remuneration	1,920	1,740
Other staff costs		
– Salaries and other benefits	35,439	31,799
– Retirement benefits scheme contributions	1,315	1,276
Total staff costs	38,674	34,815
Minimum lease payments under operating leases in respect of:		
– Office premises	2,628	2,002
– Motor vehicle	26	52
Net foreign exchange gain	(63)	(9)
Gain on disposal of property, plant and equipment	(7)	–

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong:		
Current tax	1,874	647
Deferred tax	68	–
Income tax charge	1,942	647

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

8. DIVIDEND

During the current interim period, a special dividend of HK\$25,000,000 was declared and paid to the Controlling Shareholders (six months ended 30 September 2016: nil). The directors have determined that no dividend was proposed in respect of current interim period.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share: ((loss) profit for the period attributable to owners of the Company)	(4,810)	3,525
	Six months ended 30 September	
	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	300,000	300,000

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been retrospectively adjusted and determined on the assumption that the Reorganisation and the capitalisation issue as described in "History, Reorganisation and Corporate Structure" to the Prospectus has been effective on 1 April 2016.

No diluted (loss) earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2017, the Group acquired property, plant and equipment with aggregate cost of HK\$838,000 (30 September 2016: HK\$577,000).

11. 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 aged analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at	
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
0-30 days	16,487	20,650
31-60 days	11,138	6,240
61-90 days	3,554	4,138
Over 90 days	1,569	450
	<hr/>	<hr/>
	32,748	31,478
	<hr/>	<hr/>

Included in the Group's trade receivable are debtors with aggregate carrying amount of approximately HK\$11,849,000 (31 March 2017: approximately HK\$6,169,000) which are past due as at 30 September 2017 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired based on invoice date at the end of the reporting period:

	As at	
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
31-60 days	6,726	1,581
61-90 days	3,554	4,138
Over 90 days	1,569	450
	<hr/>	<hr/>
Total	11,849	6,169
	<hr/>	<hr/>

12. RETENTION RECEIVABLES/OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current:		
Retention receivables (Note)	8,668	6,085
Deposits	693	693
	9,361	6,778
Current:		
Retention receivables (Note)	6,522	5,262
Advances to suppliers	1,774	1,533
Deposits	648	651
Staff advances	404	425
Prepayments	767	677
Prepaid listing expenses	–	362
Deferred listing expense	5,164	185
Other receivables	36	238
	8,793	4,071
	24,676	16,111

Note:

Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, which is mostly within one year from the date of completion of respective construction projects. In the opinion of the directors of the Company, the retention receivables to be received after one year are classified as non-current assets in condensed consolidated statements of financial position since it is not expected to realise the retention receivables in the Group's normal operating cycle.

The retention receivables are to be settled, based on the expiry of the defects liability period, at the end of each reporting period:

	As at	
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
On demand or within one year	6,522	5,262
After one year	8,668	6,085
	15,190	11,347

13. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	As at	
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracts in progress at the end of the reporting period:		
Actual costs incurred plus recognised profits less recognised losses	260,090	211,051
Less: Progress billings	(241,306)	(198,065)
	18,784	12,986
Analysed as:		
Amounts due from customers for contract works	40,222	32,243
Amounts due to customers for contract works	(21,438)	(19,257)
	18,784	12,986

14. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services ranges from 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at	
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0-30 days	5,446	2,303
31-60 days	438	1,378
61-90 days	39	85
91-365 days	536	82
Over 365 days	4,914	4,945
	11,373	8,793

As at 30 September 2017, included in the trade payable aged over 365 days was an amount of HK\$ 4,901,000, representing the full provision of the Group's contractual obligation, which was pending settlement as the Group was in dispute with the counterparty for final settlement. No reversal of this payable was recognised during the six months ended 30 September 2017 and 2016 as the derecognition criteria in accordance with the Group's accounting policies has not been met.

15. OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Accrued staff costs	6,529	4,083
Provision for annual leave	2,241	2,241
Provision for long service payments	965	965
Retention payables (<i>Note</i>)	2,313	1,861
Accrued management service fee	–	508
Listing expense payables	8,409	–
Other accrued charges	1,184	886
Other payables	4	1
	21,645	10,545

Note: Retention payables to sub-contractors of contract work are interest-free and payable by the Company after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranges from one to two years from the completion date of the respective construction contracts.

16. SHARE CAPITAL

The share capital of the Group at 1 April 2016 and 2017 and 30 September 2016 represent the aggregate share capital of KML Engineering Limited and KML Technology Limited attributable to the Controlling Shareholders prior to the Reorganisation.

The share capital of the Group at 30 September 2017 represent the share capital of the Company.

	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)
Authorised		
At 5 May 2017 (dated of incorporation)		
– Ordinary shares of HK\$0.01 each	38,000	380
Addition (<i>Note i</i>)	3,762,000	37,620
	3,800,000	38,000
At 30 September 2017		
Issued and fully paid		
At 5 May 2017 (dated of incorporation)		
– Ordinary shares of HK\$0.01 each (<i>Note ii</i>)	–	–
Issue of shares as part of the Reorganisation (<i>Note iii</i>)	10	–
	10	–
At 30 September 2017		

Notes:

- (i) On 29 September 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$38,000,000 by the creation of a further 3,762,000,000 shares of HK\$0.01 each pursuant to a resolution passed on 20 September 2017.
- (ii) On date of incorporation, 1 share of HK\$0.01 was allotted and issued to KML Holdings at a subscription price of HK\$0.01.

- (iii) As part of the Reorganisation, the Company issued shares during the current interim period which are detailed below:-
- (a) On 9 June 2017, 45, 35 and 19 shares of the Company were allocated and issued to KML Holdings, Mr. KM Luk and Madam Leung respectively, and
- (b) On 6 September 2017, the Company issued 4,554, 3,465 and 1,881 shares to KML Holdings, Mr. KM Luk and Madam Leung, respectively.

17. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management and consultation service fee paid to K.M. Luk & Engineers Limited (<i>Note a</i>)	–	654
Purchase of materials from Logistic Industrial (<i>Note b</i>)	11	149
Rental fee paid to K.M. Luk & Engineers Limited KML Ltd (<i>Note c</i>)	26	52
	1,980	1,980

Notes:

- (a) Amount represents management and consultation service fee paid to K.M.Luk & Engineers Limited, a company jointly controlled by Mr. KM Luk, Madam Leung, Mr. YC Luk and Mr. KL Luk, in respect of management and consultation service rendered by Mr. KM Luk and his spouse, Madam Leung, both of them are employees of K.M.Luk & Engineers Limited.
- During the six months ended 30 September 2017, no service was rendered by Madam Leung to the Group.
- Starting from 1 April 2017, the service fee, in respect of management and consultation service rendered by Mr. KM Luk to the Group, was paid to Mr. KM Luk directly and was included as director's remuneration.
- (b) Logistic Industrial Supply Company Limited ("Logistic Industrial") is a company which Mr. KM Luk and Madam Leung have significant influence over it.
- (c) KML Ltd. is controlled by Mr. KM Luk.

18. DISPOSAL OF A SUBSIDIARY

On 9 June 2017, the Company disposed of its entire interest in KML Transtech Limited to Ms. Chan Patricia, for at a total consideration of HK\$1,932,722 with reference to the Company's interest in the net asset value of KML Transtech Limited. The net assets of KML Transtech Limited at the date of disposal were as follows:

Analysis of asset and liability over which control was lost:

	HK'000
Bank balance and cash	1,936
Accrual	(3)
	<hr/>
Net asset disposed of	1,933
Gain on disposal of a subsidiary:	
Consideration received	1,933
Net asset disposed of	(1,933)
	<hr/>
Gain on disposal	-
Net cash outflow arising on disposal:	
Cash consideration received	1,933
Less: bank balance and cash disposed of	(1,936)
	<hr/>
	(3)

19. EVENT AFTER THE REPORTING PERIOD

The shares of the Company have been listed on the GEM of the Stock Exchange by way of share offer on 16 October 2017. On the same date, 299,990,000 of the Company's new shares were issued through capitalisation of HK\$2,999,900 standing to the credit of share premium account of the Company. Also, 100,000,000 shares of the Company of HK\$0.01 each were issued at an offer price of HK\$0.60 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been providing Electrical and Mechanical (“E&M”) engineering solutions and services, with a primary focus on Transportation Mission Critical System Solutions, in Hong Kong for over 40 years. With technical knowledge in the areas of electrical, mechanical and electronic engineering, and a strong focus on product design and research and development, and through our vertically-integrated business model that combines design and fabrication, equipment assembly and system implementation, we are an E&M engineering solutions and services provider in Hong Kong who is capable of independently providing a full suite of custom-built products and services. We provide services and technical support to our customers on system solutions, equipment assembly and installation, network optimisation, inspection and testing. We possess 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 operation and management costs and mitigates the incompatibility risks of different E&M engineering systems. In turn, our vertically-integrated business model enhances our ability to customize our products and services to address customers’ needs and become more competitive in bidding for new projects. In addition, our business model also promotes the synergies among our individual products and services, reduces our marketing costs and lays a solid foundation for us to develop our maintenance services after our systems and equipment are put into operation.

Our customers comprise mainly transportation companies and other engineering companies in Hong Kong, and also various departments of the Hong Kong Government.

For the six months ended 30 September 2017, the Group recorded a net loss of approximately HK\$4.8 million as compared to the net profit of approximately HK\$3.5 million for the same period in 2016. The Directors are of the view that the net loss is due to the listing expenses of approximately HK\$14.7 million incurred during the period. Should these non-recurring listing expenses be excluded, the net profit after tax of the Group for the six months ended 30 September 2017 would amount to approximately HK\$9.9 million, representing an increase of 179.6% as compared to the last period.

OUTLOOK/MARKET REVIEW

Development of the Railway Systems

With the continued growth in population and tourism, the rising needs for public transport are highlighted. Comprehensive and long-term planning for public transport is needed to improve people’s livelihood, support economic development and protection of the environment. In the future, passenger transportation systems with a focus on public transportation with railway as the backbone remain the trends. New railways, such as the transportation of Sha Tin to Central Link and the extension of Kwun Tong line, will reduce the reliance on road-based transport, alleviate road congestion and lessen vehicle-induced air pollution. The development potential of areas along the railway lines would also be unleashed to support the housing and economic developments. In the meantime, the railway system has been being advanced and automated, which would in turn boost the demand for transport automation system solutions in Hong Kong.

Modernisation and Upgrading of the Transportation Systems

To keep pace with the growing transport needs, modernisation and expansion projects are being launched. More and more transportation system are equipped with communication and controls systems and automatic fare collection systems. Automatic supervision and fare collection will be realised using the aforementioned systems, which enables the monitoring, performing and controlling of the fully automatic operational process. Continuous data communication takes place between the control center, the trackside equipment and the transport vehicles via the radio network. This makes it possible to pinpoint the exact location of each transport vehicle within a specific network. Depending on the degree of automation, energy consumption can be cut. At the same time, transport punctuality is improved. With increasing number of upgrading projects, it is expected that the transport automation system industry would be further stimulated and benefit from the related works.

Vision of Smart City

To foster the knowledge economy, enhance quality of life and create a vibrant eco-system by using information technology and promoting more effective resource management, the development of a smart city is the vision of the Hong Kong society. It would further promote a vast array of, particularly connecting information system and people, technologies, and applications. More importantly, there is huge potential to improve the interface between people and infrastructure, which is what a smart city is all about. Due to high travel demand, longer distances and increasing number of trips, the importance of building an organised transportation system in the "Smart City" is highlighted. Inadequate capacity of public transportation and overcrowded road network remain the key issues in Hong Kong. Transportation Mission Critical System Solutions help realise the integrated transportation plans, which narrow the demand-supply gap and improve the transportation network. For instances, the enhanced connection between people and the public transportation further increases the accuracy of traffic projections, number of routing options, and the flow of real-time data, which help complete the traffic management in Hong Kong. To further the connection between the transportation and people, the transportation automation system solutions, which enhance the data collection, artificial intelligence applications and systems integration, would be inevitable in the development of a smart city with respect to Hong Kong.

Outlook

The Group will continue to deepen our penetration of the Hong Kong E&M engineering industry with special focus on the Transportation Mission Critical System Solutions market and expand and enhance our E&M engineering technical capability.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 33.8% from approximately HK\$75.9 million for the six months ended 30 September 2016 to approximately HK\$101.5 million for the six months ended 30 September 2017. The increase in revenue is mainly contributed by the contracts awarded during years ended 31 March 2016 and 2017 which have substantial work completed during the six months ended 30 September 2017.

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised (i) material and equipment; (ii) direct labour; and (iii) subcontracting cost. The cost of sales increased by approximately 29.1% from approximately HK\$54.7 million for the six months ended 30 September 2016 to approximately HK\$70.5 million for the six months ended 30 September 2017. The gross profit of the Group increased by approximately 45.9% from approximately HK\$21.2 million for the six months ended 30 September 2016 to approximately HK\$30.9 million for the six months ended 30 September 2017.

Administrative Expenses

The Group's administrative expenses increased by approximately 13.2% from approximately HK\$17.1 million for the six months ended 30 September 2016 to approximately HK\$19.4 million for the six months ended 30 September 2017, which is mainly due to (i) increase in staff cost; (ii) year end performance bonus interim provision; and (iii) renting of an additional company's office.

(Loss) profit attributable to the owners of the Company

The Group recorded a loss attributable to the owners of the Company of approximately HK\$4.8 million for the six months ended 30 September 2017 (six months ended 30 September 2016: profit approximately HK\$3.5 million). The result from profit to loss is mainly due to the Company's incurrence of the listing expenses of approximately HK\$14.7 million for the six months ended 30 September 2017.

Liquidity, Financial Resources and Capital Structure

Historically, the Company has met the liquidity and capital requirements primarily through operating cash flows and capital contribution from its shareholders.

The Company requires cash primarily for working capital needs. As at 30 September 2017, the Company had approximately HK\$23.7 million in bank balances and cash (as at 31 March 2017: approximately HK\$58.6 million), representing a decrease of approximately HK\$34.9 million as compared to that as at 31 March 2017.

On 16 October 2017 (the "Listing Date"), the ordinary shares of the Company (the "Shares") were listed on GEM by way of share offer (the "Share Offer") and completed the Share Offer of its 100,000,000 Shares, comprising 50,000,000 Shares offered by the Company for subscription and 50,000,000 Shares offered by the Company for placing, with a par value of HK\$0.01 each at offer price of HK\$0.60 per Share for the net proceeds of approximately HK\$35.0 million. The Company believed that the funding from the Share Offer on the GEM would allow the Group to access the capital market for raising funds in the future. There has been no change on the capital structure of the Group since the Listing Date and up to the date of this report (i.e. 8 November 2017) (the "Date of this Report"). The capital of the Company only comprises of ordinary shares.

Capital Expenditure

The Company purchased property, plant and equipment amounting to approximately HK\$0.8 million for the six months ended 30 September 2017 which comprised acquisition of furniture, fixtures and office equipment (year ended 31 March 2017: HK\$1.57 million).

Interim Dividend

The Board does not recommend a payment of an interim dividend for the six months ended 30 September 2017 (30 September 2016: Nil).

Employees and Remuneration Policies

As at 30 September 2017, the Company had a total of 225 employees (31 March 2017: 216). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Company recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Use of Proceeds from the Listing

On 16 October 2017, the Shares were listed on GEM by way of Share Offer. The Group intends to apply the proceeds from the listing in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 September 2017 (the "Prospectus").

Given that the Share Offer was completed after the half-year end date (30 September 2017), there was no utilisation of the proceeds as at 30 September 2017. The Directors intend to apply the net proceeds from the Share Offer in accordance with the uses as stated in the Prospectus. The net proceeds received by the Company from the Share Offer, after deducting underwriting commission and professional expenses in relation to the Share Offer, amounted to approximately HK\$35.0 million, which were lower than the estimated net proceeds of approximately HK\$36.0 million as disclosed in the Prospectus due to higher listing expenses.

Business Objectives and Implementation Plan

As set out in the Prospectus, the business objectives and strategies of the Group are (i) deepen our penetration of the Hong Kong E&M engineering industry with special focus on the Transportation Mission Critical System Solutions market by strengthening our research and development capabilities and increasing our brand awareness through marketing efforts; (ii) expand and enhance our E&M engineering technical capability; as well as (iii) strengthen the Group's financial capabilities to undertake larger-scale E&M engineering projects in the future.

Our business strategy for the period from 20 September 2017 (being the Latest Practicable Date as defined in the Prospectus) to 30 September 2017 was to strengthen our financial capabilities to undertake larger-scale E&M engineering projects in the future. During the above period, our implementation plan was to replace performance guarantees for existing projects with a total estimated sum of approximately HK\$5.0 million. As the Listing Date is after the half-year end date (30 September 2017), there has not been any material business progress as at 30 September 2017 in implementing the business objectives set out in the Prospectus.

Gearing Ratio

The ratio was not applicable for the six months ended 30 September 2016 and year ended 31 March 2017 as no borrowing was incurred.

Foreign Exchange Exposure

We conduct 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 currency risk mainly arise from the fluctuation of Renminbi ("RMB"), Euro ("EUR"), Singapore Dollar ("SGD"), New Taiwan Dollar ("NTD") or United States dollars ("US\$"). The Group currently does not have any hedging policy in place for its foreign exchange exposure. However, the Board will remain alert to any relevant risk and, if necessary, consider hedging any potential material foreign exchange risk.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 September 2017. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant Investments and Future Plans for Material Investments and Capital Assets

The Group did not hold any significant investments in equity interest in any other companies as at 30 September 2017. Except for those included in the section headed "Future Plans and Use of Proceeds" for inclusion in the Prospectus, the Group had no definite future plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

Apart from the reorganisation in relation to the listing as disclosed in the Prospectus, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 September 2017.

Pledge of Assets

As at 30 September 2017, the Group did not have any pledged assets (31 March 2017: Nil).

Commitments and Contingent Liabilities

The Group had no significant commitments and contingent liabilities as at 30 September 2017 (30 September 2016: Nil).

Financial Risk Management

Risk management is carried out by the Company's finance department under policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as market risk, interest rate risk, credit risk and liquidity risk.

Subsequent Events

The Shares were listed on the GEM on 16 October 2017 by way of Share Offer and the Share Offer of its 100,000,000 Shares at the offer price of HK\$0.60 each was completed for the net proceeds of approximately HK\$35.0 million. Details of the Share Offer are set out in the Prospectus.

CORPORATE GOVERNANCE/OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders of the Company (the "Shareholders") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code from the Listing Date. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings from the Listing Date to the Date of this Report.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee comprises three members, namely Mr. Lau On Kwok (chairman), Dr. Tse Chi Kong and Mr. Law Wing Chi Stephen, all of them are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the unaudited condensed consolidated results of the Group for the six months ended 30 September 2017 and the interim report. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 September 2017 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CHANGES TO DIRECTORS' INFORMATION

As at the Date of this Report, the Directors confirm that no information is required to be disclosed pursuant to GEM Rule 17.50A(1) of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

From the Listing Date to the Date of this Report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Kingsway Capital Limited ("Kingsway Capital"), neither Kingsway Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and controlling Shareholders and their respective close associates as referred to in Rule 11.04 of the GEM Listing Rules (except for the compliance adviser service provided by Kingsway Capital as at the Date of this Report).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Shares were listed on GEM on 16 October 2017. As at 30 September 2017, none of the Directors and the chief executive of the Company had any interest and short positions in the Shares, underlying shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provisions of the SFO).

As at the Date of this Report, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position ⁽³⁾	Approximate Percentage of Shareholding in the Company (%)
Mr. Luk Kam Ming ("Mr. KM Luk") ⁽¹⁾	Beneficial owner; interest of spouse	162,000,000	L	40.5
Mr. Luk Kwai Lung ("Mr. KL Luk") ⁽²⁾	Interest in controlled corporation	138,000,000	L	34.5
Mr. Luk Yin Cheung ("Mr. YC Luk") ⁽²⁾	Interest in controlled corporation	138,000,000	L	34.5

Notes:

- (1) Mr. KM Luk directly holds 105,000,000 Shares. Since Mr. KM Luk is the spouse of Ms. Leung Kwok Yee ("Madam Leung"), Mr. KM Luk is deemed to be interested in all the Shares in which Madam Leung is interested or deemed to be interested under the SFO, which is 57,000,000 Shares.
- (2) Each of Mr. KL Luk and Mr. YC Luk owns one common share in KML Holdings Limited ("KML Holdings"), representing 50% of the issued share capital of KML Holdings carrying voting rights. Mr. KL Luk and Mr. YC Luk are deemed to be interested in all Shares in which KML Holdings is interested or deemed to be interested under the SFO, which is 138,000,000 Shares.
- (3) The Letter "L" denotes the entity/person's long position in the Shares.

Save as disclosed above, as at the Date of this Report, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, there was no interest in the Shares and underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to under Section 336 of the SFO.

As at the Date of this Report, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/Short position ⁽⁵⁾	Approximate Percentage of Shareholding (%)
KML Holdings ⁽¹⁾	Beneficial owner	138,000,000	L	34.5
Madam Leung ⁽²⁾	Beneficial owner; interest of spouse	162,000,000	L	40.5
Ms. Chan Patricia ⁽³⁾	Interest of spouse	138,000,000	L	34.5
Ms. Woo Siu Wai ⁽⁴⁾	Interest of spouse	138,000,000	L	34.5

Notes:

- (1) Each of Mr. KL Luk and Mr. YC Luk owns one common share in KML Holdings, representing 50% of the issued share capital of KML Holdings carrying voting rights. Mr. KL Luk and Mr. YC Luk also own approximately 50% and approximately 50%, respectively, of the issued preferred shares in KML Holdings which do not carry voting rights but only rights to dividends.
- (2) Madam Leung is the spouse of Mr. KM Luk. By virtue of the SFO, Madam Leung is deemed to be interested in all the Shares in which Mr. KM Luk is interested or deemed to be interested under the SFO, and vice versa.
- (3) Ms. Chan Patricia is the spouse of Mr. KL Luk. By virtue of the SFO, Ms. Chan Patricia is deemed to be interested in all the Shares in which Mr. KL Luk is interested or deemed to be interested under the SFO.
- (4) Ms. Woo Siu Wai is the spouse of Mr. YC Luk. By virtue of the SFO, Ms. Woo Siu Wai is deemed to be interested in all the Shares in which Mr. YC Luk is interested or deemed to be interested under the SFO.
- (5) The Letter "L" denotes the entity/person's long position in the Shares.

Save as disclosed above, as at the Date of this Report, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

In order to incentivise and/or recognise and acknowledge the contributions that eligible persons have made or may make to our Group, the Company adopted the share option scheme pursuant to written resolutions of the Shareholders passed on 20 September 2017 (the "Share Option Scheme").

The Board may, at its discretion, offer to grant an option to any directors or employees of any companies within the Group.

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that Eligible Participants have made or may make to the Group. The Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in the Company with the view to (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and (ii) attract and retain the Eligible Participants whose contributions are, will or are expected to be beneficial to the Group.

No option has been granted by the Company under the Share Option Scheme as at 30 September 2017. The Company did not have any outstanding share options, warrants derivatives or securities which are convertible or exchangeable into Shares as at 30 September 2017 and up to the Date of this Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 September 2017 and up to the Date of this Report was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Up to the Date of this Report, 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.

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

Hong Kong, 8 November 2017

As at the Date of this Report, 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, Dr. TSE Chi Kong and Mr. LAW Wing Chi Stephen.