

TARGET

Intelligence Report

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T U E S D A Y

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KML TECHNOLOGY GROUP LTD: SHUTTING THE STABLE DOOR AFTER THE HORSE HAS BOLTED

Whether or not the current financial situation at KML Technology Group Ltd (高萌科技集團有限公司) (Code: 8065, The Growth Enterprise Market – The GEM – The Stock Exchange of Hongkong Ltd) is strongly suggestive of that which one might expect in the near-term future, this medium cannot countenance, but, no doubt, many an extant shareholder as well as prospective investors, on studying the 2022 Third Quarterly Report, published and disseminated in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) on or about Monday, February 13, 2023, it is very telling.

KML Technology Group Ltd sought and obtained permission to have its entire Issued Share Capital listed on the GEM on or about October 16, 2017.

Aside from the 2018 Financial Year – when Management announced that its Financial Results were a Net Loss Attributable to Shareholders in the amount of \$HK2,146,000.00 – the Company had produced Net Profits Attributed to Shareholders through to March 31, 2022.

But in the 2022 Third Quarterly Report, Page Five, one was presented with the ***'CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME'*** that was, if anything, rather shocking.

The following is copied, verbatim, from Page Five of the 2022 Third Quarterly Report, with the exceptions, produced by this medium's computations, that have been inserted for the sake of clarity and explicitness:

	For The Nine Months, Ended December 31		Percentage Increase/(Decrease)*
	2022	2021	
	All Figures Are Unaudited And Are Denominated In \$HK'000 (except where otherwise stipulated)		
Revenue	110,601	129,775	(14.77)
Gross Profit	22,372	36,894	(39.36)
Gross Profit Margin*	20.23 percent	28.43 percent	(28.84)
Profit/(Loss) Before Taxation	(9,376)	5,803	(261.57)

Profit/(Loss) And Total Comprehensive Income/(Loss) For The Period Attributable To Shareholders Of The Company	(9,376)	4,676	(300.51)
Earnings/(Loss) Per Share Attributable To Ordinary Equity Holders Of The Company	(2.35) cents	1.18 cents	(299.15)

* These are **TARGET**'s calculations

The Business Of KML Technology Group Ltd

The following is extracted from Page 15 through to Page 17 of the 2022 Third Quarterly Report, under the heading, '**BUSINESS REVIEW.**'

'Overview

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

'Being the third year of the coronavirus disease 2019 ("COVID-19") pandemic, the impact had been severe for the construction industry globally, especially in terms of operational efficiencies and material delivery progress between Hong Kong and Mainland China. In November 2022, Hong Kong downgraded its full-year forecast to a 3.2% economic contraction after gross domestic product (GDP) fell for three straight quarters, prolonging the recession. During this difficult era, the Group has changed its operation strategy by streamlining its internal resources and focus on clearing its outstanding contracts on hand. As at 31 December 2022, the Group had outstanding contracts in hand value at approximately HK\$478.2 million (2021: approximately HK\$542.2 million) ...

'Transportation Mission Critical System Solutions

‘The Group possesses technologies and know-how in the Hong Kong Transportation Mission Critical System Solutions market and have strong system integration capabilities. Our comprehensive offerings enable us to provide our customers with a complete and convenient one-stop solution, which reduces their operations and management costs and mitigates the incompatibility risks of different transportation systems. The Group has extensive experience to the works in relation to the railway signaling, communication and control system and platform screen door (PSD) system. For the nine months ended 31 December 2022, revenue generated from this segment amounted to approximately HK\$20.1 million (2021: approximately HK\$24.2 million). As at 31 December 2022, the total ...

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