



# M&L HOLDINGS GROUP LIMITED



Incorporated in the Cayman Islands with limited liability  
Stock Code: 8152

# 2018

**INTERIM  
REPORT**

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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This report, for which the directors (the “Directors”) of M&L Holdings Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 enquires, 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.

## Interim Results

The board of Directors (the "Board") of M&L Holdings Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017.

## Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2018

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	5	31,532	44,692	62,410	97,818
Cost of sales	6	(22,471)	(33,042)	(44,238)	(72,509)
<b>Gross profit</b>		<b>9,061</b>	<b>11,650</b>	<b>18,172</b>	<b>25,309</b>
Other income		12	84	63	506
Other losses, net		–	–	–	(233)
Selling expenses	6	(1,157)	(30)	(2,240)	(2,036)
Administrative expenses	6	–	–	–	–
– Legal and professional fee for listing preparation		–	(2,037)	–	(6,301)
– Others		(11,158)	(5,773)	(17,100)	(12,315)
<b>Operating (loss)/profit</b>		<b>(3,242)</b>	<b>3,894</b>	<b>(1,105)</b>	<b>4,930</b>
Finance income		65	3	114	6
Finance costs		(262)	(198)	(468)	(395)
<b>(Loss)/profit before income tax</b>		<b>(3,439)</b>	<b>3,699</b>	<b>(1,459)</b>	<b>4,541</b>
Income tax credit/(expense)	7	405	(1,449)	(446)	(2,104)
<b>(Loss)/profit for the period</b>		<b>(3,034)</b>	<b>2,250</b>	<b>(1,905)</b>	<b>2,437</b>
<b>Other comprehensive (loss)/income</b> <i>Item that may be reclassified to profit or loss:</i>					
– Currency translation differences		(808)	236	(317)	698
<b>Total comprehensive (loss)/income</b>		<b>(3,842)</b>	<b>2,486</b>	<b>(2,222)</b>	<b>3,135</b>
<b>(Loss)/profit for the period attributable to:</b>					
– Equity holders of the Company		(3,006)	2,074	(1,959)	2,087
– Non-controlling interests		(28)	176	54	350
		(3,034)	2,250	(1,905)	2,437
<b>Total comprehensive (loss)/income attributable to:</b>					
– Equity holders of the Company		(3,803)	2,309	(2,271)	2,785
– Non-controlling interests		(39)	177	49	350
		(3,842)	2,486	(2,222)	3,135
<b>(Loss)/earnings per share</b>					
– Basic and diluted (expressed in HK cents per share)	8	(0.50)	0.46	(0.33)	0.46

The notes on pages 5 to 24 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Balance Sheets

As at 30 June 2018

	Notes	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Prepaid land premium	9(a)	5,435	5,566
Property, plant and equipment	9(b)	23,368	11,346
Deposits		449	1,716
Deferred income tax assets		116	102
		<b>29,368</b>	<b>18,730</b>
<b>Current assets</b>			
Inventories		26,804	24,642
Trade and other receivables	10	75,952	74,275
Tax recoverable		4,404	4,066
Pledged bank deposits		2,000	2,536
Cash and cash equivalents		49,282	70,101
		<b>158,442</b>	<b>175,620</b>
<b>Total assets</b>		<b>187,810</b>	<b>194,350</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	11	6,000	6,000
Reserves		109,967	117,038
		<b>115,967</b>	<b>123,038</b>
<b>Non-controlling interests</b>		<b>1,589</b>	<b>1,540</b>
<b>Total equity</b>		<b>117,556</b>	<b>124,578</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Finance lease liabilities	16(b)	3,823	4,592
Deferred income tax liabilities		1,286	1,161
Other provision		167	167
		<b>5,276</b>	<b>5,920</b>
<b>Current liabilities</b>			
Trade and other payables	13	36,063	37,689
Dividend payable	14	7,980	7,980
Amounts due to directors	15	–	1,663
Bank borrowings	16(a)	19,000	14,000
Finance lease liabilities	16(b)	1,644	1,666
Current income tax liabilities		291	854
		<b>64,978</b>	<b>63,852</b>
<b>Total liabilities</b>		<b>70,254</b>	<b>69,772</b>
<b>Total equity and liabilities</b>		<b>187,810</b>	<b>194,350</b>

The notes on pages 5 to 24 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2018

	Attributable to equity holders of the Company					
	Share capital HK\$'000	Reserves HK\$'000 (Note 12)	Share premium HK\$'000 (Note 12)	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2018 (audited)</b>	6,000	53,706	63,332	123,038	1,540	124,578
(Loss)/profit for the period	–	(1,959)	–	(1,959)	54	(1,905)
<b>Other comprehensive loss:</b>						
Currency translation differences	–	(312)	–	(312)	(5)	(317)
Total comprehensive (loss)/income for the period	–	(2,271)	–	(2,271)	49	(2,222)
<b>Transactions with owners:</b>						
Dividends declared to the equity holders of the Company	–	(4,800)	–	(4,800)	–	(4,800)
<b>At 30 June 2018 (unaudited)</b>	6,000	46,635	63,332	115,967	1,589	117,556
<b>At 1 January 2017 (audited)</b>	–	79,128	9,500	88,628	2,857	91,485
Profit for the period	–	2,087	–	2,087	350	2,437
<b>Other comprehensive income:</b>						
Currency translation differences	–	698	–	698	–	698
Total comprehensive income for the period	–	2,785	–	2,785	350	3,135
<b>Transactions with owners:</b>						
Dividends declared to the equity holders of the Company	–	(18,000)	–	(18,000)	–	(18,000)
Dividends declared to non-controlling interests	–	–	–	–	(1,470)	(1,470)
<b>At 30 June 2017 (unaudited)</b>	–	63,913	9,500	73,413	1,737	75,150

The notes on pages 5 to 24 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net cash (used in)/generated from operations	(5,114)	24,648
Interest received	114	4
Income tax paid	(1,257)	(427)
Net cash (used in)/generated from operating activities	(6,257)	24,225
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(13,317)	(309)
Proceeds from sale of assets held for sale	–	6,621
Net cash (used in)/generated from investing activities	(13,317)	6,312
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	5,000	–
Capital element of finance lease payments	(791)	(56)
Legal and professional fee paid for listing preparation	–	(1,491)
Interest paid	(468)	(395)
Dividends paid	(4,800)	(18,000)
Repayment to a director	–	(2,225)
Net cash used in financing activities	(1,059)	(22,167)
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(20,633)</b>	<b>8,370</b>
Cash and cash equivalents at beginning of the period	70,101	44,357
Currency translation differences	(186)	616
<b>Cash and cash equivalents at end of period</b>	<b>49,282</b>	<b>53,343</b>

The notes on pages 5 to 24 form an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

M&L Holdings Group Limited (the "Company") was incorporated in the Cayman Islands on 24 September 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited.

The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at 10th Floor, Empress Plaza, 17-19 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in trading and lease of construction machinery and spare parts.

The ultimate holding company of the Group is JAT United Company Limited, which is a company incorporated in the British Virgin Islands and wholly owned by Mr. Ng Lai Ming.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$") unless otherwise stated.

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 which has not been audited but has been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial information was approved for issue by the board of directors on 9 August 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of preparation*

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017. It has been prepared under the historical cost convention.

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those described in the annual financial statements for the year ended 31 December 2017, except for the adoption of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") which have become effective for accounting periods beginning on or after 1 January 2018 as disclosed below.

## Notes to the Condensed Consolidated Interim Financial Information

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Basis of preparation (continued)*

The preparation of this condensed consolidated interim financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are the significant to the condensed consolidated interim financial information, are disclosed in note 4 below.

#### *Adoption of new or revised HKFRSs effective on 1 January 2018*

The following new HKFRSs that are first effective for the current accounting periods and relevant to the Group:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The adoption of these new standards does not have any significant impact to the results and financial position of the Group's condensed consolidated interim financial information.

#### *New or revised HKFRSs that have been issued but are not yet effective*

The following new HKFRSs, potentially relevant to the Group's accounting policies, have been issued, but are not effective and have not been early adopted by the Group.

		<b>Effective for accounting period beginning on or after</b>
HKFRS 16	Leases	1 January 2019

Management is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.



# Notes to the Condensed Consolidated Interim Financial Information

## 3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

### (a) *Financial risk factors*

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

There have been no changes in the risk management or any risk management policies since the year end.

### (b) *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### (c) *Fair value estimation*

The carrying amounts of the Group's current financial assets, including trade and other receivables, pledged bank deposits and cash and cash equivalents, and current financial liabilities, including trade and other payables, dividend payable, amounts due to directors, bank borrowings and financial lease liabilities, approximate their fair values as at the reporting date due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values. The carrying value of non-current finance lease liabilities is assumed to approximate its fair value as the amount bears interest at commercial rate.



## Notes to the Condensed Consolidated Interim Financial Information

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 December 2017.

### 5 REVENUE AND SEGMENT INFORMATION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Sales of goods	30,829	44,157	60,714	96,297
Repair and maintenance services income	703	535	1,696	1,521
	<b>31,532</b>	44,692	<b>62,410</b>	97,818

The executive directors considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

- (i) Tunnelling – Supply of specialised cutting tools and parts for construction equipment
- (ii) Foundation – Supply of fabricated construction steel works and equipment

The executive directors assess the performance of the operating segments based on revenue and gross profit margin of each segment. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities for the tunnelling and foundation business segments reported to the chief operating decision maker, accordingly, no operating segment assets and liabilities are presented.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the three months and six months ended 30 June 2018 and 2017. The accounting policies of the reportable segments are the same as the Group's accounting policies.

## Notes to the Condensed Consolidated Interim Financial Information

### 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (a) The information of the reportable segments for the six months ended 30 June 2018 (unaudited) is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	52,203	10,207	62,410
Cost of sales	(36,118)	(8,120)	(44,238)
Segment results	16,085	2,087	18,172
Gross profit %	30.81%	20.45%	29.12%
Other income			63
Other losses			-
Selling expenses			(2,240)
Administrative expenses			(17,100)
<b>Operating loss</b>			<b>(1,105)</b>
Finance income			114
Finance costs			(468)
<b>Loss before income tax</b>			<b>(1,459)</b>
Income tax expense			(446)
<b>Loss for the period</b>			<b>(1,905)</b>

## Notes to the Condensed Consolidated Interim Financial Information

### 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (b) The information of the reportable segments for the six months ended 30 June 2017 (unaudited) is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue			
(all from external customers)	87,623	10,195	97,818
Cost of sales	(63,940)	(8,569)	(72,509)
Segment results	23,683	1,626	25,309
Gross profit %	27.03%	15.95%	25.87%
Other income			506
Other losses			(233)
Selling expenses			(2,036)
Administrative expenses			(18,616)
<b>Operating profit</b>			4,930
Finance income			6
Finance costs			(395)
<b>Profit before income tax</b>			4,541
Income tax expense			(2,104)
<b>Profit for the period</b>			2,437

## Notes to the Condensed Consolidated Interim Financial Information

### 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Revenue from external customers by customer location are as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	17,880	26,880
The PRC	37,513	55,025
Singapore	4,956	15,736
Other countries	2,061	177
	62,410	97,818

(d) The total amounts of non-current assets, other than financial instruments and deferred income tax assets of the Group are located in the following regions:

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	7,761	8,270
The PRC	231	254
Singapore	8,049	8,388
Australia	12,762	–
	28,803	16,912

## Notes to the Condensed Consolidated Interim Financial Information

### 6 EXPENSES BY NATURE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold	22,376	33,001	44,112	72,398
Employee benefit expenses	4,904	3,615	9,621	9,083
Depreciation (Note 9(b))	457	327	790	658
Amortisation (Note 9(a))	27	25	53	50
Freight charge	774	597	1,596	1,522
Legal and professional fee for listing preparation	–	2,037	–	6,301
Operating lease charges on land and buildings	807	707	1,689	1,509
Exchange losses/(gains)	2,609	(923)	1,094	(1,931)
Reversal of provision for impairment of trade receivables	(63)	(28)	(1,301)	(254)
Entertainment expenses	180	179	784	677
Travelling expenses	597	455	1,124	765
Advertising expenses	22	6	28	23
Motor vehicle expenses	222	246	453	481
Others	1,874	638	3,535	1,879
<b>Total cost of sales, selling expenses and administrative expenses</b>	<b>34,786</b>	<b>40,882</b>	<b>63,578</b>	<b>93,161</b>

## Notes to the Condensed Consolidated Interim Financial Information

### 7 INCOME TAX (CREDIT)/EXPENSE

The Group is not subject to taxation in the Cayman Islands and British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the three months and six months ended 30 June 2018 and 2017. Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China for the three months and six months ended 30 June 2018 and 2017. Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group's operations in Singapore for the three months and six months ended 30 June 2018 and 2017.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current taxation				
– Hong Kong profits tax	46	723	77	1,394
– Mainland China corporate income tax	(339)	534	249	534
– Singapore corporate income tax	(13)	34	–	50
Deferred income tax	(99)	158	120	126
Income tax (credit)/expense	(405)	1,449	446	2,104

## Notes to the Condensed Consolidated Interim Financial Information

### 8 (LOSS)/EARNINGS PER SHARE

#### (a) Basic

The basic (loss)/earnings per share is calculated on the (loss)/profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the respective period. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Capitalisation Issue (as defined in the Prospectus) of ordinary shares which took place on 21 July 2017.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018	2017	2018	2017
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(3,006)	2,074	(1,959)	2,087
Weighted average number of ordinary shares in issue (thousands)	600,000	450,000	600,000	450,000
Basic (loss)/earnings per share (HK cents)	(0.50)	0.46	(0.33)	0.46

#### (b) Diluted

Diluted (loss)/earnings per share presented is the same as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares outstanding as at period end.



## Notes to the Condensed Consolidated Interim Financial Information

### 9 PREPAID LAND PREMIUM AND PROPERTY, PLANT AND EQUIPMENT

#### (a) *Prepaid land premium*

The Group's prepaid land premium represents prepaid operating lease payments for the use of land relating to a property owned by the Group located in Singapore and their net book amounts are analysed as follows:

	<b>Unaudited 30 June 2018 HK\$'000</b>	Unaudited 30 June 2017 HK\$'000
Opening net book amount as at 1 January	5,566	5,195
Amortisation of prepaid land premium	(53)	(50)
Exchange difference	(78)	298
Closing net book amount as at 30 June	<b>5,435</b>	5,443

All amortisation expenses have been recorded in administrative expenses.

#### (b) *Property, plant and equipment*

	<b>Unaudited 30 June 2018 HK\$'000</b>	Unaudited 30 June 2017 HK\$'000
Opening net book amount as at 1 January	11,346	10,474
Additions	13,317	309
Disposals	–	(167)
Depreciation	(790)	(658)
Exchange difference	(505)	167
Closing net book amount as at 30 June	<b>23,368</b>	10,125

All depreciation expenses have been recorded in administrative expenses.

As at 30 June 2018, certain machinery and equipment with carrying amounts of HK\$5,930,000 were used to secure for certain of the Group's borrowings (30 June 2017: nil). For details, please refer to Note 16(b).

## Notes to the Condensed Consolidated Interim Financial Information

### 10 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Trade receivables (Note)	80,009	77,676
Less: allowance for impairment of trade receivables	(9,925)	(11,360)
Trade receivables – net	70,084	66,316
Bills receivables	3,618	6,276
Prepayments	472	397
Trade deposits paid	1	6
Deposits paid	717	2,480
Other receivables	1,509	516
	76,401	75,991
Less: Non-current portion deposits	(449)	(1,716)
	75,952	74,275

Note:

Balance included a retention receivable of HK\$1,500,000 that will be settled in accordance with the terms of the respective contract.

## Notes to the Condensed Consolidated Interim Financial Information

### 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

The credit terms granted by the Group generally ranged up to 180 days. The ageing analysis of these trade receivables based on invoice date is as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
0 to 30 days	13,978	21,851
31 to 60 days	7,806	9,549
61 to 90 days	3,748	5,339
91 to 180 days	6,396	8,053
181 to 365 days	23,179	4,947
Over 1 year	14,977	16,577
	<b>70,084</b>	<b>66,316</b>

### 11 SHARE CAPITAL

The Company's share capital as at 30 June 2018 and 31 December 2017 was as follows:

Ordinary share of HK\$0.01 each	Number of ordinary shares	Share capital HK\$'000
Authorised	1,000,000,000	10,000
Issued and fully paid	600,000,000	6,000

## Notes to the Condensed Consolidated Interim Financial Information

### 12 RESERVES AND SHARE PREMIUM

	Capital reserve HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
				Note		
<b>Balance at 1 January 2018</b>	15,642	63,332	289	696	37,079	117,038
<b>Comprehensive loss:</b>						
Loss for the period	-	-	-	-	(1,959)	(1,959)
Currency translation difference	-	-	(312)	-	-	(312)
<b>Transactions with owners:</b>						
Transfer to statutory reserve	-	-	-	186	(186)	-
Dividends declared to the equity holders of the Company	-	-	-	-	(4,800)	(4,800)
<b>Balance at 30 June 2018 (unaudited)</b>	15,642	63,332	(23)	882	30,134	109,967
<b>Balance at 1 January 2017</b>	15,642	9,500	(934)	436	63,984	88,628
<b>Comprehensive income:</b>						
Profit for the period	-	-	-	-	2,087	2,087
Currency translation difference	-	-	698	-	-	698
<b>Transactions with owners:</b>						
Transfer to statutory reserve	-	-	-	179	(179)	-
Dividends declared to the then equity holders of the Company	-	-	-	-	(18,000)	(18,000)
<b>Balance at 30 June 2017 (unaudited)</b>	15,642	9,500	(236)	615	47,892	73,413

# Notes to the Condensed Consolidated Interim Financial Information

## 12 RESERVES AND SHARE PREMIUM (CONTINUED)

Note:

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. The PRC company is required to appropriate 10% of statutory net profits to statutory reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. The statutory reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the statutory reserve using its post-tax profits in accordance with resolutions of the board of directors.



## Notes to the Condensed Consolidated Interim Financial Information

### 13 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Trade payables	33,272	32,225
Accrued expenses and other payables	2,760	5,400
Trade deposit received	31	64
	<b>36,063</b>	37,689

(a) The carrying amounts of trade and other payables approximate their fair values as at 30 June 2018 and 31 December 2017.

(b) The ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
0 – 30 days	4,575	5,153
31 – 60 days	8,934	2,665
61 – 90 days	4,867	5,367
91 – 120 days	7,570	4,813
Over 120 days	7,326	14,227
	<b>33,272</b>	32,225

## Notes to the Condensed Consolidated Interim Financial Information

### 14 DIVIDEND PAYABLE

The amount is payable to a non-controlling shareholder of a company now comprising the Group, Genghiskhan Land Holdings Limited ("Genghiskhan").

The amount is unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars. Its carrying amount at 30 June 2018 and 31 December 2017 approximates its fair value.

### 15 AMOUNTS DUE TO DIRECTORS

The amounts due to directors as at 31 December 2017 were unsecured, interest-free and repayable on demand. Their carrying amounts approximated their fair values and were denominated in Hong Kong dollars.

### 16 BORROWINGS

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
<b>Non-current</b>		
Finance lease liabilities (b)	3,823	4,592
	3,823	4,592
<b>Current</b>		
Bank loans (a)	19,000	14,000
Finance lease liabilities (b)	1,644	1,666
	20,644	15,666
<b>Total</b>	<b>24,467</b>	<b>20,258</b>

## Notes to the Condensed Consolidated Interim Financial Information

### 16 BORROWINGS (CONTINUED)

#### (a) Bank loans

The carrying amounts of the bank loans approximate their fair values as at 30 June 2018 and 31 December 2017, and are denominated in the Hong Kong dollars.

#### (b) Finance lease liabilities

The finance lease liabilities were repayable as follows:

	Minimum lease payments	
	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
No later than 1 year	1,874	1,933
Later than 1 year and no later than 5 years	4,035	4,900
	5,909	6,833
Future finance charges on finance leases	(442)	(575)
Present value of finance lease liabilities	5,467	6,258
The present value of finance lease liabilities is as follows:		
No later than 1 year	1,644	1,666
Later than 1 year and no later than 5 years	3,823	4,592
	5,467	6,258

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

As at 30 June 2018, certain finance leases are secured by certain machinery and equipment with carrying amounts of HK\$5,930,000 (31 December 2017: HK\$6,283,000) and inventories amounted to HK\$1,996,000 (31 December 2017: HK\$1,996,000).



## Notes to the Condensed Consolidated Interim Financial Information

### 16 BORROWINGS (CONTINUED)

#### (c) Banking facilities

The Group has obtained total banking facilities from banks of approximately HK\$60,500,000 as at 30 June 2018 (31 December 2017: HK\$38,000,000), of which HK\$41,500,000 (31 December 2017: HK\$24,000,000) has not been utilised respectively.

The banking facilities are secured by the followings:

- (i) the Group's bank deposits of approximately HK\$2.0 million as at 30 June 2018 (31 December 2017: HK\$2.5 million); and
- (ii) corporate guarantees provided by the Company, M & L Engineering & Materials Limited and East Focus Engineering Services Limited.

### 17 DIVIDENDS

The Company declared interim dividends of HK\$10,000,000 and HK\$1,120,000 to the then equity holders of the Company and non-controlling interests, respectively, on 9 March 2017, and interim dividends of HK\$8,000,000 and HK\$350,000 to the then equity holders of the Company and non-controlling interests, respectively, on 20 April 2017. The portion attributable to the then equity holders of the Company was fully settled before 30 June 2017.

Other than the above, the Board does not declare an interim dividend for the six months ended 30 June 2018 and 2017.

The final dividend for the year ended 31 December 2017 of HK0.8 cents per share, amounting to total dividend of HK\$4,800,000, has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 11 June 2018 (2017: nil).

### 18 COMMITMENTS

#### (a) Capital commitments

Capital expenditure contracted for as at 30 June 2018 and 31 December 2017 but not yet incurred is as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Land and property	–	11,408

## Notes to the Condensed Consolidated Interim Financial Information

### 18 COMMITMENTS (CONTINUED)

#### (b) Operating lease commitments – as lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
No later than one year	2,200	3,509
Later than one year and no later than five years	6,197	7,121
	<b>8,397</b>	10,630

### 19 RELATED PARTY TRANSACTIONS

#### Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Salaries, wages and other benefits	1,635	1,504	3,292	3,007
Contributions to defined contribution retirement plans	49	52	98	103
	<b>1,684</b>	1,556	<b>3,390</b>	3,110

# Management Discussion and Analysis

## BUSINESS REVIEW

### *Background, recent development and outlook*

The Group is an integrated engineering solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on disc cutters. Disc cutters are widely used in conjunction with tunnel boring machines ("TBM") and microtunnelling equipment and typically applied towards the excavation of tunnels with circular cross section through a variety of soil and rock strata. In addition to our focus in tunnelling sector, we also provide integrated engineering solutions to our customers in the foundation sector.

In general, our integrated engineering solutions involve (i) the supply of specialised cutting tools and parts for construction equipment; (ii) the supply of fabricated construction steel works and equipment; (iii) the supply of specialised construction equipment, and repair and maintenance services. Our business can broadly be categorized into two segments, namely tunnelling and foundation.

To heighten the Group's recognition and enhance its capital base, the Company listed its shares on GEM of the Stock Exchange on 21 July 2017 (the "Listing") by ways of placing and public offer (the "Share Offer").

### *Hong Kong market*

Several TBM tunnelling projects in Hong Kong were finished in 2015, thus the industry has been witnessing a moderate drop in the contract value of TBM tunnelling works. Furthermore, up to 30 June 2018, no new TBM tunnelling projects was staged recently in Hong Kong which had in turn adversely affected our revenue from Hong Kong.

However, management is still confident of Hong Kong tunnelling segment performance in mid to long term, as the outlook of Hong Kong tunnelling market is and will be mainly driven by the "Railway Development Strategy" published by the Transport and Housing Bureau of Hong Kong in 2014, which proposed seven railway schemes up to 2026.

The performance of the foundation segment for the six months ended 30 June 2018 was slightly better than that of the same period of 2017, management is confident of Hong Kong foundation market situation in 2018.

### *PRC market*

The Group's business in the PRC market was related to the supply of specialised cutting tools and parts mainly for tunnelling equipment manufacturers. We observed competition building up in the cutting tools market in the PRC and a trend for tunnelling equipment manufacturers diversifying supplier base for cutting tools. As such, we have recorded a drop in the revenue from sales to PRC tunnelling equipment manufacturer for the six months ended 30 June 2018, in compare to the same period of 2017. In response to the keen competition, we have expanded the headcounts in PRC sales team and successfully secured orders from new customers engaged in the tunnelling construction sector, which partly replenished the loss in revenue from tunnelling equipment manufacturers. The Group remains confident of the PRC market performance in 2018.

## Management Discussion and Analysis

### *Singapore and Malaysia market*

The Group has utilised Singapore as a regional hub to seek opportunities for expansion into Malaysia. The Group is targeting certain new infrastructure projects pending to be launched in Singapore and the management is prudently optimistic in the expansion of Malaysia market.

## FINANCIAL REVIEW

### *Revenue*

Our revenue decreased by approximately HK\$35.4 million, or 36.2%, from approximately HK\$97.8 million for the six months ended 30 June 2017 to approximately HK\$62.4 million for the six months ended 30 June 2018. The decrease was primarily attributable to the decrease in revenue recognized for our tunnelling segment by approximately HK\$35.4 million, or 40.4%, from approximately HK\$87.6 million for the six months ended 30 June 2017 to approximately HK\$52.2 million for the six months ended 30 June 2018. From the perspective of geographic locations of our customers, revenue derived from customers based in Hong Kong, the PRC and Singapore decreased from approximately HK\$26.9 million, HK\$55.0 million and HK\$15.7 million to approximately HK\$17.9 million, HK\$37.5 million and HK\$5.0 million from the corresponding prior period, respectively. Nevertheless, we have successfully extended our business to Malaysia by recording a revenue of HK\$1.6 million for the six months ended 30 June 2018, meanwhile it was approximately HK\$0.2 million for the six months ended 30 June 2017.

### *Cost of sales*

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. Our cost of sales decreased by approximately HK\$28.3 million, or 39.0%, from approximately HK\$72.5 million for the six months ended 30 June 2017 to approximately HK\$44.2 million for the six months ended 30 June 2018. Such movement was primarily attributable to the decrease in cost of inventory sold associated with our decrease in revenue.

### *Gross profit*

Our gross profit decreased by approximately HK\$7.1 million, or 28.1%, from approximately HK\$25.3 million for the six months ended 30 June 2017 to approximately HK\$18.2 million for the six months ended 30 June 2018. However, our gross profit margin increased from approximately 25.9% for the six months ended 30 June 2017 to approximately 29.1% for the six months ended 30 June 2018. The increase in gross profit margin was largely due to the difference in the mix of customers and products supplied by us during the respective period.

### *Other income and other losses*

The other income and other losses, primarily consisted of (i) inspection charges and (ii) loss from disposal of property, plant and equipment. Our net other income were approximately HK\$0.1 million and HK\$0.3 million for the six months ended 30 June 2018 and 2017 respectively.

## Management Discussion and Analysis

### ***Selling expenses***

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses increased from approximately HK\$2.0 million for the six months ended 30 June 2017 to HK\$2.2 million for the six months ended 30 June 2018.

### ***Administrative expenses***

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fee for listing preparation, operating lease charges on land and buildings, (reversal of provision for)/provision for impairment of trade receivables and other administrative expenses. Legal and professional fee for the listing preparation was approximately HK\$6.3 million for the six months ended 30 June 2017, while it was nil for the corresponding period in 2018. Meanwhile, administrative expenses for natures other than legal and professional fee for the listing preparation was increased by approximately HK\$4.8 million or 39.0% from approximately HK\$12.3 million for the six months ended 30 June 2017 to approximately HK\$17.1 million for the six months ended 30 June 2018.

### ***Finance income and finance costs***

The net amount of finance costs remained stable at approximately HK\$0.4 million for the six months ended 30 June 2018 and 2017. The finance costs are mainly related to the bank borrowings and the finance lease liabilities.

### ***Income tax expense***

Our income tax represents Hong Kong profits tax, the PRC enterprise income tax and Singapore corporate income tax. Our Group was not subject to any income tax in the Cayman Islands. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits, our PRC subsidiary was subject to the statutory enterprise income tax rate of 25%. The corporate income tax rate in Singapore is 17% on chargeable income. Our income tax expenses decreased by approximately HK\$1.7 million or 81.0% from approximately HK\$2.1 million for the six months ended 30 June 2017 to approximately HK\$0.4 million for the six months ended 30 June 2018. The decrease was primarily due to a decrease in our Group's assessable profits for the six months ended 30 June 2018.

### ***(Loss)/profit attributable to equity holders of our Company***

We recorded a loss attributable to equity holders of our Company for the six months ended 30 June 2018 of approximately HK\$2.0 million, while it was a profit of approximately HK\$2.1 million for the six months ended 30 June 2017. If we set aside the effect of non-recurring expenses incurred for the listing, the profit attributable to equity holders of the Company would be approximately HK\$8.4 million for the six months ended 30 June 2017.

## Management Discussion and Analysis

### Liquidity, financial resources and capital structure

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Current assets	158,442	175,620
Current liabilities	64,978	63,852
Current ratio	2.44	2.75

During the six months ended 30 June 2018, the Group financed its operations by its internal resources, banking facilities and net proceeds from the Share Offer. As at 30 June 2018, the Group had net current assets of approximately HK\$93.5 million (31 December 2017: HK\$111.8 million), including cash and cash equivalents of approximately HK\$49.3 million (31 December 2017: HK\$70.1 million). The Group's current ratio as at 30 June 2018 was 2.44 times (31 December 2017: 2.75 times).

As at 30 June 2018, the Group had a total available banking and other facilities of approximately HK\$60.5 million, of which approximately HK\$19.0 million was utilised and approximately HK\$41.5 million was unutilised and available for use.

There has been no change in capital structure of the Company during the six months ended 30 June 2018. As at 30 June 2018, the equity attributable to equity holders of the Company amounted to approximately HK\$116.0 million (31 December 2017: approximately HK\$123.0 million).

### Gearing ratio

Our Directors confirmed that as at each of 30 June 2018 and 31 December 2017, we maintained a net cash position. On this basis, we did not record a gearing ratio.

### FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the six months ended 30 June 2018, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro and Renminbi (the "Major Foreign Currencies").

While our Group did not adopt any hedging policies during the period, our Directors consider that we were able to manage our exposure to foreign exchange risks by using the Major Foreign Currencies (i) as the settlement currencies of our contracts with certain customers; and (ii) to settle payments with our suppliers.

## Management Discussion and Analysis

### FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY (CONTINUED)

As part of our Group's treasury practice, we would manage our foreign currency exposure by converting part of our Major Foreign Currencies holdings to Hong Kong dollars from time to time. Going forward, our Directors will continue to use the Major Foreign Currencies as the settlement currency of our contracts with our customers and suppliers in order to manage our exposure to foreign exchange risks. In addition, our Group will continue to evaluate and monitor our exposure to foreign exchange risks from time to time and may consider adopting hedging policies if necessary.

### CAPITAL COMMITMENT

As at 31 December 2017, the Group had the following capital commitment:

On 21 November 2017, M&L Oceania Management Pty Ltd (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into the Contract of Sale (the "Contract of Sale") with Raunik Warehouse Developments Pty Ltd (the "Vendor"), pursuant to which the Purchaser will acquire from the Vendor a warehouse with office situated at 9 Efficient Drive, Truganina VIC 3029, Australia (the "Property") for a purchase price of AUD2,078,000. An initial deposit of AUD207,800 had been paid by the Purchaser to the Vendor upon signing of the Contract of Sale; and the remaining balance of the purchase price in the amount of AUD1,870,200 payable by the Purchaser to the Vendor will take place within 6 months from the date of the Contract of Sale. The transaction was completed on 21 May 2018.

As at 30 June 2018, the Group had no capital commitment.

### COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in Hong Kong, the PRC, Singapore and Australia. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in each of the above jurisdictions. During the six months ended 30 June 2018 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in each of the above jurisdictions in all material respect.

In relation to import and export of articles (other than exempted articles) to and from Hong Kong, an accurate and complete import and export declaration is required to lodge with the Customs and Excise Commissioner within 14 days after the date of import or export of articles under regulations 4 and 5 of the Import and Export Registration Regulations. A declaration charge is payable for such import or export. To the best knowledge of the management of our Group, our Group has complied in all materials respects with the relevant provisions under the Import and Export Ordinance and its subsidiary legislation in respect of all import and export declarations from August 2016 and up to 30 June 2018.

## Management Discussion and Analysis

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

### **SIGNIFICANT INVESTMENTS HELD**

The Group had not held any significant investments during the six months ended 30 June 2018.

### **CHARGES ON ASSETS**

As at 30 June 2018, certain machinery and equipment and inventories with carrying value of approximately HK\$7,926,000 (31 December 2017: HK\$8,279,000) were pledged to secure for the Group's borrowings.

### **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any significant contingent liabilities.

### **INTERIM DIVIDEND**

The Company declared interim dividends of HK\$10,000,000 and HK\$1,120,000 to the then equity holders of the Company and non-controlling interests, respectively, on 9 March 2017, and interim dividends of HK\$8,000,000 and HK\$350,000 to the then equity holders of the Company and non-controlling interests, respectively, on 20 April 2017. The portion attributable to the then equity holders of the Company was fully settled before 30 June 2017.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2018, the Group had 52 staff (31 December 2017: 50). The total staff costs of the Group (including Directors' emoluments, salaries to staff, sales commission and other staff benefits included provident fund contributions and other staff benefits) for the six months ended 30 June 2018 was approximately HK\$9.6 million (for the six months ended 30 June 2017: HK\$9.1 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.



## Management Discussion and Analysis

### USE OF PROCEEDS

The net proceeds from the Share Offer was approximately HK\$40.2 million, which was different from the estimated net proceeds of HK\$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). The difference of HK\$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. The utilisation of net proceeds raised by the Group from the Share Offer up to 30 June 2018 is as below.

	Estimated use of proceeds HK\$'million	Adjusted use of proceeds HK\$'million	Up to 30 June 2018	
			Utilised HK\$'million	Unutilised HK\$'million
To further develop fabricated construction steel works and equipment business in the PRC	16.0	16.5	0.2	16.3
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	14.0	5.9	8.1
To expand repair and maintenance services in the PRC for tunnelling business	5.5	5.7	–	5.7
General working capital	3.9	4.0	4.0	–
	39.0	40.2	10.1	30.1

The unutilised net proceeds from the Share Offer have been placed with licensed banks in Hong Kong and will be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

## Management Discussion and Analysis

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2018 is set out below.

Business objectives	Actual business progress up to 30 June 2018
Further development fabricated construction steel works and equipment business in the PRC	<p>We had visited various industrial properties in Foshan, Dongguan and Huizhou in Guangdong Province to find the appropriate location for the set-up of the factory. The process is still ongoing.</p> <p>We had identified appropriate candidate for the role of International Sales Manager and the candidate had reported to duty on 27 January 2018.</p>
Expansion of fleet of specialised construction machinery and equipment	Acquired three sets of PTC vibrator equipment for trading purpose.
Expansion of repair and maintenance services in the PRC	We had visited various industrial properties in Foshan, Dongguan and Huizhou in Guangdong Province to find the appropriate location for the workshop. The process is still ongoing.

## Management Discussion and Analysis

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2018, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")), which were 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 in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### Long positions in shares of the Company

Director	Nature of interest	Number of shares	Percentage of the Company's issued shares capital
Mr. Ng Lai Ming (note 2)	Interest in a controlled corporation (note 1)	364,095,000	60.68%
Mr. Cheung King	Beneficial owner	31,005,000	5.17%
Mr. Ng Lai Tong	Beneficial owner	29,025,000	4.84%
Mr. Ng Lai Po	Beneficial owner	4,500,000	0.75%

Notes:

(1) The 364,095,000 shares are owned by JAT United Company Limited ("JAT United"), which is wholly owned by Mr. Ng Lai Ming. Mr. Ng Lai Ming is deemed to be interested in all the shares held by JAT United under the SFO.

(2) Mr. Ng Lai Ming is the brother of Mr. Ng Lai Tong and Mr. Ng Lai Po.

#### Directors' interests in an associated corporation of the Company

Director	Associated corporation	Nature of interest	Number of shares/Position	Percentage of the shareholding
Mr. Ng Lai Ming	JAT United	Beneficial owner	1/Long position	100%

Save as disclosed above, as at 30 June 2018, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were 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 in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Management Discussion and Analysis

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2018, the following person(s), not being a Director or chief executive of our Company, 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 were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of our Group:

#### Long position in the shares of the Company

Shareholder	Capacity/ Nature of interest	Number of shares	Percentage of the Company's issued shares capital
JAT United (note 1)	Beneficial owner	364,095,000	60.68%
Ms. Law So Lin (note 2)	Interest of spouse	364,095,000	60.68%

#### Notes:

- (1) JAT United is wholly owned by Mr. Ng Lai Ming. Mr. Ng Lai Ming is deemed to be interested in all the shares held by JAT United under the SFO.
- (2) Ms. Law So Lin is the spouse of Mr. Ng Lai Ming, therefore she is deemed to be interested in all the shares in which Mr. Ng Lai Ming is interested in.

Saved as disclosed above, as at 30 June 2018, no other person had any interests or short positions in the shares of underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 19 June 2017 and no options have been granted, exercised or cancelled since then and up to the date of this report.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options may be issued.

## Management Discussion and Analysis

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards set out in Model Code during the six months ended 30 June 2018 and up to the date of this report.

### CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our shareholders as a whole.

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules and had complied with the CG Code during the six months ended 30 June 2018 and up to the date of this report, except for the deviation stipulated below.

As required by code provision A.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Ng Lai Ming currently performs these two roles concurrently. Our Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. Our Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Our Board will from time to time review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company to ensure that appropriate and timely arrangements are in place to meet changing circumstances.

### COMPETING INTERESTS

None of the Directors, substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete with the business of the Group during the six months ended 30 June 2018 and up to and including the date of this report.

### INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, VMS Securities Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser which commencing on 21 July 2017, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at the date of this report which is required to be notified to the Company pursuant Rule 6A.32 of the GEM Listing Rules.

## Management Discussion and Analysis

### AUDIT COMMITTEE

The members of the audit committee are Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung, all of whom are independent non-executive Directors. Mr. Tai Wai Kwok is the chairman of the audit committee. The audit committee has reviewed this report and has provided advice and comments thereon.

By order of the Board

**M&L Holdings Group Limited**

**Ng Lai Ming**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 9 August 2018

*As at the date of this report, the executive Directors are Mr. Ng Lai Ming, Mr. Ng Lai Tong, Mr. Cheung King and Mr. Ng Lai Po and the independent non-executive Directors are Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung.*