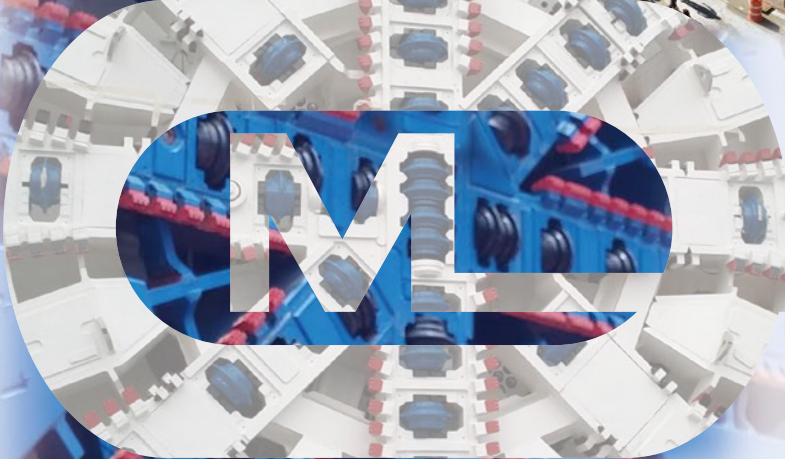




M&L HOLDINGS GROUP LIMITED 明樑控股集團有限公司

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



2019

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 2019, together with the comparative figures for the corresponding periods in 2018.

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2019

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	4	47,530	31,532	70,253	62,410
Cost of sales	5	(34,303)	(22,471)	(50,045)	(44,238)
Gross profit		13,227	9,061	20,208	18,172
Other income/(losses), net		(22)	12	65	63
Other gains		89	–	89	–
Changes in fair value of financial asset at fair value through profit or loss		(319)	–	(319)	–
Selling expenses	5	(674)	(1,157)	(1,886)	(2,240)
Administrative expenses	5	(10,075)	(11,158)	(16,551)	(17,100)
Operating profit/(loss)		2,226	(3,242)	1,606	(1,105)
Finance income		60	65	112	114
Finance costs		(481)	(262)	(776)	(468)
Profit/(loss) before income tax		1,805	(3,439)	942	(1,459)
Income tax (expense)/credit	6	(583)	405	(627)	(446)
Profit/(loss) for the period		1,222	(3,034)	315	(1,905)
Other comprehensive income					
<i>Item that may be reclassified to profit or loss:</i>					
Currency translation differences		(292)	(808)	68	(317)
Total comprehensive income		930	(3,842)	383	(2,222)

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2019

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Profit/(loss) for the period attributable to:					
Equity holders of the Company		1,138	(3,006)	257	(1,959)
Non-controlling interests		84	(28)	58	54
		1,222	(3,034)	315	(1,905)
Total comprehensive income attributable to:					
Equity holders of the Company		856	(3,803)	326	(2,271)
Non-controlling interests		74	(39)	57	49
		930	(3,842)	383	(2,222)
Earnings/(loss) per share					
— Basic and diluted (expressed in HK cents per share)	7	0.19	(0.50)	0.04	(0.33)

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Prepaid land premium		–	5,356
Property, plant and equipment	8	18,067	22,303
Right-of-use assets		17,035	–
Deposits		613	961
Financial asset at fair value through profit or loss	9	4,701	–
Deferred income tax assets		880	1,118
		41,296	29,738
Current assets			
Inventories		37,152	28,763
Trade and other receivables	10	108,163	97,313
Tax recoverable		465	466
Cash and cash equivalents		32,241	33,916
		178,021	160,458
Current liabilities			
Trade and other payables	11	55,250	37,543
Contract liabilities		972	899
Dividend payable	12	7,980	7,980
Amounts due to directors	13	5,000	6,132
Bank borrowings	14	25,000	17,000
Lease liabilities/finance lease liabilities		2,990	1,551
Current income tax liabilities		317	74
		97,509	71,179
Net current assets		80,512	89,279
Total assets less current liabilities		121,808	119,017

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

		Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
	Notes		
Non-current liabilities			
Lease liabilities/finance lease liabilities		5,529	3,042
Deferred income tax liabilities		1,580	1,572
Other provision		233	320
		7,342	4,934
Net assets			
		114,466	114,083
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	15	6,000	6,000
Reserves		106,961	106,635
		112,961	112,635
Non-controlling interests			
		1,505	1,448
Total equity			
		114,466	114,083

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2019

	Attributable to equity holders of the Company					
	Share capital HK\$'000	Reserves HK\$'000 (Note 16)	Share premium HK\$'000 (Note 16)	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019 (audited)	6,000	43,303	63,332	112,635	1,448	114,083
Comprehensive income:						
Profit for the period	–	257	–	257	58	315
Other comprehensive income:						
Currency translation differences	–	69	–	69	(1)	68
Total comprehensive income for the period	–	326	–	326	57	383
At 30 June 2019 (unaudited)	6,000	43,629	63,332	112,961	1,505	114,466
At 1 January 2018 (audited)	6,000	53,706	63,332	123,038	1,540	124,578
Comprehensive income:						
(Loss)/profit for the period	–	(1,959)	–	(1,959)	54	(1,905)
Other comprehensive income:						
Currency translation differences	–	(312)	–	(312)	(5)	(317)
Total comprehensive income for the period	–	(2,271)	–	(2,271)	49	(2,222)
Transactions with owners:						
Dividends declared to the equity holders of the Company	–	(4,800)	–	(4,800)	–	(4,800)
At 30 June 2018 (unaudited)	6,000	46,635	63,332	115,967	1,589	117,556

Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash used in operations	(653)	(5,114)
Interest received	112	114
Income tax paid	(132)	(1,257)
Net cash used in operating activities	(673)	(6,257)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,871)	(13,317)
Proceeds from disposal of property, plant and equipment	89	–
Deposit paid for acquiring property, plant and equipment	(165)	–
Net cash used in investing activities	(1,947)	(13,317)
Cash flows from financing activities		
Proceeds from borrowings	8,000	5,000
Capital element of lease payments	(1,377)	(791)
Payments for acquiring the financial asset at fair value through profit or loss	(5,020)	–
Interest paid	(658)	(468)
Dividends paid	–	(4,800)
Net cash generated from/(used in) financing activities	945	(1,059)
Decrease in cash and cash equivalents	(1,675)	(20,633)
Cash and cash equivalents at beginning of the period	33,916	70,101
Currency translation differences	–	(186)
Cash and cash equivalents at end of period	32,241	49,282

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. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited on 21 July 2017 (the "Share Offer").

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 Group, comprising the Company and its subsidiaries, is 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\$"), which is the same as the functional currency of the Company. All value are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 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 12 August 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018. It has been prepared under the historical cost convention, except for certain financial asset which has been measured at fair value.

Adoption of new or revised HKFRSs effective on 1 January 2019

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 2018, 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 2019. Except as described below, the application of the other new and amendments to HKASs and HKFRSs in the current period has had no material effect on the amounts reported in this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

Adoption of new or revised HKFRSs effective on 1 January 2019 (continued)

HKFRS 16 Leases (“HKFRS 16”)

HKFRS 16 supersedes HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has opted the simplified transition approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information. The lease liabilities of leases previously classified as operating leases have been recognised on the date of initial application at the present value of the remaining lease payments, discounting using the Group's incremental borrowing rate at the date of initial application. The right-of-use assets have been measured on the date of initial application at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application. The Group elects the practical expedient for applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

Notes to the Condensed Consolidated Interim Financial Information

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

Adoption of new or revised HKFRSs effective on 1 January 2019 (continued)

HKFRS 16 Leases ("HKFRS 16") (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	Unaudited At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	7,258
Weighted average incremental borrowing rate as at 1 January 2019	4.98%
Discounted operating lease commitments as at 1 January 2019	6,632
Less: Commitments relating to short-term lease and low value assets	(216)
Recognition exemption — management services relating to the leases	(1,230)
Increase in lease liabilities as at 1 January 2019	5,186
Add: finance lease liabilities as at 31 December 2018	4,593
Total lease liabilities as at 1 January 2019	9,779

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 as follows:

	Unaudited HK\$'000
Assets	
Increase in right-of-use assets	18,116
Decrease in prepaid land premium	(5,356)
Decrease in property, plant and equipment	(5,578)
Decrease in inventories (Note)	(1,996)
Increase in total assets	5,186
Liabilities	
Increase in lease liabilities — current	1,256
Increase in lease liabilities — non-current	3,930
Increase in total liabilities	5,186

Note: As at 31 December 2018, certain inventories amounted to HK\$1,996,000 were used to secure for the finance lease liabilities.

Notes to the Condensed Consolidated Interim Financial Information

3 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 2018.

4 REVENUE AND SEGMENT INFORMATION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
Timing of revenue recognition				
— At a point in time				
— Sales of goods	47,052	30,829	67,877	60,714
— Repair and maintenance services income	178	703	1,536	1,696
Timing of revenue recognition				
— Transferred over time	—	—	—	—
	47,230	31,532	69,413	62,410
Revenue from other sources				
— Machinery rental income	300	—	840	—
	47,530	31,532	70,253	62,410

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purposes of resources allocation and assessment of segment performance. 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

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 2019 and 2018. The accounting policies of the reportable segments are the same as the Group's accounting policies.

- (a) The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2019 (unaudited) is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	65,993	4,260	70,253
Cost of sales	(47,873)	(2,172)	(50,045)
Segment results	18,120	2,088	20,208
Gross profit%	27.46%	49.01%	28.76%
Other income			65
Other gains			89
Changes in fair value of financial asset at fair value through profit or loss			(319)
Selling expenses			(1,886)
Administrative expenses			(16,551)
Operating profit			1,606
Finance income			112
Finance costs			(776)
Profit before income tax			942
Income tax expense			(627)
Profit for the period			315

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (b) The segment information provided to the executive directors for 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)
Operating loss			(1,105)
Finance income			114
Finance costs			(468)
Loss before income tax			(1,459)
Income tax expense			(446)
Loss for the period			(1,905)

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	2,218	12,276	5,730	17,880
The PRC	30,896	17,042	39,639	37,513
Singapore and other Asia- Pacific countries	9,664	2,214	14,009	7,017
Others	4,752	–	10,875	–
	47,530	31,532	70,253	62,410

(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 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Hong Kong	13,195	7,335
The PRC	432	388
Singapore	7,914	7,956
Australia	13,561	11,980
	35,102	27,659

Notes to the Condensed Consolidated Interim Financial Information

5 EXPENSES BY NATURE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Cost of inventories sold	33,647	22,376	49,012	44,112
Employee benefit expenses	4,488	4,904	9,416	9,621
Depreciation — property, plant and equipment (Note 8)	224	457	468	790
Depreciation — right-of-use assets	521	—	1,067	—
Amortisation — right-of-use assets	26	—	52	—
Amortisation — prepaid land premium	—	27	—	53
Freight charge	468	774	1,389	1,596
Operating lease charges on land and buildings	336	807	672	1,689
Exchange losses/(gains)	1,913	2,609	(18)	1,094
Reversal of provision for impairment loss on trade receivables	(646)	(63)	(646)	(1,301)
Amounts written off as uncollectable	992	—	992	—
Entertainment expenses	155	180	715	784
Travelling expenses	495	597	867	1,124
Advertising expenses	—	22	6	28
Motor vehicle expenses	207	222	397	453
Others	2,226	1,874	4,093	3,535
Total cost of sales, selling expenses and administrative expenses	45,052	34,786	68,482	63,578

Notes to the Condensed Consolidated Interim Financial Information

6 INCOME TAX EXPENSE/(CREDIT)

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation				
— Hong Kong profits tax	—	46	—	77
— Mainland China corporate income tax	146	(339)	346	249
— Singapore corporate income tax	—	(13)	—	—
— Australia corporate income tax	18	—	33	—
Deferred income tax	419	(99)	248	120
Income tax expense/(credit)	583	(405)	627	446

The Group is not subject to taxation in the Cayman Islands and British Virgin Islands.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the three months and six months ended 30 June 2019 and 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

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 2019 and 2018. 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 2019 and 2018. Australia corporate income tax has been provided for at the rate of 30% on the estimated assessable profits for the Group's operations in Australia for the three months and six months ended 30 June 2019.

Notes to the Condensed Consolidated Interim Financial Information

7 EARNINGS/(LOSS) PER SHARE

(a) Basic

The basic earnings/(loss) per share is calculated on the profit/(loss) attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the respective period.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	1,138	(3,006)	257	(1,959)
Weighted average number of ordinary shares in issue (thousands)	600,000	600,000	600,000	600,000
Basic earnings/(loss) per share (expressed in HK cents)	0.19	(0.50)	0.04	(0.33)

(b) Diluted

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

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 June 2019 HK\$'000	Unaudited 30 June 2018 HK\$'000
Opening net book amount as at 1 January	22,303	11,346
Reclassified as right-of-use assets at the initial application of HKFRS 16	(5,578)	–
Additions	1,871	13,317
Disposals	–	–
Depreciation	(468)	(790)
Exchange difference	(61)	(505)
Closing net book amount as at 30 June	18,067	23,368

All depreciation expenses have been recorded in administrative expenses.

9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Financial asset at fair value through profit or loss		
— Life insurance for Mr. Ng Lai Ming	4,701	–

During the six months ended 30 June 2019, a non-wholly owned subsidiary of the Company, in the capacity of policy holder and beneficiary, entered into a life insurance policy with an insurance company, an independent third party not related to the Group, on Mr. Ng Lai Ming, the chief executive officer of the Company. The policy required an upfront payment of the total policy premium and the policy holder may request partial surrender or full surrender of the policy at any time and receive cash back based on the value of the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged. If such withdrawal is made at any time during the first to the fifteen year, as appropriate, a pre-determined specified surrender charge would be imposed.

The Group presently has no intention to terminate the policy nor withdraw cash prior to the fifteenth year of the insurance policy and the expected life of the policy remained unchanged from the initial recognition.

The life insurance policy is denominated in United States dollar ("US\$"), being a currency other than the functional currency of the Group and it has been assigned as security for the banking facilities.

Notes to the Condensed Consolidated Interim Financial Information

9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Particulars of the policy are as follows:

Insured sum	Upfront payment	Guaranteed interest rates	
		First to fifth years	Sixth year and onwards
US\$1,582,862 (equivalent to approximately HK\$12,425,000)	US\$639,386 (equivalent to approximately HK\$5,020,000)	3.90% per annum	2.25% per annum

The fair value of the payment for a life insurance policy is determined by reference to the account value of a life insurance policy at the end of the reporting period, which has included the guaranteed interest rate as mentioned above. It is measured at fair value using significant unobservable inputs (Level 3 under HKFRS 13 "Fair Value Measurement"). During the six months ended 30 June 2019, there were no transfers between Levels 1, 2 and 3 fair value measurement. The change in fair value of the policy had been recognised in profit or loss for the six months ended 30 June 2019.

10 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Trade receivables	107,324	93,077
Less: loss allowance	(6,186)	(6,842)
Trade receivables — net	101,138	86,235
Bills receivables	2,219	2,961
Prepayments	461	502
Trade deposits paid	2,594	6,186
Deposits paid	898	1,404
Other receivables	1,466	986
	108,776	98,274
Less: Non-current portion deposits	(613)	(961)
	108,163	97,313

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 270 days. The ageing analysis of these trade receivables based on invoice date is as follows:

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
0 to 30 days	23,889	17,405
31 to 60 days	3,870	6,603
61 to 90 days	12,232	5,975
91 to 180 days	3,173	15,803
181 to 365 days	28,708	10,285
Over 1 year	35,452	37,006
Trade receivables, gross	107,324	93,077
Less: loss allowance	(6,186)	(6,842)
Trade receivables, net	101,138	86,235

11 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Trade payables	50,545	33,973
Accrued expenses and other payables	4,705	3,570
	55,250	37,543

The carrying amounts of trade and other payables approximate their fair values as at 30 June 2019 and 31 December 2018.

Notes to the Condensed Consolidated Interim Financial Information

11 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
0-30 days	4,147	4,462
31-60 days	12,472	7,081
61-90 days	3,818	3,977
91-120 days	10,581	5,567
Over 120 days	19,527	12,886
	50,545	33,973

12 DIVIDEND PAYABLE

The amount is payable to a non-controlling shareholder of a company now comprising the Group, Genghiskhan Land Holdings Limited ("Genghiskhan"). Genghiskhan was struck off from the Register of Companies of the BVI on 30 April 1998 and subsequently dissolved on 30 April 2008.

The amount is unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars. Its carrying amount at 30 June 2019 and 31 December 2018 approximates its fair value.

13 AMOUNTS DUE TO DIRECTORS

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Amounts due to:		
— Mr. Ng Lai Tong	—	1,024
— Mr. Cheung King	—	108
Advance from:		
— Mr. Ng Lai Ming	5,000	5,000
	5,000	6,132

The amounts due to Mr. Ng Lai Tong and Mr. Cheung King as at 31 December 2018 were unsecured, interest-free and repayable on demand. Their carrying amounts approximated their fair values and were denominated in Hong Kong dollars.

The advance from Mr. Ng Lai Ming bears interest at 2.5% per annum and it is paid on simple basis and semi-annually. It is unsecured and repayable upon 3 months notice. The carrying amount at 30 June 2019 and 31 December 2018 approximates its fair value and is denominated in Hong Kong dollars.

Notes to the Condensed Consolidated Interim Financial Information

14 BANK BORROWINGS

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Current		
Secured bank borrowings	25,000	–
Unsecured bank borrowings	–	17,000
	25,000	17,000

The carrying amounts of the bank borrowings approximate their fair values as at 30 June 2019 and 31 December 2018, and are denominated in the Hong Kong dollars. The interests are charged on floating rate basis.

The Group has obtained total banking facilities from banks of approximately HK\$30,000,000 as at 30 June 2019 (31 December 2018: HK\$30,000,000), of which HK\$5,000,000 (31 December 2018: HK\$13,000,000) has not been utilised respectively.

The banking facilities are secured by the followings:

- (i) the assignment of the life insurance policy of Mr. Ng Lai Ming with an insured sum of US\$1,582,862 for the bank borrowings as at 30 June 2019; and
- (ii) corporate guarantees provided by the Company, M & L Engineering & Materials Limited and East Focus Engineering Services Limited.

15 SHARE CAPITAL

The Company's share capital as at 30 June 2019 and 31 December 2018 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

16 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					
Balance at 1 January 2019	15,642	63,332	(363)	1,224	26,800	106,635
Comprehensive income:						
Profit for the period	-	-	-	-	257	257
Currency translation difference	-	-	69	-	-	69
Transactions with owners:						
Transfer to statutory reserve	-	-	-	66	(66)	-
Balance at 30 June 2019 (unaudited)	15,642	63,332	(294)	1,290	26,991	106,961
Balance at 1 January 2018	15,642	63,332	289	696	37,079	117,038
Comprehensive income:						
Loss for the period	-	-	-	-	(1,959)	(1,959)
Currency translation difference	-	-	(312)	-	-	(312)
Transactions with owners:						
Transfer to statutory reserve	-	-	-	186	(186)	-
Dividends declared to the equity holders of the Company	-	-	-	-	(4,800)	(4,800)
Balance at 30 June 2018 (unaudited)	15,642	63,332	(23)	882	30,134	109,967

Notes to the Condensed Consolidated Interim Financial Information

16 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.

17 DIVIDENDS

The Board does not declare an interim dividend for the six months ended 30 June 2019 and 2018.

18 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at 30 June 2019 and 31 December 2018 but not yet incurred is as follows:

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Machinery and equipment	–	1,196
	–	1,196

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 2019 HK\$'000	Audited 31 December 2018 HK\$'000
No later than one year	77	1,949
Later than one year and no later than five years	–	5,309
	77	7,258

As at 30 June 2019, the amount represents total minimum future lease payments for short term leases after initial application of HKFRS 16 at 1 January 2019. Under the simplified transition approach, comparative information is not restated (Please refer to note 2).

Notes to the Condensed Consolidated Interim Financial Information

19 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Other than those disclosed elsewhere in the condensed consolidated interim financial information, the following transactions were carried out with related parties in the normal course of the Group's business:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense paid to a director	32	–	63	–

(b) 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		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits	1,526	1,635	3,105	3,292
Contributions to defined contribution retirement plans	43	49	88	98
	1,569	1,684	3,193	3,390

Management Discussion and Analysis

BUSINESS REVIEW

Background, recent development and outlook

The Group is an integrated engineering solutions provider in connection with (i) the supply of specialised cutting tools and parts for construction equipment with particular focus on disc cutters which are widely used in conjunction with tunnel boring machines (“TBM”) and microtunnelling 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.

Hong Kong market

Recently, no new TBM tunnelling projects was staged in Hong Kong which had in turn adversely affected our revenue from Hong Kong. Nevertheless, we will closely monitor the development of new railway schemes which were recommended in the “Railway Development Strategy” published by the Transport and Housing Bureau of Hong Kong in 2014.

For foundation sector, we have seen some new projects being staged in 2018 and 2019, we expect the demand for our branded foundation products remains stable in 2019.

On the whole, the management is confident that Hong Kong market will be recovered gradually in mid to long term.

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 a mild growth in demand for our products from the PRC market. In the quarter ended 30 June 2019, the revenue from sales to the PRC tunnelling equipment manufacturers picked up gradually, in comparison with the quarter ended 31 March 2019. Meanwhile, the revenue from sales to the PRC construction sites had increased significantly in the quarter ended 30 June 2019, as compared to the previous quarter. As a whole, for the six months ended 30 June 2019, the revenue from sales to the PRC market had increased mildly in comparison with the same period in 2018.

Management Discussion and Analysis

Singapore and other Asia-Pacific countries

The Group has utilised Singapore as a regional hub to seek opportunities for expansion into Malaysia. The Group is targeting certain new infrastructure projects potentially be launched in Singapore in 2019 and the management is prudently optimistic in the expansion of Malaysia market. Furthermore, in response to the slow performance of business in Singapore, the management have liaised actively with projects and customers in other Asia-Pacific countries for new business opportunities.

Other countries

We are also seeking actively for expansion opportunities in the global markets and have established a steady flow of revenue from our newly explored market. We will keep exploring expansion opportunities and identify the next growing point of the Group.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$7.9 million, or 12.7%, from approximately HK\$62.4 million for the six months ended 30 June 2018 to approximately HK\$70.3 million for the six months ended 30 June 2019. The increase was primarily attributable to the increase in revenue recognized for our tunnelling segment by approximately HK\$13.8 million, or 26.4%, from approximately HK\$52.2 million for the six months ended 30 June 2018 to approximately HK\$66.0 million for the six months ended 30 June 2019. From the perspective of geographic locations of our customers, revenue derived from customers based in Hong Kong, decreased from approximately HK\$17.9 million to approximately HK\$5.7 million, while revenue derived from customers based in the PRC and Singapore and other Asia-Pacific countries increased by HK\$2.1 million and HK\$7.0 million to approximately HK\$39.6 million and HK\$14.0 million from the corresponding period in 2018, respectively.

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 increased by approximately HK\$5.8 million, or 13.1%, from approximately HK\$44.2 million for the six months ended 30 June 2018 to approximately HK\$50.0 million for the six months ended 30 June 2019. Such movement was primarily attributable to the increase in cost of inventory sold associated with our increase in revenue.

Management Discussion and Analysis

Gross profit

Our gross profit increased by approximately HK\$2.0 million, or 11.0%, from approximately HK\$18.2 million for the six months ended 30 June 2018 to approximately HK\$20.2 million for the six months ended 30 June 2019. Our gross profit margin slightly decreased from approximately 29.1% for the six months ended 30 June 2018 to approximately 28.8% for the six months ended 30 June 2019. The decrease in gross profit margin was largely due to the difference in the mix of customers and products supplied by us during the respective periods.

Other income and other gains

The other income and other gains, primarily consisted of (i) inspection charges and (ii) gain from disposal of property, plant and equipment. Our net other income were approximately HK\$0.2 million and HK\$0.1 million for the six months ended 30 June 2019 and 2018, respectively.

Selling expenses

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses decreased from approximately HK\$2.2 million for the six months ended 30 June 2018 to HK\$1.9 million for the six months ended 30 June 2019.

Administrative expenses

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, depreciation and amortisation, (reversal of provision)/provision for impairment loss on trade receivables and other administrative expenses. Administrative expenses slightly decreased by approximately HK\$0.5 million or 2.9% from approximately HK\$17.1 million for the six months ended 30 June 2018 to approximately HK\$16.6 million for the six months ended 30 June 2019.

Finance income and finance costs

The net amount of finance costs increased by approximately HK\$0.3 million from approximately HK\$0.4 million for the six months ended 30 June 2018 to HK\$0.7 million for the six months ended 30 June 2019. The finance costs are mainly related to the bank borrowings and the lease liabilities.

Management Discussion and Analysis

Income tax expense

The income tax expense for the six months ended 30 June 2019 was approximately HK\$0.6 million, while the income tax expense for the six months ended 30 June 2018 was approximately HK\$0.4 million. The increase was primarily due to an increase in our Group's assessable profit for the six months ended 30 June 2019.

Profit/(loss) attributable to equity holders of our Company

We recorded a profit attributable to equity holders of our Company for the six months ended 30 June 2019 of approximately HK\$0.3 million, while it was a loss of approximately HK\$2.0 million for the six months ended 30 June 2018.

Liquidity, financial resources and capital structure

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Current assets	178,021	160,458
Current liabilities	97,509	71,179
Current ratio	1.83	2.25

During the six months ended 30 June 2019, the Group financed its operations by its internal resources and banking facilities. As at 30 June 2019, the Group had net current assets of approximately HK\$80.5 million (31 December 2018: HK\$89.3 million), including cash and cash equivalents of approximately HK\$32.2 million (31 December 2018: HK\$33.9 million). The Group's current ratio as at 30 June 2019 was 1.83 times (31 December 2018: 2.25 times).

As at 30 June 2019, the Group had a total available banking facilities of approximately HK\$30.0 million, of which approximately HK\$25.0 million was utilised and approximately HK\$5.0 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 2019. As at 30 June 2019, the equity attributable to equity holders of the Company amounted to approximately HK\$113.0 million (31 December 2018: approximately HK\$112.6 million).

Management Discussion and Analysis

Gearing ratio

As at 30 June 2019, the gearing ratio was 30.1%, based on bank borrowings, finance lease liabilities and the advance from a director totalling HK\$34.0 million as a percentage of equity attributable to equity holders of the Company of HK\$113.0 million. As at 31 December 2018, 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 2019, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro, Renminbi and Australian dollars (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.

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 30 June 2019, the Group had no capital commitment.

Management Discussion and Analysis

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 2019 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 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 2019 in all material respect, except one incident which was related to the provision of repair and maintenance service to machines owned by an overseas customer. After the required servicing was completed, the relevant machines were being shipped back to the overseas customer and extra time was required to identify their original value, which was not readily available as in the case of sale of products; as a result, the export declaration was delayed and was made 2 days after the time limit allowed under the Import and Export Registration Regulations and led to a penalty charge of HK\$40 thereon. To the best knowledge and believe of the Directors, the aforesaid late filing incident was an isolated incident caused by practical constraints and there was no indication of ineffectiveness or failure of the Group's control over customs declaration. Nonetheless, the Group has enhanced the recording of more detailed information of assets held by the Group as custodian of others so as to avoid future violation of the abovementioned regulations.

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 2019.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the six months ended 30 June 2019.

Management Discussion and Analysis

CHARGES ON ASSETS

As at 30 June 2019, certain machinery and equipment and inventories with carrying value of approximately HK\$7,222,000 (31 December 2018: HK\$7,574,000) were pledged to secure for the finance lease liabilities of approximately HK\$3,956,000 (31 December 2018: HK\$4,593,000). In addition, a life insurance policy of Mr. Ng Lai Ming with an insured sum of US\$1,582,862 has been assigned as security for the banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 48 staff (31 December 2018: 51). 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 2019 was approximately HK\$9.4 million (for the six months ended 30 June 2018: HK\$9.6 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. As further disclosed in the announcement of the Company dated 21 December 2018 (the "Use of Proceeds Announcement"), the Board has resolved to reallocate approximately HK\$2.7 million of the net proceeds for expanding our repair and maintenance services for tunnelling business in Australia from the amount of net proceeds originally designated for expanding such services in Mainland China. The utilisation of net proceeds raised by the Group from the Share Offer up to 30 June 2019 is as below.

	Estimated use of proceeds HK\$'million	Adjusted use of proceeds HK\$'million	Up to 30 June 2019	
			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	14.0	–
To expand repair and maintenance services in the PRC for tunnelling business	5.5	3.0	0.2	2.8
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	1.7	1.0
General working capital	3.9	4.0	4.0	–
	39.0	40.2	20.1	20.1

The unutilised net proceeds from the Share Offer have been placed with licensed banks in Hong Kong.

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus and the Use of Proceeds Announcement with the Group's actual business progress for the period from the Listing Date to 30 June 2019 is set out below.

Business objectives	Actual business progress up to 30 June 2019
Further development fabricated construction steel works and equipment business in the PRC	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.
Expansion of fleet of specialised construction machinery and equipment	Acquired seven 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. Furthermore, we had engaged the construction of new mobile repair and maintenance units for future deploy to the construction site of our customers in the PRC, so as to provide repair and maintenances services and to secure our sales orders from the customers.
Expansion of repair and maintenance services in Australia	We had engaged local constructors to install lifting equipment, power supply and necessary improvements to our Australia warehouse, so as to prepare for commencement of repair and maintenance services in 2019.

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 2019, 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%

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 (CONTINUED)

Save as disclosed above, as at 30 June 2019, 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.

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 2019, 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 2019, 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 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.

Management Discussion and Analysis

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.

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 2019.

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 2019 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 2019 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. The 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. The 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. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company to ensure that appropriate and timely arrangements are in place to meet changing circumstances.

Management Discussion and Analysis

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 compete with the business of the Group during the six months ended 30 June 2019 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 commenced 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.

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, 12 August 2019

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.