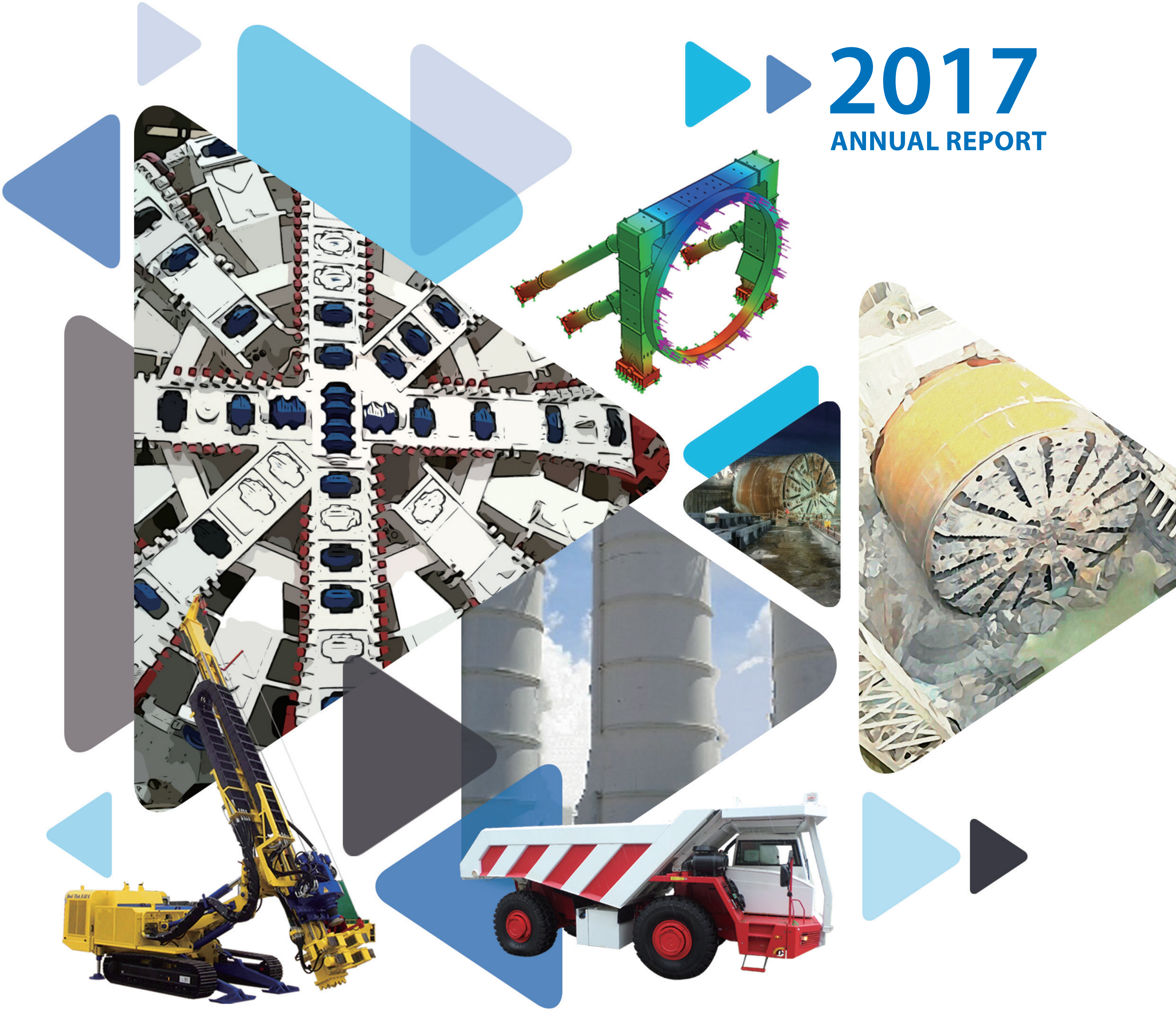
M&L HOLDINGS GROUP LIMITED
明樑控股集團有限公司

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



2017
ANNUAL 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 companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Ng Lai Ming
(Chairman and Chief Executive Officer)
Mr. Ng Lai Tong
Mr. Cheung King
Mr. Ng Lai Po

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Wai Kwok
Ir Lo Kok Keung
Mr. Lau Chi Leung

AUDIT COMMITTEE

Mr. Tai Wai Kwok *(Chairman)*
Ir Lo Kok Keung
Mr. Lau Chi Leung

NOMINATION COMMITTEE

Mr. Lau Chi Leung *(Chairman)*
Mr. Ng Lai Ming
Ir Lo Kok Keung
Mr. Tai Wai Kwok

REMUNERATION COMMITTEE

Ir Lo Kok Keung *(Chairman)*
Mr. Ng Lai Ming
Mr. Tai Wai Kwok
Mr. Lau Chi Leung

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Lai Po *(Chairman)*
Mr. Tai Wai Kwok
Ir Lo Kok Keung
Mr. Lau Chi Leung

JOINT COMPANY SECRETARIES

Mr. Ng Lai Po
Mr. Chan Sun Kwong

AUTHORISED REPRESENTATIVES

Mr. Ng Lai Ming
Mr. Ng Lai Po

COMPLIANCE OFFICER

Mr. Ng Lai Po

REGISTERED OFFICE

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10th Floor, Empress Plaza
17-19 Chatham Road South
Tsimshatsui, Kowloon, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

COMPLIANCE ADVISER

VMS Securities Limited

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited

STOCK CODE

8152

COMPANY WEBSITE

www.mleng.com

Dear Shareholders,

On behalf of the board of Directors (the "Board") of M&L Holdings Group Limited (the "Company"), I am pleased to present the first annual report of the Company and its subsidiaries (together, the "Group") in respect of the year ended 31 December 2017.

The Group attained a number of milestone events during the year 2017. First and foremost, the shares of the Company was successfully listed (the "Listing") on GEM of Stock Exchange on 21 July 2017 (the "Listing Date"). The Listing has brought the Group's reputation to new height and greater financial strength, enabling the Group to implement its strategies and business plan with confidence.

On behalf of the Group, I would like to express our deep gratitude to our shareholders, business partners and suppliers who trust and remain faithful to the Group, and help us to grow our business over the years. Also, I would like to show our great appreciation to all professional parties who have worked together with us all the way along the Listing process.

Furthermore, the Group contracted to acquire ownership of a warehouse with office property in Australia during year 2017 through its new local subsidiary and has commenced the setting up a new operating facility therein to support business development in the Australian and New Zealand markets. Thirdly, the Group has successfully expanded its business into Malaysia through our Singapore business team and received orders for purchase of disc cutters and other tools for a mass rapid transit project in Kuala Lumpur.

On the other hand, the Group's financial performance for the year 2017 fell short of expectation. The product consumption of a tunnelling project in Hong Kong during 2017, for which we have entered into master framework contract for the supply of specialised cutting tools and parts, was lower than original estimation. In the foundation segment, certain of the Group's targeted infrastructure projects in Hong Kong have been delayed as a result of delay in the respective projects' preceding stages. We also observed competition building up in the cutting tools market in the PRC with more manufacturers coming into the market during year 2017 and a trend for tunnelling equipment manufacturers diversifying their supplier base for cutting tools.

Nevertheless, the prospect of the Group remains positive with its recent expansion into Malaysia and set up in Australia, where we have exclusive distributorship for certain branded products. Our business in the PRC is still with momentum with growing orders from customers engaged in the tunnelling construction projects, which compensate for the drop in business with tunnelling equipment manufacturers. The demand for our products in the tunnelling segment in Hong Kong is expected to pick up in the mid to long term, as the 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. Moreover, the Group would continuously look for expansion opportunities in global markets, targeting business opportunities in Europe, North America and other Asia Pacific countries.

Chairman's Statement

Once again, I would like to take this opportunity to express my respect and appreciation to my fellow board members, management team, staff members, business partners and, most importantly, our shareholders and customers for their support.

The Board is pleased to share the Group's effort with our shareholders and recommends the payment of a final dividend of HK0.8 cents per share.

Yours truly,

Ng Lai Ming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 22 March 2018

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 ("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, 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 launch of certain large scale infrastructure projects targeted by the Group under the foundation segment have been delayed as a result of delays of the respective projects' proceeding stages. While the performance of the foundation segment for the year ended 31 December 2017 was slightly better than that of the year of 2016, management is conservative 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. 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 supplemented the loss in revenue from tunnelling equipment manufacturers. The Group remains confident of the PRC market performance in 2018.

Singapore and Malaysia market

The Group has utilised Singapore as a regional hub to seek opportunities for expansion into Malaysia and Indonesia, and have successfully received purchase orders from Mass Rapid Project in Kuala Lumpur in 2017. 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$85.7 million, or 34.7%, from approximately HK$247.3 million for the year ended 31 December 2016 to approximately HK$161.6 million for the year ended 31 December 2017. The decrease was primarily attributable to the decrease in revenue recognized for our tunnelling segment by approximately HK$88.8 million, or 38.0%, from approximately HK$233.5 million for the year ended 31 December 2016 to approximately HK$144.7 million for the year ended 31 December 2017. 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$82.3 million, HK$109.9 million & HK$55.1 million to approximately HK$42.2 million, HK$89.3 million & HK$25.9 million from the corresponding prior year, respectively. Nevertheless, we have successfully extended our business to Malaysia by recording a revenue of HK$4.1 million for the year ended 31 December 2017, meanwhile it was nil for 2016.

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$57.6 million, or 33.1%, from approximately HK$174.1 million for the year ended 31 December 2016 to approximately HK$116.5 million for the year ended 31 December 2017. 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$28.2 million, or 38.5%, from approximately HK$73.3 million for the year ended 31 December 2016 to approximately HK$45.1 million for the year ended 31 December 2017. Our gross profit margin decreased slightly from approximately 29.6% for the year ended 31 December 2016 to approximately 27.9% for the year ended 31 December 2017.

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$0.3 million and HK$1.4 million for the year ended 31 December 2017 and 2016 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$7.3 million for the year ended 31 December 2016 to HK$6.1 million for the year ended 31 December 2017, which was mainly attributable to the decrease in revenue recorded by our Group.

Administrative expenses

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees for listing preparation, operating lease charges on land and buildings, provision for impairment of trade receivables and other administrative expenses. Legal and professional fee for the listing preparation was increased by approximately HK$7.9 million or 218.9% from HK$3.6 million for the year ended 31 December 2016 to HK$11.5 million for the year ended 31 December 2017. Meanwhile, administrative expenses for natures other than legal and professional fee for the listing preparation was decreased by approximately HK$2.3 million or 6.3% from approximately HK$36.0 million for the year ended 31 December 2016 to approximately HK$33.7 million for the year ended 31 December 2017.

Finance income and finance costs

The net amount of finance costs decreased by approximately HK$0.1 million from approximately HK$0.8 million for the year ended 31 December 2016 to approximately HK$0.7 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in finance costs related to bank borrowings.

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$3.2 million or 63.7% from approximately HK$5.0 million for the year ended 31 December 2016 to approximately HK$1.8 million for the year ended 31 December 2017. The decrease was primarily due to a decrease in our Group's assessable profits for year ended 31 December 2017. Due to the non-deductible expenses incurred for the Listing, resulting in a tax liability although we recorded a loss before tax for the year ended 31 December 2017.

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

We recorded a loss attributable to equity holders of our Company for the year ended 31 December 2017 of approximately HK$8.6 million, representing a decrease from a profit of approximately HK$21.2 million for the year ended 31 December 2016. If we do not take into account of the listing expenses, the profit attributable to equity holders of our Company for the year ended 31 December 2017 would be approximately HK$2.9 million, representing a decrease of approximately 88.3% from approximately HK$24.8 million for the year ended 31 December 2016.

Liquidity, financial resources and capital structure

	31 December 2017 HK$'000	31 December 2016 HK$'000
Current assets	**175,620**	160,663
Current liabilities	**63,852**	83,778
Current ratio	**2.75**	1.92

During the year ended 31 December 2017, the Group financed its operations by its internal resources, banking facilities and net proceeds from the Share Offer. As at 31 December 2017, the Group had net current assets of approximately HK$111.8 million (31 December 2016: HK$76.9 million), including cash and cash equivalents of approximately HK$70.1 million (31 December 2016: HK$44.4 million). The Group's current ratio as at 31 December 2017 was 2.75 times (31 December 2016: 1.92 times).

As at 31 December 2017, the Group had a total available banking and other facilities of approximately HK$38.0 million, of which approximately HK$14.0 million was utilised and approximately HK$24.0 million was unutilised and available for use.

Please refer to note 27 to the consolidated financial statements for more detailed information, including maturity profile, on the Group's borrowings.

The shares of the Company were listed on GEM on 21 July 2017, 15,000,000 and 135,000,000 of the Company's shares at a price of HK$0.47 were issued on the same day by ways of public offer and placing, respectively. There has been no change in capital structure of the Company since 21 July 2017. As at 31 December 2017, the equity attributable to equity holders of the Company amounted to approximately HK$123.0 million (31 December 2016: approximately HK$88.6 million).

Gearing ratio

Our Directors confirmed that as at each of 31 December 2017 and 31 December 2016, we maintained a net cash position. On this basis, we did not record a gearing ratio.

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2017, 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.

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, i.e. on or before 20 May 2018.

As at 31 December 2016, the Group had no capital commitment.

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 31 December 2017 is as below.

	Estimated use of proceeds	Adjusted use of proceeds	Up to 31 December 2017	
			Utilised	Unutilised
	HK$'million	HK$'million	HK$'million	HK$'million
To further develop fabricated construction steel works and equipment business in the PRC	16.0	16.5	–	16.5
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	14.0	1.7	12.3
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	5.7	34.5

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.

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 31 December 2017 is set out below.

Business objectives	Actual business progress up to 31 December 2017
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. We had identified appropriate candidate for the role of International Sales Manager and the candidate had reported to duty on 27 January 2018.
Expansion of fleet of specialised construction machinery and equipment	Acquired one set 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.

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 year ended 31 December 2017.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2017.

CHARGES ON ASSETS

As at 31 December 2017, certain machinery and equipment and inventories with carrying value of approximately HK$8,279,000 (2016: Nil) were pledged to secure for the Group's borrowings.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees and remuneration policies

The number of staff of the Group by functions as at 31 December 2017 and 2016 are as follows:

	As at 31 December	
	2017	2016
Directors	**7**	4
Sales & Engineering Solutions	**9**	6
Design & Development	**3**	3
Technical Services & Maintenance	**17**	20
Finance, Administration & Operations	**14**	16
	50	49

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 year ended 31 December 2017 was approximately HK$21.8 million (2016: HK$21.1 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.

Customers and suppliers

The Group is committed to providing high-quality products and services to its customers. We have extensive customer networks and relationships with market participants in various Southeast Asian countries and the PRC, and we are well-positioned to capture opportunities in the construction industry. We believe that customer satisfaction is the key to our long-term success.

The Group values mutually beneficial long-term relationships with its suppliers. Steady supply of high-quality products are crucial for us. The Group is committed to developing stable and sustainable partnership among its suppliers.

ENVIRONMENTAL POLICIES

The Group has established a set of management policies, mechanisms and measures on environmental protection to ensure the sustainable development and operation of the Group. The Group strives to enhance the efficiency in the usage of energy and resources and also complies with relevant environmental regulations in Hong Kong, the PRC and Singapore. For further details, please refer to the section headed "Environmental, Social and Governance Report".

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in Hong Kong, the PRC and Singapore. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in each of the above jurisdictions. During the year ended 31 December 2017 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 31 December 2017.

PRINCIPAL RISK AND UNCERTAINTY

Our business is subject to a number of risks, including but not limited to risks relating to our business and industry, and risks relating to the country in which we operate. Some of the major risks we face include:

- Our businesses operate on a project-by-project basis and we may be unable to compete effectively or secure new contracts;
- A significant portion of our purchases of products were suppliers by a few suppliers;
- Potential competition with the entry of other integrated engineering solutions (or similar services) providers may reduce our market share and adversely affect our business;
- Demand for our businesses may be adversely impacted by slowdown in the tunnelling and foundation sectors in Hong Kong, the PRC and Singapore; and
- We are exposed to our customers' credit risk.

The management is delegated to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. The management develops contingency plans for possible loss scenarios.

EVENTS AFTER THE FINANCIAL YEAR

No event has occurred after 31 December 2017 and up to the date of this report which would have a material effect on the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ng Lai Ming (吳麗明), aged 54, is our chairman, chief executive officer and executive Director. Mr. Ng is one of our founders and controlling shareholders. Mr. Ng is primarily responsible for the overall management, strategic development and daily operation of our Group. He was appointed as our Director on 24 September 2015, and currently holds directorship in certain subsidiaries of our Company. He is also a member of our remuneration committee and nomination committee. Mr. Ng is the brother of Mr. Ng Lai Tong and Mr. Ng Lai Po.

Mr. Ng obtained his bachelor's degree in mechanical engineering from Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1989. Mr. Ng has over 20 years of experience in the construction and engineering industries in Hong Kong.

Mr. Ng Lai Tong (吳麗棠), aged 52, is our executive Director. Mr. Ng Lai Tong is primarily responsible for the overall business operation and sales of our Group in Hong Kong and the PRC. He was appointed as our Director on 6 January 2017, and currently holds directorship in certain subsidiaries of our Company. Mr. Ng Lai Tong first joined our Group in August 1994, and rejoined our Group in June 2001 after leaving us in November 1997 and was responsible for sales, marketing and overall business strategy of our Group in the PRC. Mr. Ng Lai Tong is the brother of Mr. Ng Lai Ming and Mr. Ng Lai Po. Mr. Ng obtained his bachelor's degree in science from the Chinese University of Hong Kong in December 1988. Mr. Ng has over 25 years of experience in engineering and sales in the construction and manufacturing industries.

Mr. Cheung King (張勁), aged 47, is our executive Director. Mr. Cheung is also the director of our fabricated construction steel works division and is primarily responsible for the overall management of our fabricated construction steel works division. He was appointed as our Director on 6 January 2017, and currently holds directorship in certain subsidiaries of our Company. Mr. Cheung obtained his higher diploma in electronic engineering from Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1993. Mr. Cheung joined our Group in November 1999 as a sales director and has over 20 years of experience in the construction and engineering industries in Hong Kong.

Mr. Ng Lai Po (吳麗寶), aged 51, is our chief financial officer, executive Director, compliance officer and joint company secretary. Mr. Ng is primarily responsible for the overall financial management and corporate governance of our Group. He joined our Group in October 2015 and was appointed as our Director on 6 January 2017. He is also the chairman of our corporate governance committee. Mr. Ng is the brother of Mr. Ng Lai Ming and Mr. Ng Lai Tong. Mr. Ng obtained his bachelor's degree in social sciences from the University of Hong Kong in December 1990. He was a member of the Association of Chartered Certified Accountants from November 1994, and has been a fellow of the association since November 1999. Mr. Ng has over 20 years of experience in financial and operation management in Hong Kong and the PRC, covering a variety of industries including property management, department store operation, petroleum, fast moving consumer goods, pharmaceutical, luxury and fashion products trading and retailing. Mr. Ng has been serving as an independent non-executive director of South Sea Petroleum Holdings Limited, a company listed on the Stock Exchange (stock code: 76) since December 2012.

Independent Non-executive Directors

Mr. Tai Wai Kwok (戴偉國), aged 48, was appointed as our independent non-executive Director on 19 June 2017. He is also the chairman of our audit committee and a member of our remuneration committee, nomination committee and corporate governance committee. Mr. Tai obtained his bachelor of arts degree in accountancy from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1991. Mr. Tai has over 20 years of experience in auditing, accounting and financial related matters.

Ir Lo Kok Keung (盧覺強), aged 69, was appointed as our independent non-executive Director on 19 June 2017. Ir Lo is also the chairman of our remuneration committee and a member of our audit committee, nomination committee and corporate governance committee. Ir Lo obtained his higher certificate in mechanical engineering from the Hong Kong Polytechnic University (formerly known as the Hong Kong Technical College) in July 1972. He has been a chartered engineer of the Institution of Mechanical Engineers since January 2002. Ir Lo has been a fellow of the Institution of Mechanical Engineers and the Institute of Marine Engineering, Science and Technology in the United Kingdom since January 2007 and July 2009, respectively. He has been a member of the Society of Automotive Engineers in the United States of America since October 1985. Ir Lo was admitted as a member of the Hong Kong Institution of Engineers in January 2000 and a registered professional engineer (mechanical) of the Engineers Registration Board in Hong Kong since 2001. Ir Lo was appointed as a member of the Appeal Board Panel under the Builders' Lifts and Tower Working Platforms (Safety) Ordinance from October 2003 to October 2006 and he has been repeatedly appointed by the Hong Kong Council for Accreditation of Academic & Vocational Qualifications as a specialist. Ir Lo has over 40 years of experience in teaching, running project laboratories, and assisting in experimental rigs design of research students and professors. Ir Lo has been serving as an expert witness in the Hong Kong courts of law since January 1994, providing expert witness testimony and evidence related to traffic accidents and mechanical defects. Ir Lo also was recognized as expert witness by the court of law of Macau and given evidence related to traffic accident case in trial in May 2017.

Mr. Lau Chi Leung (劉志良), aged 68, was appointed as our independent non-executive Director on 19 June 2017. He is also the chairman of our nomination committee and a member of our audit committee, remuneration committee and corporate governance committee. Mr. Lau obtained his Bachelor of Arts degree in architectural studies from the University of Hong Kong in November 1973, Diploma in Architecture from Canterbury College of Art in the United Kingdom in July 1977 and Master's degree in project management from the University of Sydney in Australia in October 2004. Mr. Lau has been a member of the Hong Kong Institute of Architects for over 36 years and was awarded for his outstanding contribution towards the works of the Hong Kong Institute of Architects in March 2015. Mr. Lau is a Registered Architect under the Architects Registration Board, Hong Kong, an Authorized Person and a Registered Inspector under the Buildings Ordinance, Hong Kong. Mr. Lau has over 35 years of experience in the building construction and property development industry. Mr. Lau was appointed as a member of the Minor Works Contractors Registration Committee Panel and the Minor Works Contractors Registration Committee for a period of four years from January 2015, a member of the Contractors Registration Committee Panel and the Contractors Registration Committee for a period of two years from January 2017 and a member of the Construction Workers Registration Appeal Panel for a period of two years from January 2017.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the date of this report; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders as at the date of this report; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this report.

SENIOR MANAGEMENT

Ms. Pang Suk Yee (彭淑儀), aged 45, is our financial controller. Ms. Pang joined our Group in March 2015 as an accounting manager and was promoted to financial controller in October 2015. She is mainly responsible for the financial management of our Group, including but not limited to consolidating financial statements at group level, reviewing financial accounts of subsidiaries and liaising with external auditor. Ms. Pang obtained her bachelor's degree of business administration in accounting from the Hong Kong University of Science and Technology in November 1995. She has been a member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since April 2001 and a fellow of the Association of Chartered Certified Accountants since December 2005. Ms. Pang has over 20 years of experience in accounting and finance.

Mr. Kwok Wai Kai (郭偉佳), aged 67, is the senior sales and marketing manager of our foundation works division and is primarily responsible for the sales management of our foundation division. Mr. Kwok joined our Group in February 2004 and was responsible for our Group's foundation business in Hong Kong. Mr. Kwok has over 30 years of experience in the foundation industry.

Ms. Lam Siu Ling (林小玲), aged 41, is our international sales and marketing manager and currently holds directorship in our subsidiaries in Australia. Ms. Lam joined our Group in July 2013 and is primarily responsible for the sales management of the tunnelling segment of our Group in Hong Kong and overseas markets, excluding the PRC. Ms. Lam obtained her bachelor's degree in materials engineering from City University of Hong Kong in November 2003. Ms. Lam has over 13 years of experience in sales and engineering.

Mr. Ho Wing-ho, Ringo (何永浩), aged 53, is our sales manager. Mr. Ho joined our Group in August 2013 and is responsible for the sales management of the fabricated steel works division of our Group. Mr. Ho obtained his higher diploma in civil engineering (municipal) and an endorsement certificate in environmental technology from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1987 and November 1989 respectively. Mr. Ho also obtained his professional diploma in marketing management from the Hong Kong Management Association in August 1995 and his bachelor's degree in commerce management and marketing from Curtin University of Technology, Australia in June 1999 through distance learning. Mr. Ho has over 30 years of engineering and sales experience in the construction industry in Hong Kong.

Mr. Chew Chee Boon (Zhou Zhiwen) (周志文), aged 37, is our regional manager in Singapore. Mr. Chew joined our group in January 2013 as assistant regional manager and was promoted to regional manager of Singapore M&L in July 2014. He is primarily responsible for the regional business operation of our Group in Singapore. Mr. Chew obtained his diploma in electronic and computer engineering from Singapore Ngee Ann Polytechnic in August 2001, his bachelor's degree of science in computer systems engineering (computer science) from Nottingham Trent University in the United Kingdom in November 2007 through distance learning, his master's degree in international management from the University Schools of Management IAE France in March 2010 and his master's degree in Management from Université Grenoble Alpes (formerly known as Université de Grenoble 2) in April 2010, both in France.

Save as disclosed above, none of our senior management (i) has held any directorships in the past three years in any public companies whose securities are listed on any securities market in Hong Kong or overseas; or (ii) has any relationship with other Directors, senior management and controlling shareholders of our Company.

JOINT COMPANY SECRETARIES

Mr. Ng Lai Po (吳麗寶), is the joint company secretary of our Group, being responsible for corporate governance of our Group. Mr. Ng is also an executive Director, our chief financial officer and compliance officer. For further details of Mr. Ng, please refer to the paragraph headed "Directors and Senior Management – Executive Directors" above.

Mr. Chan Sun Kwong (陳晨光), aged 51, was appointed as the joint company secretary of our Group on 19 June 2017. He is responsible for corporate governance of our Group. Mr. Chan obtained his diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Chartered Association of Certified Accountants (now known as Association of Chartered Certified Accountants) in the United Kingdom and the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants), the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chan is also a mediator of both Hong Kong Mediation Accreditation Association Limited and the Hong Kong Mediation Centre. Mr. Chan has over 20 years of experience in the accounting, auditing and company secretarial fields in Hong Kong.

COMPLIANCE OFFICER

Mr. Ng Lai Po (吳麗寶) is the compliance officer of our Group. Mr. Ng is also an executive Director, our chief financial officer and joint company secretary.

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 adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules effective from the Listing Date and had complied with the CG Code since then 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.

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 since the Listing Date up to the date of this report.

BOARD OF DIRECTORS

The Board currently consists of seven Directors with four executive Directors and three independent non-executive Directors. The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management functions. The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on performance of the Board at general meetings, implementing resolutions passed at general meetings, formulating business plans and investment plans, preparing annual budget and final accounts, and preparing proposals on profit distribution, as well as performing other authorities, functions and responsibilities in accordance with the articles of association of our Company.

Executive Directors

Mr. Ng Lai Ming *(Chairman) (appointed on 24 September 2015)*
Mr. Ng Lai Tong *(appointed on 6 January 2017)*
Mr. Cheung King *(appointed on 6 January 2017)*
Mr. Ng Lai Po *(appointed on 6 January 2017)*

Independent non-executive Directors

Mr. Tai Wai Kwok *(appointed on 19 June 2017)*
Ir Lo Kok Keung *(appointed on 19 June 2017)*
Mr. Lau Chi Leung *(appointed on 19 June 2017)*

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this report.

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

During the Year, all Directors have participated in continuing professional development by attending training course organised by the Company and reading relevant materials on topics related to corporate governance and regulatory matters.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to Rule 5.09 of the GEM Listing Rules.

BOARD COMMITTEES

The Board has established four committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and corporate governance committee (the "Corporate Governance Committee") on 19 June 2017, to oversee particular aspects of the Group's affairs. Each of the four committees has sufficient resources and its specific terms of reference that are approved by the Board, relating to its responsibilities, duties, powers and functions, which are posted to Stock Exchange's website at www.hkexnews.hk and the Company's website at www.mleng.com. All board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance at the Company's expenses. The board committees will regularly report back to the Board on decisions or recommendations made.

The participation of members of the Board and the four board committees at meetings held since the Listing Date and up the date of this report are set out as follows:

Composition of Board committees	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors					
Mr. Ng Lai Ming	6/6	–	1/1	1/1	–
Chairman of the Board					
Mr. Ng Lai Tong	6/6	–	–	–	–
Mr. Cheung King	6/6	–	–	–	–
Mr. Ng Lai Po	6/6	–	–	–	1/1
Chairman of Corporate Governance Committee					
Independent Non-executive Directors					
Mr. Tai Wai Kowk	5/6	3/3	1/1	1/1	1/1
Chairman of Audit Committee					
Ir Lo Kok Keung	6/6	3/3	1/1	1/1	1/1
Chairman of Remuneration Committee					
Mr. Lau Chi Leung	6/6	3/3	1/1	1/1	1/1
Chairman of Nomination Committee					

–The Director is not a member

Audit committee

The primary duties of the audit committee are to review and approve our Group's financial reporting, risk management and internal control principles and maintain an appropriate relationship with our auditors. The audit committee is chaired by Mr. Tai Wai Kwok, who has the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

In 2017, the audit committee reviewed the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them, the Group's accounting principles and practices, development in accounting standards and associated impacts on the Group, risk management issues, audit findings, compliance, strategy summary and financial reporting matters, and the effectiveness of the Group's risk management and internal control systems. The audit committee discussed the above matters, where appropriate, with management and external auditor.

Remuneration committee

The primary duties of the remuneration committee are to review and approve our management's remuneration proposals, and to make recommendations on our policy and structure for the remuneration of our management. The remuneration committee has reviewed the remuneration of Directors for the year ended 31 December 2017 and make recommendations to the Board on salary revision to senior management and Directors for the year 2018.

Nomination committee

The primary duties of the nomination committee are to make recommendations on appointment of Directors and Board succession. The nomination committee has reviewed the independence of the independent non-executive Directors and considered retirement and re-election of Directors at the Company's forthcoming annual general meeting.

Corporate governance committee

The corporate governance committee was established by our Company pursuant to a resolution of the Board on 19 June 2017 with written terms of reference in compliance with D.3.1 of the Corporate Governance Code. The primary duties of our corporate governance committee are (i) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of our Directors and senior management; (iii) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review our Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. The corporate governance committee has reviewed and noted that internal control measures were in place and effective and that no non-compliance incidents have been observed. Furthermore, the corporate governance committee has assessed and put in place a risk monitoring and internal audit function to enhance internal control.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Company's strategic objectives.

The audit committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The Company has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. In 2017, the Company has engaged an external independent consultant to conduct a review on the risk management and internal control system of the Group. The external consultant conducted an update risk assessment according to the Group's latest operation; key risks identified are recorded in a risk register and assigned to a risk owner who shall ensure such risks are continuously monitored and properly controlled according to the prescribed procedures.

The Group adopted a manual of policies and procedures to provide guidance on compliance with internal control and risk management in various operational and management functions, including but not limited to policies and procedures on revenue and purchase, treasury and risk management etc.

The internal control review scope for 2017 covered control procedures for revenue, purchase and inventory, risk assessment and management, and management and disclosure of inside information and connected transactions. The findings of the review has been reported to the Board.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

AUDITOR'S REMUNERATION

The remuneration paid to the Company's auditor for the Year is as below

	HK$'000
Audit services provided to the Group	1,180
Non-audit services	72
	1,252

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern and accordingly continue to adopt the going concern approach in preparing the financial statements.

The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 35 to 38 of this annual report.

COMPANY SECRETARY

The Company's joint company secretaries are Mr. Ng Lai Po and Mr. Chan Sun Kwong. Mr. Ng is an executive Director and an employee of the Company, while Mr. Chan is an external service provider. Mr. Ng is the primary contact person at the Company with Mr. Chan.

Please refer to the section headed "Directors and Senior Management" of this report for biographical details of the joint company secretaries of the Company.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

One or more shareholders holding not less than 10% of the paid up capital of the Company may convene an extraordinary general meeting by making a requisition in writing, specifying any business for transaction at such meeting, to the Directors or the company secretary.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong or its branch share registrar and transfer office in Hong Kong at least seven clear days before the date of the general meeting.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.mleng.com to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. There has been no change to the Company's constitution document since Listing. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the trading and lease of construction machinery and spare parts. The principal activities of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2017 is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the year ended 31 December 2017 is set out under the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 39 of this annual report.

The Directors recommended the payment of a final dividend of HK0.8 cents per share, amounting to a total of HK$4.8 million for the year ended 31 December 2017. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 9 May 2018 (the "AGM") and is expected to be paid on or about 11 June 2018.

As at the date of this annual report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 May 2018 to Wednesday, 9 May 2018 (both days inclusive), during which period no transfer of shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Thursday, 3 May 2018 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

To ascertain entitlement to the proposed final dividend, the register of members of the Company will also be closed from Thursday, 24 May 2018 to Monday, 28 May 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, which is subject to approval of shareholders at the AGM, holders of shares of the Company must ensure that all transfers of shares be lodged with the Company's branch share registrar and transfer office in Hong Kong for registration no later than 4:30 p.m. on Wednesday, 23 May 2018.

FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three years is set out on page 100 of this annual report. Such summary does not form part of the audited consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$4,000.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 December 2017 are set out in note 21 to the consolidated financial statements.

RESERVES

Details of movement in the Group's and the Company's reserves during the year ended 31 December 2017 are set out in note 22 and note 34 to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$135.0 million as at 31 December 2017.

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 annual report.

The Share Option Scheme is a share incentive scheme and provides our Company with an alternative means of recognizing, motivating and giving incentive to, rewarding, remunerating, compensating and/or providing benefits to selected participants (including but not limited to employees, directors, suppliers, customers and advisers of the Group) and for such other purposes as our Board may approve from time to time. The Share Option Scheme will provide the participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

(a) to motivate the participants to optimize their performance efficiency for the benefit of our Group; and

(b) to attract and retain or otherwise maintain relationships with the participants whose contributions are, will or expected to be beneficial to the growth of our Group.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 60,000,000 (being 10% of the shares in issue on the date when the shares of the Company first commenced dealing on the Stock Exchange) (the "General Scheme Limit"). The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit.

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.

The subscription price for shares under the Share Option Scheme will be a price determined by the Board, but shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date of the option, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date of the option; and (iii) the nominal value of the shares on the offer date.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year ended 31 December 2017.

DIRECTORS

The Directors of the Company during the year ended 31 December 2017 and up to the date of this report are as follow.

	Appointed on
Executive Directors	
Mr. Ng Lai Ming *(Chairman and Chief Executive Officer)*	24 September 2015
Mr. Ng Lai Tong	6 January 2017
Mr. Cheung King	6 January 2017
Mr. Ng Lai Po	6 January 2017
Independent Non-executive Directors	
Mr. Tai Wai Kwok	19 June 2017
Ir Lo Kok Keung	19 June 2017
Mr. Lau Chi Leung	19 June 2017

In accordance with the provisions of the Company's articles of association, Mr. Ng Lai Ming, Mr. Ng Lai Tong and Mr. Cheung King will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Each of the independent non-executive Directors was appointed for an initial term of two years commencing on the Listing Date and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the memorandum and articles of association of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual meeting has a service contract with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

COMPETING INTERESTS

None of the Directors, substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) has any interest in a business which compete with the business of the Group during the year ended 31 December 2017 and up to and including the date of this report.

DEED OF NON-COMPETITION

The controlling shareholders of the Company has given an unconditional and irrevocable non-competition undertaking in favour of the Company and its subsidiaries on 19 June 2017 to protect the Group from any potential competition with the controlling shareholders. The controlling shareholders have confirmed full compliance with the terms of the non-competition undertaking during the year ended 31 December 2017. Furthermore, the Directors, including independent non-executive Directors, have carried out certain review procedures and nothing has come to their attention that there has been non-compliance with the terms of the non-competition undertaking during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connected party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the year ended 31 December 2017.

DISCLOSURE OF INTERESTS

Directors' And Chief Executives' Interests And/Or Short Positions In Shares, Underlying Shares And Debentures Of The Company Or Any Associated Corporation

As at 31 December 2017, 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, are 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%

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 31 December 2017, 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 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%

Note:

(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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 74.4% (2016: 82.9%) and 30.4% (2016: 30.7%) of the Group's total revenue respectively.

During the year ended 31 December 2017, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 93.7% (2016: 96.3%) and 83.8% (2016: 80.5%) of the Group's total purchases respectively.

To the best of the knowledge of the Directors, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major customers or suppliers.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2017 are disclosed in note 32 to the financial statements, none of which constituted connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group did not have any connected transactions which were subject to the reporting requirements prescribed in Chapter 20 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out directors' liability insurance since the Listing that provides the appropriate cover for the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the GEM Listing Rules since the Listing and up to 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.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board of
M&L Holdings Group Limited
Ng Lai Ming
Chairman, Chief Executive Officer and
Executive Director

Hong Kong, 22 March 2018

INTRODUCTION

We are pleased to present our first Environmental Social and Governance ("ESG") Report of M&L Holdings Group Limited (the "Company") and its subsidiary (collectively referred to as the "Group). This report is prepared in accordance with the requirements set forth in the ESG Reporting Guide under Appendix 20 of the GEM Listing, it presents our major ESG policies, initiatives and performance of the Group for the year ended 31 December 2017 (the "Reporting Period").

SCOPE OF REPORT

This report covers the Group's principal businesses which represent our income sources from two business segments which are the tunnelling and foundation segments. The tunnelling segment is mainly engaged in the provision of specialized cutting tools and parts for construction equipment. The foundation segment is mainly engaged in the provision of fabricated construction steel works and equipment. The Group is also involved in the leasing, repair and maintenance of construction equipment. Our presentation covers the operation in Hong Kong, Shenzhen, Guangzhou and Singapore.

MATERIALITY ASSESSMENT

Following the discussion with our senior management and operational staff, we have identified the ESG issues relevant to the Group, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as the Group. The ESG issues considered to be material are listed below:

ESG aspects as set forth in the ESG Reporting Guide		Area of concern
A.	**Environmental**	
	A1 Emissions	Carbon emissions and waste management
	A2 Use of resources	Electricity and paper consumption
	A3 The environment and natural resources	Measures in reducing environmental impact
B.	**Social**	
	B1 Employment	Labour practices
	B2 Health and safety	Workplace health and safety
	B3 Development and training	Staff development and training
	B4 Labour standards	Anti-child and forced labour
	B5 Supply chain management	Supplier management
	B6 Product responsibility	Product and service responsibility, quality assurance, customer service, safeguarding customer assets
	B7 Anti-corruption	Anti-corruption policy
	B8 Community investment	Community involvement

The Group has complied with the "comply or explain" provisions set out in the ESG Reporting Guide for the Reporting Period.

A. Environmental

The Group has established a set of management policies, mechanisms and measures on environmental protection to help ensure the sustainable development and operation of the Group. The Group strives to enhance the efficiency in the usage of energy and resources and also complies with relevant environmental regulations in Hong Kong, the PRC and Singapore.

During the Reporting Period, the Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong, the PRC and Singapore.

A1. Emissions

Due to our business nature as a trading and leasing, we do not have/produce a large amount of emissions.

Carbon emissions

The major source of our indirect carbon emissions is the electricity consumed at the workplace. In order to reduce our carbon footprint, we have implemented some measures, please refer to the "A2 Use of resources" section below. Regarding the Group's approximate amount of CO_2 generated from our electrical usage within the Reporting Period, the figures are shown in the table below:

Region	Carbon dioxide (CO2) generated equivalent (Tonnes)
Hong Kong	37
The PRC	6
Singapore	8
Total	51

Sulphur oxides emissions

The source of sulphur oxides is generated from the usage of private cars and light good vehicles during our operation. In order to facilitate the efficient use of our vehicles, usage of vehicles is subjected to formal application and booking. The Group is always trying to combine several applications to enhance the least usage of vehicles, hence, producing the least sulphur oxides emissions to the environment. Regarding the Group's approximate amount of sulphur oxides (SOx) produced from our operation within the Reporting Period, the figures are shown in the table below:

Region	Number of private cars for the Group	Number of light good vehicles for the Group	Sulphur oxides (SOx) (Grams)
Hong Kong	8	3	260
The PRC	1	1	46
Singapore	1	–	26
Total	10	4	332

A2. Our Use of Resources

The resources used by the Group are principally attributed to electricity, water and paper consumed at our offices. We have implemented a series of green policy so as to utilise our resources consumption as well as educating our staff in the awareness of environmental protection via the Group's daily business operations.

Use of electricity

Electricity is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, functioning of office equipment, function of equipment related to repair and maintenance etc. Regarding the Group's approximate amount of electricity consumption within the reporting period, the figure is shown in the table below:

Region	**Kilowatt hours (kWh)**
Hong Kong	68,873
The PRC	7,200
Singapore	18,684
Total	94,757

In order to enhance the environment protection and save energy consumption, the Group has established energy saving measures:

- The Group is using incandescent lighting in our office and warehouse;
- Purchase of environmentally friendly electronic appliances;
- Lighting should be switched off while staff are off duty or when the place is not in use;
- Staff is encouraged to switch off all non-essential items (i.e. photocopiers) during non-office hours;
- Setting of air-conditioning within the environmental-friendly level (around 25 degrees Celsius).

Water usage

Our water usage is relatively minimal through our business activities. The majority of our water usage comes from water supplies for our offices. Regarding the Group's approximate amount of water usage within the reporting period, the figure is shown in the table below:

Region	**Cubic meters**
Hong Kong	451
The PRC	29
Singapore	155
Total	635

Although the water is considered minimal, we also encourage staff to consume water in a considerate way by reminding them to turn-off water tap after use.

Packaging materials and paper usage

The major packaging materials used in the Group are wooden boxes which are provided and packed by suppliers and the Group transfers the goods to customer from warehouse and from suppliers without unloading the packaging materials. Therefore, there is no packaging materials need to be disposed of during the logistics process. Regarding the Group's approximate the paper usage at office within the Reporting Period, the figure is shown in the table below:

Region	Number of A4 paper consumed
Hong Kong	73,500
The PRC	8,500
Singapore	10,566
Total	92,566

To reduce the amount of paper used, we do encourage staff to be mindful when printing documents and make use of double sided printing where possible. Non-essential items should be used in e-format instead of printing out and any documents that are no longer in use should be shredded and recycled.

A3. *Environmental protection and natural resources*

As we are primarily a trading company including ancillary services, no significant environmental issue was noted in our business activities within the Reporting Period, and we have not produced a notable level of air or water pollutants. Our waste is mainly attributed to our daily activities such as regular trash can waste and some packaging wastes, which are non-hazardous. The major land waste is the paper used for job management and office documents. We are committed to promoting waste reduction at source, therefore the Group has always strived to reduce and handle the land waste. Our non-hazardous waste is dealt with appropriately and is disposed of in a proper manner by qualified waste disposal company in each business region.

As we understand that there will be more concerns from government, companies and public over carbon emissions, we will act in accordance with the ESG provisions as set forth by the Stock Exchange. We will continue to report our environmental key performance indicators ("KPI's") and information as well as our social information in accordance with the provisions.

B. Social Commitment

B1. *Employment*

Our Group realises the importance of employees and their role and impact on the Group to achieve our aims and objectives of being highly qualified supplier regarding construction machinery and spare parts for the construction and tunnelling sectors.

To maintain a happy, healthy, safe and productive working environment, we have implemented procedures and policies in all aspects of the Group's business operations and integrated into our employee handbook and human resources policy. Our Group is committed to provide a healthy work-life balance for employees and a comfortable working environment. Our Group is in compliance with the relevant laws relating to compensation, dismissal, equal opportunity, anti-discrimination, rest periods, working hours, and other benefits and welfare.

In our employee handbook, we have outlined the general procedures and practices of the Group related to employment, compensation and benefits. The terms included compensation and dismissal, working hours, rest periods and other benefits and welfare has been specified in our employment contract. To ensure diversity and equality, our selection process is non-discriminatory and is solely based on the employee's performance, experience and skills. A whistle blowing channel has been in place for our employees to raise any concerns in good faith if they have their concerns and address in a proper manner without any fear of reprisal or receiving any negative impacts. The Group also welcomes employees to discuss their targets and expectations in job advancement and career development with the senior management if they have any ideas or difficulties regarding their job.

There were no non-compliance cases noted in relation to employment laws and regulations during the Reporting Period.

B2. Health and Safety

Ensuring the health and safety of our employee is an integral part of our business activities. Therefore, the Group is dedicated to maintaining a safe, hygienic and productive workplace by minimising the potential risk of accidents, injuries and exposure in relation to health risks.

We encourage our employees to keep the work place tidy to minimise accidental incident. We have policies in place and are in compliance with the relevant laws pertaining to health and safety and providing a healthy safe work environment as well as protecting employees from occupational hazards.

The Group did not violate any health and safety laws and regulations of Hong Kong during the Reporting Period.

B3. Development and Training

The Group recognized that that human capital is always playing a large part of our business operation. We understood that training is always an important way to improve the overall quality and provide comprehensive development of the employees. The group provides adequate development and training for our employees to ensure that they maintain a high level of competency to keep our competitive advantages by updating the current trends and techniques. We have established a series of induction training to all newly-hired employees so as to let them acknowledge the Group's working environment, working procedures and other safety working standards. Our warehouse and workshop staff also receives training to enable them to acquire necessary skills and knowledge on health and safety related procedures before their duties are assigned. We also encourage employees to take part in external training to acquire necessary technical skills and enhance team spirit.

B4. Labour Standards

Our Group has committed to maintain and keep a work environment that is free of discrimination and all employees are treated equally regardless of age, marital status, pregnancy, race and religion. All staffs are working on a voluntary basis with agreed terms between employee and the Group to ensure they are under protection of labour law from different jurisdictions.

During the Reporting Period, the Group has complied with all relevant labour standards. No violation regarding the age of employment and labour dispute has occurred between the Group and employees.

B5. Supply Chain Management

Our largest supplier is Palmieri from Italy with high reputation and credibility which has appointed us as its sole and exclusive agent for certain products and locations. Other than Palmieri, most of the products we purchased are branded products based on the demand of our customers under the agreed contracts and/or purchase orders. We do a regular site visit to supplier to ensure the quality of products and quality control procedures are fulfilled our Group's requirement and the expectation of our customers.

Going forward, we will incorporate sustainability considerations into our sourcing practices including procurement of other office equipment and communicate with suppliers on their environmental and social responsibilities to identify opportunities to improve their current environmental and social practices.

B6. Product Responsibility

Our Group is committed to providing high quality cutting tools and other supplied products regarding foundation and tunnelling segments. We have measures in place to deal with the issues of product quality to ensure all products that are supplied to our customers meet our requirements for product safety and quality. Assessment of supplier's background and the quality of their products is performed by the Group before admitted as qualified suppliers.

Integrated Engineering Solutions

The Group provides integrated engineering solutions in connection with specialised cutting tools and parts for construction equipment, fabricated construction steel works and equipment, specialised construction equipment and ancillary services. Integrated engineering solutions combine engineering-oriented professional expertise with application knowledge, including project analysis, ongoing advice, procurement and inventory management, provision of repair and maintenance services, the leasing and supply of specialised construction equipment and provision of engineering solutions to fabricated construction steel works and equipment. Our experience in supplying specialised cutting tools and parts for construction equipment can provide tailor-made solutions for our customers to suit their specific needs.

Quality assurance

The Group is committed to providing customers with high-quality services and solutions. In this regard, we have established quality control procedures in respect of branded products and our tailor-made products.

The Group conducts inspections with our customers on the incoming products to check its specification, functionalities and performance for branded products. Supplier is required to provide quality certificates on the relevant products.

For our tailor-made products, internal control manual has been used as guideline throughout the production process to ensure the specification of the end product meet the requirements before delivery to our customers. We also offer incidental repair and maintenance services to our customers to enhance our after-sale service capabilities under the integrated engineering solutions.

B7. Anti Corruption

A system with good moral integrity and anticorruption mechanism is the cornerstone for a sustainable and healthy development of the Group. To maintain a workplace free from corruption and bribery, the Group has established Anti-Corruption Policies and Procedures with reference to "Prevention of Bribery Ordinance of Hong Kong", "The Anti-money Laundering Law of the People's Republic of China" and "Prevention of Corruption Act of Singapore" issued by regulatory body in respective countries. The policy stated the details of Section 9 (1) of the Prevention of Bribery Ordinance of Hong Kong. It is strictly implemented in the operation of the Group. The policy also included integrity rules regarding offer and acceptance of advantages, business referral and other related information which strictly require directors and staff to follow and be aware of it.

In terms of the reporting of abnormal and corruption behavior, the Group has also established a whistle blowing policy under which a reporting mailbox is set up to provide a channel for employees to report violations, corruption, bribery and suspicious incidents.

Our Group will provide full support to employees to raise their concerns in good faith and the aforementioned issue will be dealt with by management in a professional and appropriate manner.

B8. Community Investment

The Group has always dedicated itself to insist on repaying the society, actively performing social responsibility of corporate citizen. In 2017, to facilitate the development of community services, the Group has made donations to Orbis to fight against avoidable blindness in developing nations.

The Group understands and recognizes that there are those who are less fortunate in society. Going forward, the Group will keep looking for worthy charities or humanitarian causes to support through monetary donations or other means to create a positive impact on the local society.

Environmental performance indicators

Aspect A1: Emissions

Performance indicator		2017 Data	Stock Exchange ESG Reporting Guide KPI
Emission	Carbon dioxide generated equivalent (CO_2) (Ton) (Indirect emission from electricity consumed)	51	KPI A1.1, A1.2
	Sulphur oxides emission (gram)	332	KPI A1.1, A1.2

Aspect A2: Use of resources

Performance indicator		2017 Data	Stock Exchange ESG Reporting Guide KPI
Energy	Electricity consumption (Kwh)	94,757	KPI A2.1
Water	Water consumption (Cubic meters)	635	KPI A2.2
Paper	Number of A4 Paper consumption (piece)	92,566	KPI A2.5

To the Shareholders of M&L Holdings Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of M&L Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 99, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is summarised as follows:

- Provision for impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of trade receivables	
Refer to note 4 "critical accounting estimates and judgements" and note 18 "trade and other receivables" to the consolidated financial statements of the Group. As at 31 December 2017, the Group had gross trade receivables of HK$77,676,000 and allowance for impairment of trade receivables of HK$11,360,000. Management performed the impairment assessment of trade receivable based on the information, including but not limited to, aging of trade receivables, repayment history, subsequent settlement status and financial capability of the customers. We focused on this area due to the magnitude of the trade receivable balances and the significant management's judgements and estimates used in evaluating the recoverability of such balances.	Our procedures in relation to management's impairment assessment of trade receivables included: – Understanding the status of each of the material receivable balances that were past due through discussion with management and the sales team; – Checking, on a sample basis, for the accuracy of trade receivables aging analysis used by management to assess recoverability; – Checking, on a sample basis, the subsequent settlement of trade receivable balances by customers after year end date; and – Corroborating management's assessment and explanations on the individually significant trade receivables that were past due as at 31 December 2017 with supporting evidence, such as payment history of the customers, correspondences with customers, public search of the customers' profiles, as we evaluate management's judgements over the recoverability of the relevant trade receivables. Based upon the above, we found that management's judgements and estimates of impairment of trade receivables are supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Revenue	5	**161,626**	247,348
Cost of sales	6	**(116,534)**	(174,078)
Gross profit		**45,092**	73,270
Other income	7	**517**	367
Other (losses)/gains, net	7	**(233)**	1,070
Selling expenses	6	**(6,104)**	(7,274)
Administrative expenses	6		
– Legal and professional fee for listing preparation		**(11,498)**	(3,605)
– Others		**(33,743)**	(36,000)
Operating (loss)/profit		**(5,969)**	27,828
Finance income	10	**39**	14
Finance costs	10	**(761)**	(814)
(Loss)/profit before income tax		**(6,691)**	27,028
Income tax expense	11	**(1,805)**	(4,972)
(Loss)/profit for the year		**(8,496)**	22,056
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss:			
Currency translation differences		**1,227**	(401)
Total comprehensive (loss)/income		**(7,269)**	21,655
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(8,645)**	21,150
Non-controlling interests		**149**	906
		(8,496)	22,056
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(7,422)**	20,749
Non-controlling interests		**153**	906
		(7,269)	21,655
(Loss)/earnings per share			
– Basic and diluted (expressed in HK cents per share)	12	**(1.67)**	4.72

Consolidated Balance Sheet

	Note	2017 HK$'000	2016 HK$'000
		As at 31 December	
ASSETS			
Non-current assets			
Prepaid land premium	14(a)	**5,566**	5,195
Property, plant and equipment	14(b)	**11,346**	10,474
Investment properties	15	**–**	–
Deposits	18	**1,716**	288
Deferred income tax assets	23	**102**	40
		18,730	15,997
Current assets			
Inventories	16	**24,642**	29,586
Trade and other receivables	18	**74,275**	75,444
Tax recoverable		**4,066**	2,054
Pledged bank deposits	19(a)	**2,536**	2,532
Cash and cash equivalents	19(b)	**70,101**	44,357
		175,620	153,973
Assets held for sale	20	**–**	6,690
		175,620	160,663
Total assets		**194,350**	176,660
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	**6,000**	–
Reserves	22	**117,038**	88,628
		123,038	88,628
Non-controlling interests		**1,540**	2,857
Total equity		**124,578**	91,485

		As at 31 December	
		2017	2016
	Note	**HK$'000**	HK$'000
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	27(b)	**4,592**	59
Deferred income tax liabilities	23	**1,161**	859
Other provision		**167**	479
		5,920	1,397
Current liabilities			
Trade and other payables	24	**37,689**	50,622
Dividend payable	25	**7,980**	6,510
Amounts due to directors	26	**1,663**	5,685
Bank borrowings	27(a)	**14,000**	20,000
Finance lease liabilities	27(b)	**1,666**	113
Current income tax liabilities		**854**	848
		63,852	83,778
Total liabilities		**69,772**	85,175
Total equity and liabilities		**194,350**	176,660

The consolidated financial statements on pages 39 to 99 were approved by the Board of Directors on 22 March 2018 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Po
Executive Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital HK$'000	Reserves HK$'000 (Note 22)	Share premium HK$'000 (Note 22)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	–	69,879	–	69,879	2,277	72,156
Comprehensive income:						
Profit for the year	–	21,150	–	21,150	906	22,056
Other comprehensive loss:						
Currency translation differences	–	(401)	–	(401)	–	(401)
Total comprehensive income for the year	–	20,749	–	20,749	906	21,655
Transactions with owners:						
Proceeds from shares issued	–	–	9,500	9,500	–	9,500
Dividends declared to the then equity holders of the Company (Note 29)	–	(11,500)	–	(11,500)	–	(11,500)
Dividends declared to non-controlling interests (Note 29)	–	–	–	–	(326)	(326)
At 31 December 2016	–	79,128	9,500	88,628	2,857	91,485
At 1 January 2017	**–**	**79,128**	**9,500**	**88,628**	**2,857**	**91,485**
Comprehensive (loss)/income:						
(Loss)/profit for the year	**–**	**(8,645)**	**–**	**(8,645)**	**149**	**(8,496)**
Other comprehensive income:						
Currency translation differences	**–**	**1,223**	**–**	**1,223**	**4**	**1,227**
Total comprehensive (loss)/income for the year	**–**	**(7,422)**	**–**	**(7,422)**	**153**	**(7,269)**
Transactions with owners:						
Proceeds from shares issued	**6,000**	**–**	**64,500**	**70,500**	**–**	**70,500**
Shares issuance cost	**–**	**–**	**(10,668)**	**(10,668)**	**–**	**(10,668)**
Dividends declared to the then equity holders of the Company (Note 29)	**–**	**(18,000)**	**–**	**(18,000)**	**–**	**(18,000)**
Dividends declared to non-controlling interests (Note 29)	**–**	**–**	**–**	**–**	**(1,470)**	**(1,470)**
At 31 December 2017	**6,000**	**53,706**	**63,332**	**123,038**	**1,540**	**124,578**

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	28(a)	**(16,005)**	31,204
Interest received		**35**	10
Income tax paid		**(3,632)**	(4,754)
Net cash (used in)/generated from operating activities		**(19,602)**	26,460
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,177)**	(7,136)
Proceeds from disposal of property, plant and equipment	28(b)	**3**	–
Proceeds from sale of assets held for sale	20	**6,621**	–
Deposit paid for acquiring property, plant and equipment		**(1,268)**	–
Net cash generated from/(used in) investing activities		**3,179**	(7,136)
Cash flows from financing activities			
Proceeds from borrowings		**–**	6,000
Repayments of borrowings		**(6,000)**	(18,902)
Capital element of finance lease payments		**(234)**	(280)
Proceeds from finance lease obligations		**6,320**	–
Proceeds from issuance of ordinary shares		**70,500**	9,500
Legal and professional fee paid for listing preparation		**(8,302)**	(1,230)
Interest paid		**(761)**	(814)
Dividends paid		**(18,000)**	(30,566)
Repayment to a director		**(2,225)**	(2,247)
Net cash generated from/(used in) financing activities		**41,298**	(38,539)
Increase/(decrease) in cash and cash equivalents		**24,875**	(19,215)
Cash and cash equivalents at beginning of year		**44,357**	63,951
Currency translation differences		**869**	(379)
Cash and cash equivalents at end of year	19(b)	**70,101**	44,357

1 GENERAL INFORMATION, REORGANISATION 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 address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in trading and lease of construction machinery and spare parts.

Pursuant to the group reorganisation as set out in the section headed "History and Corporate Structure" in the Company's listing prospectus dated 30 June 2017 (the "Prospectus"), which was completed on 26 January 2016 (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited on 21 July 2017 (the "Listing Date"). For details, please refer to Note 21.

The consolidated financial statements of the Group has been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statement are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and assets held for sale, which are carried at fair values.

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

(i) Adoption of amendments to standards and improvement

The Group has adopted the following improvements, new and amendments to existing standards which is relevant to the Group's operations and are mandatory for accounting periods beginning on or after 1 January 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Annual Improvement 2014-2016 Cycle

The adoption of the above amendments to standards and improvement did not have any significant financial impact on these consolidated financial statements. The amendments to HKAS7 require disclosure of changes in liabilities arising from financing activities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) New standards, interpretations and amendments to standards which are not yet effective

The following are new standards, interpretations and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods, but have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	1 January 2018
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share Based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) New standards, interpretations and amendments to standards which are not yet effective (Continued)

HKFRS 9 "Financial instrument"

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. Despite that the new impairment model may result in an earlier recognition of credit losses, management believes it is not practicable to provide a reasonable estimate of the effect until a detailed review is performed upon adoption.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principal is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The Group has assessed the impact of the adoption of HKFRS 15 and does not expect the adoption would have a material impact other than presenting more disclosures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) New standards, interpretations and amendments to standards which are not yet effective (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of consolidated financial statement about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the consolidated balance sheet for lessees. HKFRS 16 provides a new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheet. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation.

The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2(y) with the Group's future operating lease commitments. As at 31 December 2017, the Group's total operating lease commitments amounted to HK$10,630,000 (note 31(b)). The new standard will therefore result in an increase in assets and financial liabilities in the Group's consolidated balance sheet upon adoption. As for the financial performance impact in the Group's consolidated statement of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the Group's profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The Group has assessed the impact of the adoption of HKFRS 16 and does not expect the adoption would have a material impact on the Group's financial results and position.

Management is in the process of making an assessment on the impact of other new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statement of the investee's net assets including goodwill.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statement is presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains or losses that relate to borrowings and cash and cash equivalents are presented in consolidated statement of comprehensive income within 'administrative expenses'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

(e) Property, plant and equipment

Buildings comprise mainly offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Motor vehicles classified as finance lease commences depreciation from the time when the assets become available for its intended use. Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Machinery and equipment	10% – 25%
Motor vehicles	25%
Motor vehicles under finance leases	25% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	25%
Leasehold improvements	20% or over the lease term, whichever is shorter
Buildings	over the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains, net' in consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Prepaid land premium

Prepaid land premium is recorded at cost less subsequent accumulated amortisation and accumulated impairment losses, if any. Prepaid land premium is amortised using the straight-line method over their lease team.

(g) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment property. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projection. Changes in fair values are recorded in consolidated statement of comprehensive income as part of a valuation gain or loss in ‘other (losses)/gains, net’.

(h) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise ‘trade and other receivables’, ‘pledged bank deposits’ and ‘cash and cash equivalents’ in the consolidated balance sheet (Notes 2(m) and 2(n)).

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Offsetting financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforce right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(k) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2(i) for further information about the Group's accounting for trade receivables and Note 2(k) for a description of the Group's impairment policies.

(n) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with financial institutions with original maturities of three months or less.

(o) Assets held for sale

Non-current assets are reclassified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probably. They are stated at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in consolidated statement of comprehensive income as part of a valuation gain or loss in 'other (losses)/gains, net'.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) Borrowing costs

All borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

(t) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statement. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

The Group operates post-employment schemes, including defined contribution pension plans.

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time to leave.

(ii) Pension obligations

The Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income up to a maximum of HK$1,500 per employee per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other postretirement benefits of its employees in Hong Kong.

In accordance with the rules and regulations in People's Republic of China ("the PRC"), the PRC based employees of the Group participate in a defined contribution retirement benefit plan organised by the relevant provincial government in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The provincial government undertakes to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plan described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other postretirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

In accordance with the rules and regulations in Singapore, the Group makes contributions to the Central Provident Fund (CPF) for its employees in Singapore. CPF contributions are recognised as compensation expenses in the same period as employment that gives rise to the contributions.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus plans

The expected costs of bonus payment are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of goods revenue is recognised when the Group has transferred to the customer the significant risks and rewards of ownership of the goods, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectibility of the related receivables is reasonably assured. Where customers are given the goods return options, the amount of options outstanding and the Group's accumulated experience with the customers in exercising such options are used to estimate and provide for return.

Rental income from machinery under operating lease is recognised on a straight-line basis over the terms of the relevant leases.

Rental income from investment properties under operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the terms of the relevant leases.

Freight income, commission income and repair and maintenance services income are recognised when services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(y) Leases

(i) Operating lease – as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) Operating lease – as a lessor

When assets are leased out under an operating lease, the asset is included in the consolidated balance sheet based on the nature of the asset.

Lease income on operating leases is recognised in the consolidated statement of comprehensive income over the term of the lease on a straight-line basis.

(iii) Finance lease – as a lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statement in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

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.

(i) Foreign exchange risk

The Group's major customers are from Hong Kong, the PRC and Singapore, and its major suppliers are from Italy, Korea, Singapore and the PRC. The Group is exposed to foreign currency exchange fluctuations mainly from exposures arising in the normal course of its business, primarily with respect to United States dollars ("US$") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign risk exposure.

At 31 December 2017, if HK$ had strengthened/weakened by 5% against the EUR with all other variables held constant, pre-tax loss for the year would have been approximately HK$186,000 higher/lower (2016: pre-tax profit would have been approximately HK$356,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of EUR denominated trade receivables and payables and cash and cash equivalents.

Since the HK$ is pegged with US$, there are no significant foreign currency exposures for US$ denominated financial assets and liabilities.

The remaining assets and liabilities of each company within the Group are mainly denominated in their respective functional currencies. The directors are of the opinion that the volatility of the Group's profits against changes in exchange rates of foreign currencies arising from these assets and liabilities would not be significant. Accordingly, no sensitivity analysis is performed.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

Credit risk includes risks resulting from counter party default and risks of concentration. In respect of trade receivables, individual credit evaluations are performed on significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. In the opinion of the directors, the default risk is considered to be low.

Management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risks on cash and cash equivalents and pledged deposits are limited because the counterparties are reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(iii) Cash flow and fair value interest rate risk

Other than the bank borrowings which carry interest at prevailing market interest rates, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from interest-bearing bank borrowings.

At 31 December 2017, if interest rate on bank borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$116,900 higher/lower (2016: post-tax profit would have been approximately HK$167,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows and the earliest date the Group can be required to pay. Specifically, for the bank borrowings which contains a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the borrowings with immediate effect. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017					
– Bank borrowings	**14,111**	**–**	**–**	**–**	**14,111**
– Finance lease liabilities	**–**	**1,933**	**1,729**	**3,171**	**6,833**
– Amounts due to directors	**1,663**	**–**	**–**	**–**	**1,663**
– Trade and other payables	**–**	**37,625**	**–**	**–**	**37,625**
– Dividend payable	**–**	**7,980**	**–**	**–**	**7,980**
	15,774	**47,538**	**1,729**	**3,171**	**68,212**
As at 31 December 2016					
– Bank borrowings	20,155	–	–	–	20,155
– Finance lease liabilities	–	119	60	–	179
– Amounts due to directors	5,685	–	–	–	5,685
– Trade and other payables	–	49,952	–	–	49,952
– Dividend payable	–	6,510	–	–	6,510
	25,840	56,581	60	–	82,481

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(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.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debts divided by total assets. Total debts include interest-bearing borrowings, finance lease liabilities and advance from Mr. Ng Lai Ming.

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Total debts	**20,258**	22,313
Total assets	**194,350**	176,660
Debt-to-asset ratio	**10.4%**	12.6%

(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 finance 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.

See Note 20 for disclosure of assets held for sale which are measured at fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for impairment of inventories

Significant judgement is exercised in the assessment of the net realisable value of its inventories. In making its judgement, management considers a wide range of factors such as results of sales performance subsequent to year end and market trend of its products.

(b) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

(c) Impairment of trade and other receivables

Management reviews regularly the recoverable amount of each individual trade and other receivables to ensure that adequate impairment is made for the balances. Management assesses the recoverable amount of each individual receivable whether there is objective evidence that the receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. Management reassesses the provision at each balance sheet date.

5 REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Sales of goods	**158,071**	237,012
Repair and maintenance services income	**3,287**	9,889
Machinery rental income	**268**	447
	161,626	247,348

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 year ended 31 December 2017 (2016: Nil). The accounting policies of the reportable segments are the same as the Group's accounting policies.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	144,652	16,974	161,626
Cost of sales	(102,469)	(14,065)	(116,534)
Segment results	42,183	2,909	45,092
Gross profit %	29.16%	17.14%	27.90%
Other income			517
Other losses			(233)
Selling expenses			(6,104)
Administrative expenses			(45,241)
Operating loss			(5,969)
Finance income			39
Finance costs			(761)
Loss before income tax			(6,691)
Income tax expense			(1,805)
Loss for the year			(8,496)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	233,457	13,891	247,348
Cost of sales	(163,939)	(10,139)	(174,078)
Segment results	69,518	3,752	73,270
Gross profit %	29.78%	27.01%	29.62%
Other income			367
Other gains			1,070
Selling expenses			(7,274)
Administrative expenses			(39,605)
Operating profit			27,828
Finance income			14
Finance costs			(814)
Profit before income tax			27,028
Income tax expense			(4,972)
Profit for the year			22,056

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

	Year ended 31 December	
	2017 HK$'000	2016 HK$'000
Hong Kong	**42,236**	82,334
The PRC	**89,321**	109,890
Singapore	**25,921**	55,124
Malaysia	**4,148**	–
	161,626	247,348

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) The total amounts of non-current assets, other than financial instruments and deferred income tax assets of the Group as at 31 December 2017 are located in the following regions:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Hong Kong	**8,270**	7,581
The PRC	**254**	7
Singapore	**8,388**	8,081
	16,912	15,669

(e) Certain customers contributed more than 10% of the total sales of the Group during the year ended 31 December 2017. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Customer A	**49,101**	75,818
Customer B	**26,597**	20,871
Customer C	**24,644**	69,988

6 EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Cost of inventories sold	**116,194**	172,193
Employee benefit expenses (Note 8)	**21,834**	21,059
Depreciation (Note 14(b))	**1,401**	877
Amortisation (Note 14(a))	**102**	101
Machine rental expenses	**–**	350
Freight charge	**2,815**	4,241
Legal and professional fee for listing preparation	**11,498**	3,605
Auditors' remuneration		
– Audit services	**1,260**	268
– Non-audit services	**143**	40
Operating lease charges on land and buildings	**3,368**	2,537
Exchange (gains)/losses	**(3,863)**	2,533
Provision for impairment of trade receivables (Note 18)	**2,005**	3,893
Entertainment expenses	**1,924**	1,664
Travelling expense	**1,781**	1,372
Motor vehicle expenses	**930**	1,044
Others	**6,487**	5,180
Total cost of sales, selling expenses and administrative expenses	**167,879**	220,957

7 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Other income		
Other rental income	**–**	52
Others	**517**	315
	517	367
Other (losses)/gains, net		
Gain from fair value adjustment on assets held for sale	**–**	1,070
Loss from disposal of property, plant and equipment	**(164)**	–
Loss from disposal of assets held for sale	**(69)**	–
	(233)	1,070

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Salaries, wages and other benefits	**20,829**	20,069
Pension costs – defined contribution plans	**1,005**	990
	21,834	21,059

9 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

The emoluments of individual directors of the Company during the year which were included in the staff costs as disclosed in note 8 are set out below:

For the year ended 31 December 2017

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits (iv) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:						
Ng Lai Ming (i)	154	936	–	–	18	1,108
Ng Lai Tong (ii)	–	897	–	1,459	18	2,374
Ng Lai Po (ii)	–	884	202	–	18	1,104
Cheung King (ii)	–	910	–	204	18	1,132
Independent non-executive directors:						
Tai Wai Kwok (iii)	67	–	–	–	–	67
Lo Kok Keung (iii)	67	–	–	–	–	67
Lau Chi Leung (iii)	67	–	–	–	–	67
	355	3,627	202	1,663	72	5,919

9 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2016

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits (iv) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:						
Ng Lai Ming (i)	163	923	–	–	18	1,104
Ng Lai Tong (ii)	–	858	–	1,333	18	2,209
Ng Lai Po (ii)	–	878	–	–	18	896
Cheung King (ii)	–	891	–	361	18	1,270
Independent non-executive directors:						
Tai Wai Kwok (iii)	–	–	–	–	–	–
Lo Kok Keung (iii)	–	–	–	–	–	–
Lau Chi Leung (iii)	–	–	–	–	–	–
	163	3,550	–	1,694	72	5,479

Notes:

(i) Mr. Ng Lai Ming was appointed as executive director and the chief executive officer ("CEO") of the Company on 24 September 2015.

(ii) Mr. Ng Lai Tong, Mr. Ng Lai Po, and Mr. Cheung King were appointed as executive directors of the Company on 6 January 2017.

(iii) Mr. Tai Wai Kwok, Mr. Lo Kok Keung, and Mr. Lau Chi Leung were appointed as independent non-executive directors of the Company on 19 June 2017.

(iv) Other benefits represented sales commission.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2017 (2016: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2017 (2016: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Group did not pay consideration to any third parties for making available directors' services (2016: Nil).

9 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2017, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2016: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly to indirectly; subsisted at the end of the year or at any time during the year ended 31 December 2017 (2016: Nil).

(g) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 4 directors (2016: 4 directors) for the year ended 31 December 2017, whose remuneration are reflected in the analysis presented in Note 9(a) above.

The remuneration paid or payable to the remaining 1 individual (2016:1) are as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Salaries, wages and other benefits	**1,079**	763
Pension costs – defined contribution plan	**104**	97
	1,183	860

The remuneration fell within the following bands:

	Number of individual	
	Year ended 31 December	
	2017	2016
Remuneration bands		
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	–
	1	1

9 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)

(h) Senior Management's Remuneration

The remuneration paid or payable to senior management for the year ended 31 December 2017 and 2016 fell within the following bands:

	Number of individual Year ended 31 December	
	2017	2016
Remuneration bands		
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	-
	5	5

10 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Finance income on:		
– Bank deposits	**39**	14
Finance costs on:		
– Bank borrowings	**707**	796
– Finance lease liabilities	**54**	18
	761	814

11 INCOME TAX 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 year ended 31 December 2017 (2016: 16.5%). 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 year ended 31 December 2017 (2016: Nil). 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 year ended 31 December 2017 (2016: 17%).

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**252**	3,665
– Mainland China corporate income tax	**1,321**	–
– Singapore corporate income tax	**1**	900
Deferred income tax (Note 23)	**231**	407
Income tax expense	**1,805**	4,972

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
(Loss)/profit before income tax	**(6,691)**	27,028
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(777)**	4,096
Income not subject to tax	**(206)**	(224)
Expenses not deductible for tax purposes	**2,774**	1,686
Tax losses for which no deferred income tax asset was recognised	**–**	190
Utilisation of previously unrecognised tax losses	**(190)**	–
Provision for/(write-back of) withholding tax on undistributed earnings of subsidiaries	**243**	(383)
Under/(over) provision in prior year	**29**	(95)
Tax concession	**(68)**	(298)
Income tax expense	**1,805**	4,972

12 (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 year. 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 Reorganisation completed on 26 January 2016 and the Capitalisation Issue (as defined in the Prospectus) of ordinary shares which took place on 21 July 2017.

	Year ended 31 December	
	2017	2016
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(8,645)**	21,150
Weighted average number of ordinary shares in issue (thousands)	**517,397**	448,540
Basic (loss)/earnings per share (expressed in HK cents)	**(1.67)**	4.72

(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 year end.

13 SUBSIDIARIES

The following is a list of subsidiaries as at 31 December 2017:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued and paid up share capital	Effective equity interest held as at 2017	2016
Directly held by the Company:					
M&L Pacific Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	100%	100%
M&L Far East Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	100%	100%
East Focus International Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	100%	100%
Indirectly held by the Company:					
M&L China Engineering & Materials Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$10,000	96.45%	96.45%
M&L Engineering & Materials Limited	Hong Kong, limited liability company	Trading and hiring of construction machinery and spare parts in Hong Kong	HK$15,000,000	95.33%	95.33%
M&L Engineering Machinery (Shenzhen) Limited	The PRC, limited liability company	Trading and hiring of construction machinery and spare parts in the PRC	RMB3,500,000	96.45%	96.45%
East Focus Engineering Services Limited	Hong Kong, limited liability company	Trading and hiring of construction machinery and spare parts in Hong Kong	HK$100,000	100%	100%
M&L Engineering & Materials PTE Limited	Singapore, limited liability company	Trading and hiring of construction machinery and spare parts in Singapore	SG$50,000	100%	100%
M&L South Pacific Group Limited*	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$100,000	100%	–
M&L Australia Engineering Pty Limited*	Australia, limited liability company	Trading of construction machinery and spare parts in Australia	AUD10,000	100%	–
M&L Oceania Management Pty Limited*	Australia, limited liability company	Property holding in Australia	AUD50,000	100%	–

* These companies are newly incorporated during the year ended 31 December 2017.

14 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:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Opening net book amount	**5,195**	5,415
Amortisation of prepaid land premium	**(102)**	(101)
Exchange difference	**473**	(119)
Closing net book amount	**5,566**	5,195

All amortisation expenses have been recorded in administrative expenses.

14 PREPAID LAND PREMIUM AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Property, plant and equipment

	Buildings HK$'000	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2016						
Cost	2,560	3,401	783	1,064	3,864	11,672
Accumulated depreciation	(68)	(3,013)	(318)	(724)	(3,269)	(7,392)
Net book amount	2,492	388	465	340	595	4,280
Year ended 31 December 2016						
Opening net book amount	2,492	388	465	340	595	4,280
Additions	–	7,046	40	50	–	7,136
Depreciation	(46)	(180)	(150)	(159)	(342)	(877)
Exchange difference	(55)	(7)	–	(2)	(1)	(65)
Closing net book amount	2,391	7,247	355	229	252	10,474
At 31 December 2016						
Cost	2,501	10,438	822	1,068	3,844	18,673
Accumulated depreciation	(110)	(3,191)	(467)	(839)	(3,592)	(8,199)
Net book amount	2,391	7,247	355	229	252	10,474
Year ended 31 December 2017						
Opening net book amount	**2,391**	**7,247**	**355**	**229**	**252**	**10,474**
Additions	**–**	**1,194**	**874**	**83**	**26**	**2,177**
Disposal	**–**	**–**	**(167)**	**–**	**–**	**(167)**
Depreciation	**(47)**	**(905)**	**(142)**	**(136)**	**(171)**	**(1,401)**
Exchange difference	**217**	**25**	**–**	**8**	**13**	**263**
Closing net book amount	**2,561**	**7,561**	**920**	**184**	**120**	**11,346**
At 31 December 2017						
Cost	**2,730**	**11,680**	**1,414**	**1,180**	**3,869**	**20,873**
Accumulated depreciation	**(169)**	**(4,119)**	**(494)**	**(996)**	**(3,749)**	**(9,527)**
Net book amount	**2,561**	**7,561**	**920**	**184**	**120**	**11,346**

All depreciation expenses for the years ended 31 December 2017 and 2016 have been recorded in administrative expenses.

As at 31 December 2017, certain machinery and equipment with carrying amounts of HK$6,283,000 were used to secure for certain of the Group's borrowings (2016: Nil). For details, please refer to Note 27(b).

14 PREPAID LAND PREMIUM AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Property, plant and equipment (Continued)

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Cost – capitalised finance leases	**546**	546
Accumulated depreciation	**(546)**	(546)
Net book amount	**–**	–

The Group leases a motor vehicle under non-cancellable finance lease agreement. The lease terms is 4.5 years, and ownership of the asset lie within the Group.

15 INVESTMENT PROPERTIES

	HK$'000
At fair value	
At 1 January 2016	5,620
Transfer to assets held for sale (Note 20)	(5,620)
At 31 December 2016 and 2017	–

Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Rental income	**–**	52
Other direct operating expenses from property that generated rental income	**–**	(27)
	–	25

The investment properties have been transferred to assets held for sale during the year ended 31 December 2016. Details of the valuers, valuation techniques and key inputs were set out in Note 20.

16 INVENTORIES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Merchandise	**24,642**	29,586

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$116,194,000 for the year ended 31 December 2017 (2016: HK$172,193,000).

As at 31 December 2017, certain inventories amounted to HK$1,996,000 were used to secure for certain of the Group's borrowings (2016: Nil). For details, please refer to Note 27(b).

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Financial assets:		
Loans and receivables:		
Trade and other receivables	**74,129**	72,579
Pledged bank deposits	**2,536**	2,532
Cash and cash equivalents	**70,101**	44,357
	146,766	119,468
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and other payables	**37,625**	49,952
Amounts due to directors	**1,663**	5,685
Bank borrowings	**14,000**	20,000
Finance lease liabilities	**6,258**	172
Dividend payable	**7,980**	6,510
	67,526	82,319

18 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Trade receivables (Note)	**77,676**	79,639
Less: allowance for impairment of trade receivables	**(11,360)**	(9,289)
Trade receivables – net	**66,316**	70,350
Bills receivables	**6,276**	1,334
Prepayments		
– Professional fee for listing preparation	**–**	2,366
– Others	**397**	479
Trade deposits paid	**6**	10
Deposits paid	**2,480**	867
Other receivables	**516**	326
	75,991	75,732
Less: Non-current portion deposits	**(1,716)**	(288)
	74,275	75,444

Note:

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

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:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
0 to 30 days	**21,851**	24,971
31 to 60 days	**9,549**	11,252
61 to 90 days	**5,339**	4,541
91 to 180 days	**8,053**	10,131
181 to 365 days	**4,947**	7,231
Over 1 year	**16,577**	12,224
	66,316	70,350

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2017, trade receivables of HK$33,110,000, were past due but not impaired (2016: HK$49,734,000). The ageing analysis of these trade receivables based on due date is as follows:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Past due but not impaired:		
– Less than 3 months	**12,951**	23,174
– 3 to 6 months	**2,648**	11,637
– 6 months to 1 year	**3,026**	6,102
– More than 1 year	**14,485**	8,821
	33,110	49,734

Long aged receivables that were past due but not impaired relate to customers who have no recent history of default and based on past experience, settlement record and recent correspondence with the customers, the directors expect the overdue amounts to be recoverable.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Renminbi	**58,661**	36,972
Euro	**11,104**	23,358
HK dollar	**4,652**	13,750
Australian dollar	**1,361**	–
Singapore dollar	**213**	1,652
	75,991	75,732

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	HK$'000
At 1 January 2016	6,280
Provision for impairment	3,893
Written off during the year as uncollectible	(435)
Exchange difference	(449)
At 31 December 2016	**9,289**
Provision for impairment	**2,005**
Written off during the year as uncollectible	**(629)**
Exchange difference	**695**
At 31 December 2017	**11,360**

The provision for and reversal of provision for impaired receivables has been included in administrative expenses in the consolidated statement of comprehensive income. Impaired trade receivables previously provided for are written off when there is no expectation of recovery.

The carrying amounts of bills receivables approximate their fair values due to their short maturity. As at 31 December 2017, all the bills receivable represent bank acceptance notes issued by third parties with average maturity of within 179 days (2016: within 178 days), which are denominated in Renminbi.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

19 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Pledged bank deposits

As at 31 December 2017, fixed deposits of HK$2,536,000 (2016: HK$2,532,000) are denominated in HK$ and are pledged to a bank for securing certain general banking facilities granted to the Group (Note 27(c)).

(b) Cash and cash equivalents

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Short-term bank deposits with original maturities within three months	**20,000**	–
Cash at banks and on hand	**50,101**	44,357
	70,101	44,357
Maximum exposure to credit risk	**70,086**	44,335

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Renminbi	**943**	2,470
Euro	**13,479**	15,370
HK dollar	**51,095**	18,454
Singapore dollar	**2,305**	6,182
United States dollar	**1,718**	1,718
Other currencies	**561**	163
	70,101	44,357

As at 31 December 2017, cash and cash equivalents of approximately HK$838,000 (2016: HK$2,373,000) are denominated in Renminbi and deposited with banks in Mainland China. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of Mainland China is subject to the rules and regulations of exchange control promulgated by the government of the PRC.

20 ASSETS HELD FOR SALE

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**6,690**	–
Transfer from investment properties (Note 15)	**–**	5,620
Gain from fair value adjustment	**–**	1,070
Disposed during the year	**(6,690)**	–
At the end of the year	**–**	6,690

The Group's assets held for sale were valued at 31 December 2016, by Asset Appraisal Limited, an independent professionally qualified valuer who holds a recognised professional qualification and has recent experience in the locations and segments of the assets held for sale valued. The revaluation gains or losses are included in 'Other (losses)/gains, net' in the consolidated statement of comprehensive income. Assets held for sale were valued by direct comparison method where comparison is made based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

The Group's assets held for sale are located in Hong Kong and measured at fair value using significant unobservable inputs (Level 3 under HKFRS 13). There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2016.

Description	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial buildings	Age of property	0.5% price adjustment per year	The older the property, the lower the fair value
	Size of property	9.75% price adjustment per 10% increase in area of property	The larger the property, the higher the fair value
	Storey	0.5% price adjustment per each storey	The higher the storey, the lower the fair value

The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purpose.

20 ASSETS HELD FOR SALE (CONTINUED)

At each financial year end, finance department

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussion with the independent valuer.

On 30 November 2016, the Group entered into provisional agreements for sales and purchases with independent third parties pursuant to which the Group disposed of these assets held for sale to the independent third parties, at a total cash consideration of HK$6,702,000, net of commission and professional fees of HK$81,000.

The disposals were completed on 28 February 2017.

21 SHARE CAPITAL

On 24 September 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US$50,000 consisting of 5,000,000 ordinary shares of US$0.01 each. As of the date of incorporation, one ordinary share of US$0.01 was allotted and issued to and fully paid up by an initial subscriber at its par value. On the same date, the one ordinary share of US$0.01 was transferred to Mr. Ng Lai Ming. On 9 December 2015, the authorised share capital of the Company was changed to Hong Kong dollars in denomination and increased to HK$380,000, consisting of 38,000,000 shares with par value of HK$0.01 each. The one issued ordinary share denominated in US$ were cancelled. On the same date, 10 ordinary shares were allocated and issued to Mr. Ng Lai Ming at par of HK$0.01 each.

On 25 January 2016, the Company issued and allotted 8,681 shares, 439 shares and 395 shares as fully paid to Mr. Ng Lai Ming, Mr. Cheung King and Mr. Ng Lai Tong respectively, as part of the Reorganisation.

On 26 January 2016, Best Field Inc. (the "Pre-IPO Investor") entered into the Pre-IPO subscription agreement (the "Pre-IPO Investment") with Mr. Yeung Shiu Kin Eddie and the Company for subscription of 475 shares (representing 4.75% of the then enlarged issued share capital of the Company upon completion of the Pre-IPO investment on a fully diluted basis) for the consideration of HK$9,500,000.

On 21 July 2017, pursuant to the Capitalisation Issue (as defined in the Prospectus), the Company issued a total number of additional 449,990,000 shares, credited as fully paid, to Mr. Ng Lai Ming, Mr. Ng Lai Tong, Mr. Cheung King, Mr. Ng Lai Po and the Pre-IPO Investor respectively, based on their respective number of shares. On the same date, pursuant to the Share Offer (as defined in the Prospectus), the Company issued a total of 150,000,000 shares at a price of HK$0.47 per share.

21 SHARE CAPITAL (CONTINUED)

Before alteration of denomination currency of authorised share capital

	Number of ordinary shares	Share capital
		US$
Authorised:		
Ordinary share of US$0.01 each at 24 September 2015 (date of incorporation of the Company)	5,000,000	50,000
Issued and fully paid:		
At 24 September 2015 (date of incorporation of the Company)	1	0.01

After alteration of denomination currency of authorised share capital

	Number of ordinary shares	Share capital
		HK$'000
Authorised:		
Ordinary share of HK$0.01 each at 9 December 2015, 31 December 2015 and 2016	38,000,000	380
Increase in authorised share capital	962,000,000	9,620
At 31 December 2017	1,000,000,000	10,000
Issued and fully paid:		
At 9 December 2015 and 31 December 2015	10	–
Issuance of shares arising from Reorganisation	9,515	–
Issuance of shares to the Pre-IPO Investor	475	–
At 31 December 2016 and 1 January 2017	10,000	–
Issuance of shares pursuant to the Capitalisation Issue	449,990,000	4,500
Issuance of shares under the Share Offer	150,000,000	1,500
At 31 December 2017	600,000,000	6,000

22 RESERVES AND SHARE PREMIUM

	Capital reserve HK$'000 (note (a))	Share premium HK$'000 (note (b))	Translation reserve HK$'000	Statutory reserve HK$'000 (note (c))	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2016	15,642	–	(533)	436	54,334	69,879
Comprehensive income:						
Profit for the year	–	–	–	–	21,150	21,150
Currency translation difference	–	–	(401)	–	–	(401)
Transactions with owners:						
Proceeds from shares issued to the Pre-IPO Investor	–	9,500	–	–	–	9,500
Dividends declared to the then equity holders of the Company (Note 29)	–	–	–	–	(11,500)	(11,500)
Balance at 31 December 2016	15,642	9,500	(934)	436	63,984	88,628
Balance at 1 January 2017	**15,642**	**9,500**	**(934)**	**436**	**63,984**	**88,628**
Comprehensive income:						
Loss for the year	**–**	**–**	**–**	**–**	**(8,645)**	**(8,645)**
Currency translation difference	**–**	**–**	**1,223**	**–**	**–**	**1,223**
Transactions with owners:						
Transfer to statutory reserve	**–**	**–**	**–**	**260**	**(260)**	**–**
Shares issued pursuant to the Capitalisation Issue	**–**	**(4,500)**	**–**	**–**	**–**	**(4,500)**
Proceeds from shares issued under the Share Offer	**–**	**69,000**	**–**	**–**	**–**	**69,000**
Shares issuance costs	**–**	**(10,668)**	**–**	**–**	**–**	**(10,668)**
Dividends declared to the then equity holders of the Company (Note 29)	**–**	**–**	**–**	**–**	**(18,000)**	**(18,000)**
Balance at 31 December 2017	**15,642**	**63,332**	**289**	**696**	**37,079**	**117,038**

Notes:

(a) Capital reserve of HK$15,642,000 as at 31 December 2017 and 2016 included:

– reserve of HK$989,000, representing difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in a group of subsidiaries being acquired from non-controlling interests on 12 September 2013; and

– reserve of HK$14,653,000, representing difference between the carrying value of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

22 RESERVES AND SHARE PREMIUM (CONTINUED)

Notes: (Continued)

(b) On 26 January 2016, share premium of HK$9,500,000 was recognised upon issuance and allotment of shares to the Pre-IPO Investor.

On 21 July 2017, prior to the share premium account of the Company being credited with the proceeds from the Share Offer, the Company capitalised an amount of HK$4,499,900 by charging to the share premium account of the Company and that the said sum be applied in paying up in full for 449,990,000 shares. Such shares were allotted and issued, credited as fully paid to Mr. Ng Lai Ming, Mr. Ng Lai Tong, Mr. Cheung King, Mr. Ng Lai Po and the Pre-IPO Investor respectively, based on their respective number of shares. In connection with Company listing on GEM of the Stock Exchange on 21 July 2017, 150,000,000 shares were issued pursuant to the Share Offer at price of HK$0.47 per share for a total consideration of HK$70,500,000, with issuance costs amounted to approximately HK$10,668,000 being charged to the share premium account of the Company. Net share premium of approximately HK$53,832,000 was credited to equity after deducting the impacted results from above.

(c) 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.

23 DEFERRED INCOME TAX LIABILITIES/(ASSETS)

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2017 **HK$'000**	2016 HK$'000
Deferred income tax assets:		
– To be recovered after more than 12 months	**(102)**	(40)
Deferred income tax liabilities:		
– To be settled after more than 12 months	**1,161**	859
Deferred income tax liabilities, net	**1,059**	819

The net movement on the deferred income tax account is as follows:

	HK$'000
At 1 January 2016	417
Charged to profit or loss	407
Exchange difference	(5)
At 31 December 2016	**819**
Charged to profit or loss	**231**
Exchange difference	**9**
At 31 December 2017	**1,059**

23 DEFERRED INCOME TAX LIABILITIES/(ASSETS) (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2016 and 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses HK$'000	Unrealised profit HK$'000	Total HK$'000
Deferred income tax assets			
At 1 January 2016	–	58	58
Charged to profit or loss	–	(18)	(18)
At 31 December 2016	**–**	**40**	**40**
Credited to profit or loss	**37**	**25**	**62**
At 31 December 2017	**37**	**65**	**102**

	Accelerated depreciation allowances HK$'000	Withholding tax HK$'000	Total HK$'000
Deferred income tax liabilities			
At 1 January 2016	87	388	475
Charged/(credited) to profit or loss	772	(383)	389
Exchange difference	–	(5)	(5)
At 31 December 2016	**859**	**–**	**859**
Charged to profit or loss	**50**	**243**	**293**
Exchange difference	**–**	**9**	**9**
At 31 December 2017	**909**	**252**	**1,161**

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on the unremitted earnings or dividends declared in respect of profits earned by subsidiaries established in the PRC from 1 January 2008 onwards.

24 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Trade payables	**32,225**	45,129
Accrued expenses and other payables	**5,400**	4,823
Trade deposit received	**64**	670
	37,689	50,622

(a) The carrying amounts of trade and other payables approximate their fair values as at 31 December 2017 and 2016.

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
0 to 30 days	**5,153**	8,124
31 to 60 days	**2,665**	18,731
61 to 90 days	**5,367**	12,070
91 to 120 days	**4,813**	3,024
Over 120 days	**14,227**	3,180
	32,225	45,129

(c) The carrying amounts of trade and other payables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Euro	**20,870**	31,617
HK dollar	**4,997**	10,918
Renminbi	**10,740**	7,235
Other currencies	**1,082**	852
	37,689	50,622

25 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. If Genghiskhan remains dissolved continuously for a period of 10 years from 30 April 2008 (i.e. on 29 April 2018), it cannot be restored and the corresponding dividend payable would be written back.

The amount is unsecured, interest-free, repayable on demand and denominated in HK$. Its carrying amount at 31 December 2017 and 2016 approximates its fair value.

26 AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. Their carrying amounts at year end approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
HK dollar	**1,663**	3,544
Singapore dollar	**–**	2,141
	1,663	5,685

27 BORROWINGS

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Non-current		
Finance lease liabilities (b)	**4,592**	59
	4,592	59
Current		
Bank loans (a)	**14,000**	20,000
Finance lease liabilities (b)	**1,666**	113
	15,666	20,113
Total	**20,258**	20,172

27 BORROWINGS (CONTINUED)

(a) Bank loans

The carrying amounts of the bank loans approximate their fair values as at year end, and are denominated in the Hong Kong dollar.

(b) Finance lease liabilities

The finance lease liabilities were repayable as follows:

	Minimum lease payments As at 31 December	
	2017	2016
	HK$'000	HK$'000
No later than 1 year	**1,933**	119
Later than 1 year and no later than 5 years	**4,900**	60
	6,833	179
Future finance charges on finance leases	**(575)**	(7)
Present value of finance lease liabilities	**6,258**	172
The present value of finance lease liabilities is as follows:		
No later than 1 year	**1,666**	113
Later than 1 year and no later than 5 years	**4,592**	59
	6,258	172

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

As at 31 December 2017, certain finance leases are secured by certain machinery and equipment with carrying amounts of HK$6,283,000 and inventories amounted to HK$1,996,000 (2016: Nil).

27 BORROWINGS (CONTINUED)

(c) Banking facilities

The Group has obtained total banking facilities from banks of approximately HK$38,000,000 (2016: HK$37,000,000), of which HK$24,000,000 (2016: HK$17,000,000) has not been utilised.

The banking facilities are secured by the followings:

(i) the Group's bank deposits of approximately HK$2,536,000 (2016: HK$2,532,000);

(ii) personal guarantees jointly provided by Mr. Ng Lai Ming and Mr. Ng Lai Tong as at 31 December 2016 which had been released and replaced by the corporate guarantees provided by the Company during the year ended 31 December 2017; and

(iii) corporate guarantees provided by M&L Engineering & Materials Limited and East Focus Engineering Services Limited.

(d) The effective interest rates of the borrowings at the balance sheet date are as follows:

	As at 31 December	
	2017 **HK$'000**	2016 HK$'000
Fixed rate		
Finance lease liabilities	**4.5%**	7.3%
Floating rate		
Bank loans	**4.0%**	3.5%

28 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash (used in)/generated from operations:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
(Loss)/profit before income tax	**(6,691)**	27,028
Adjustments for:		
Finance costs	**761**	814
Finance income	**(39)**	(14)
Depreciation	**1,401**	877
Amortisation	**102**	101
Provision for impairment of trade receivables	**2,005**	3,893
Gain from change in fair value of assets held for sale	**–**	(1,070)
Loss on disposal of property, plant and equipment	**164**	–
Loss on disposal of assets held for sale	**69**	–
Cash (used in)/generated from operation before change in working capital	**(2,228)**	31,629
Changes in working capital		
Inventories	**5,225**	9,265
Trade and other receivables	**1,217**	22,430
Trade and other payables	**(18,026)**	(26,204)
Amount due to a related company	**–**	(7,772)
Balances with directors	**(1,881)**	1,694
Other provision	**(312)**	162
Cash (used in)/generated from operations	**(16,005)**	31,204

(b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment are analysed as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Net book amount (Note 14(b))	**167**	–
Loss on disposal of property, plant and equipment	**(164)**	–
Proceeds from disposal of property, plant and equipment	**3**	–

28 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

	Others assets	Liabilities from financing activities				
	Pledged deposit	Bank Borrowing due within one year	Finance lease due within one year	Finance lease due after one year	Amount due to a director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net balance as at 1 January 2017	2,532	(20,000)	(113)	(59)	(2,141)	(19,781)
Net cash flows	4	6,000	(1,553)	(4,533)	2,225	2,143
Exchange adjustment	–	–	–	–	(84)	(84)
Net balance as at 31 December 2017	2,536	(14,000)	(1,666)	(4,592)	–	(17,722)

29 DIVIDENDS

Interim dividend of HK$11,500,000 and HK$326,000 were declared to the then equity holders of the Company and non-controlling interests respectively in 2016. The portion attributable to the then equity holders of the Company was fully settled in 2016.

Interim dividend of HK$18,000,000 and HK$1,470,000 were declared to the then equity holder of the Company and non-controlling interests respectively in 2017 before the Share Offer. The portion attributable to the then equity holders of the Company was fully settled in 2017.

A dividend in respect of the year ended 31 December 2017 of HK0.8 cents per share, amounting to total dividend of HK$4,800,000, will be proposed at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

30 CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, the Group and the Company had no contingent liabilities.

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Land and property	**11,408**	–

(b) Operating lease commitments – as lessee

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
No later than one year	**3,509**	2,702
Later than one year and no later than five years	**7,121**	1,074
	10,630	3,776

32 RELATED PARTY TRANSACTIONS

Name of and relationship with related party is as follows:

Name	Relationship
Palmieri Foshan Tunneling Equipment Limited ("Palmieri China")	A subsidiary of MEK Group Company Ltd. in which Mr. Ng Lai Ming, Mr. Ng Lai Tong and Mr. Cheung King were shareholders holding 35% interests in total, and was subsequently disposed of by Mr. Ng Lai Ming, Mr. Ng Lai Tong and Mr. Cheung King on 25 January 2016. Since 25 January 2016, Palmieri China is no longer a related party to the Group.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions

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

		Year ended 31 December	
		2017	2016
	Note	**HK$'000**	HK$'000
Discontinued transactions:			
Sales of goods to a related company	(i)	**–**	88
Purchases of goods from a related company	(i)	**–**	(698)

Notes:

(i) The above transactions with a related company, Palmieri (China), were carried out in the ordinary course of business and conducted at prices mutually agreed between the relevant parties.

(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:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Salaries, wages and other benefits	**9,897**	9,225
Contributions to defined contribution retirement plans	**230**	242
	10,127	9,467

33 ULTIMATE HOLDING COMPANY

Management consider that JAT United Company Limited as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Mr. Ng Lai Ming, who is also the executive director and chairman of the Board of the Company.

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
		2017	2016
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		**69,314**	69,314
Current assets			
Prepayments for professional fee for listing preparation		**–**	2,366
Amounts due from subsidiaries		**37,252**	3,602
Cash and cash equivalents		**35,090**	–
		72,342	5,968
Total assets		**141,656**	75,282
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**6,000**	–
Reserves	(a)	**135,012**	75,282
Total equity		**141,012**	75,282
LIABILITY			
Current liability			
Accrued expenses		**644**	–
Total liability		**644**	–
Total equity and liability		**141,656**	75,282

The balance sheet of the Company was approved by the Board of Directors on 22 March 2018 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Po
Executive Director

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

Note (a) Reserve movement of the Company

	Share Premium and other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2016	–	–	–
Total comprehensive income			
Profit for the year	–	7,968	7,968
Transactions with owner			
Net asset value of the subsidiaries acquired upon Reorganisation	69,314	–	69,314
Shares issued to the Pre-IPO Investor	9,500	–	9,500
Dividends approved in the current year	(3,532)	(7,968)	(11,500)
Balance at 31 December 2016 and 1 January 2017	**75,282**	**–**	**75,282**
Total comprehensive income			
Profit for the year	**–**	**23,898**	**23,898**
Transactions with owner			
Shares issued under the Share Offer	**69,000**	**–**	**69,000**
Shares issued pursuant to the Capitalisation Issue	**(4,500)**	**–**	**(4,500)**
Share issuance costs	**(10,668)**	**–**	**(10,668)**
Dividends approved in the current year	**–**	**(18,000)**	**(18,000)**
Balance at 31 December 2017	**129,114**	**5,898**	**135,012**

Financial Summary

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last three financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

	Year ended 31 December		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Revenue	**161,626**	247,348	310,098
Gross profit	**45,092**	73,270	74,352
(Loss)/profit before income tax	**(6,691)**	27,028	34,825
Income tax expense	**(1,805)**	(4,972)	(7,494)
(Loss)/profit for the year	**(8,496)**	22,056	27,331
(Loss)/profit for the year attributable to equity holders of the Company	**(8,645)**	21,150	26,436

	As at 31 December		
	2017	2016	2015
	HK$'000	HK$'000	HK$'000
Non-current assets	**18,730**	15,997	15,732
Current assets	**175,620**	160,663	209,831
Total assets	**194,350**	176,660	225,563
Non-current liabilities	**5,920**	1,397	5,947
Current liabilities	**63,852**	83,778	147,460
Total liabilities	**69,772**	85,175	153,407
Non-controlling interests	**1,540**	2,857	2,277