



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)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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This announcement, 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 announcement 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 announcement misleading.

The board of Directors (the “Board”) of the Company is pleased to announce the audited annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Revenue	4	70,944	141,190
Cost of sales	5	<u>(49,413)</u>	<u>(100,959)</u>
Gross profit		21,531	40,231
Other income	6	2,121	14
Selling expenses	5	(5,647)	(6,644)
Administrative expenses	5	(27,358)	(33,091)
Other gains and losses			
Exchange gain/(loss)		4,173	(832)
Reversal of provision/(Provision) for impairment of trade receivables	9	1,118	(201)
Others	6	<u>107</u>	<u>(186)</u>
Operating loss		(3,955)	(709)
Finance income		185	270
Finance costs		<u>(2,682)</u>	<u>(1,686)</u>
Loss before income tax		(6,452)	(2,125)
Income tax credit	7	<u>935</u>	<u>801</u>
Loss for the year		(5,517)	(1,324)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		<u>635</u>	<u>(127)</u>
Total comprehensive income		<u><u>(4,882)</u></u>	<u><u>(1,451)</u></u>

		Year ended 31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		(5,379)	(1,334)
Non-controlling interests		<u>(138)</u>	<u>10</u>
		<u>(5,517)</u>	<u>(1,324)</u>
Total comprehensive income attributable to:			
Equity holders of the Company		(4,774)	(1,453)
Non-controlling interests		<u>(108)</u>	<u>2</u>
		<u>(4,882)</u>	<u>(1,451)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
– Basic and diluted	<i>8</i>	<u>(0.90)</u>	<u>(0.22)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		19,012	18,557
Right-of-use assets		10,024	13,921
Deposits		13	448
Other asset at fair value through profit or loss		4,831	4,744
Deferred tax assets		3,631	1,955
		<u>37,511</u>	<u>39,625</u>
Current assets			
Inventories		41,273	34,496
Trade and other receivables	9	104,879	113,033
Tax recoverable		392	480
Cash and cash equivalents		21,062	25,109
		<u>167,606</u>	<u>173,118</u>
Current liabilities			
Trade and other payables	10(a)	50,844	53,579
Contract liabilities	10(b)	1,444	–
Dividend payable		7,677	7,980
Amounts due to directors		5,674	5,701
Bank borrowings		23,667	24,000
Lease liabilities		1,956	2,932
Current tax liabilities		632	162
		<u>91,894</u>	<u>94,354</u>
Net current assets		<u>75,712</u>	<u>78,764</u>
Total assets less current liabilities		<u>113,223</u>	<u>118,389</u>

	As at 31 December	
	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	3,333	–
Lease liabilities	107	4,038
Deferred tax liabilities	1,726	1,424
Other provision	307	295
	<u>5,473</u>	<u>5,757</u>
Net assets	<u>107,750</u>	<u>112,632</u>
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	6,000	6,000
Reserves	100,408	105,182
	<u>106,408</u>	<u>111,182</u>
Non-controlling interests	1,342	1,450
	<u>107,750</u>	<u>112,632</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

M&L Holdings Group Limited (the “Company”) was incorporated in the Cayman Islands on 24 September 2015 as an exempted company with limited liability. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 21 July 2017.

The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 10th Floor, Empress Plaza, 17–19 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in trading and lease of construction machinery and spare parts.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The financial statements have been prepared under the historical cost basis except for other asset at fair value through profit or loss which is measured at fair value.

The financial statements are presented in Hong Kong dollars (“HK\$”), which is same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates and assumptions are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2020

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The adoption of the above new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact of the Group's accounting policies.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ⁴
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 9 Financial Instruments and Amendments to Illustrative Examples accompanying HKFRS 16 Lease ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

The Directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. The Directors consider that these new standards and amendments are unlikely to have a material impact to the Group's financial statements.

4. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Timing of revenue recognition – At a point in time		
– Sales of goods	68,379	137,512
– Repair and maintenance services income	<u>2,565</u>	<u>2,492</u>
	70,944	140,004
Revenue from other sources		
– Machinery rental income	<u>–</u>	<u>1,186</u>
	<u>70,944</u>	<u>141,190</u>

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purposes of resources allocation and assessment of segment performance. The executive Directors considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

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

The executive Directors assess the performance of the operating segments based on revenue and gross profit margin of each segment. 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 represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2020 (2019: Nil). The accounting policies of the reportable segments are the same as the Group's accounting policies.

- (a) The segment information provided to the executive Directors for the reportable segments for the year ended 31 December 2020 is as follows:

	Tunnelling <i>HK\$'000</i>	Foundation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (all from external customers)	64,684	6,260	70,944
Cost of sales	<u>(44,585)</u>	<u>(4,828)</u>	<u>(49,413)</u>
Segment results	20,099	1,432	21,531
Gross profit %	<u>31.07%</u>	<u>22.88%</u>	30.35%
Other income			2,121
Selling expenses			(5,647)
Administrative expenses			(27,358)
Other gains and losses			
Exchange gain			4,173
Reversal of provision for impairment of trade receivables			1,118
Others			<u>107</u>
Operating loss			(3,955)
Finance income			185
Finance costs			<u>(2,682)</u>
Loss before income tax			(6,452)
Income tax credit			<u>935</u>
Loss for the year			<u>(5,517)</u>

- (b) The segment information provided to the executive Directors for the reportable segments for the year ended 31 December 2019 is as follows:

	Tunnelling <i>HK\$'000</i>	Foundation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (all from external customers)	131,319	9,871	141,190
Cost of sales	<u>(94,762)</u>	<u>(6,197)</u>	<u>(100,959)</u>
Segment results	36,557	3,674	40,231
Gross profit %	<u>27.84%</u>	<u>37.22%</u>	28.49%
Other income			14
Selling expenses			(6,644)
Administrative expenses			(33,091)
Other gains and losses			
Exchange loss			(832)
Provision for impairment of trade receivables			(201)
Others			<u>(186)</u>
Operating loss			(709)
Finance income			270
Finance costs			<u>(1,686)</u>
Loss before income tax			(2,125)
Income tax credit			<u>801</u>
Loss for the year			<u><u>(1,324)</u></u>

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

	Year ended 31 December	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	18,668	12,248
The PRC	34,801	76,946
Singapore and other Asia-Pacific countries	14,202	23,182
Others	<u>3,273</u>	<u>28,814</u>
	<u><u>70,944</u></u>	<u><u>141,190</u></u>

- (d) The total amounts of non-current assets, other than deposits and deferred tax assets of the Group as at 31 December 2020 are located in the following regions:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	10,553	14,727
The PRC	513	318
Singapore	7,812	7,774
Australia	14,989	14,403
	<u>33,867</u>	<u>37,222</u>

- (e) Certain customers contributed more than 10% of the total sales of the Group during the year ended 31 December 2020. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	13,437	35,230
Customer B	12,056	17,409
Customer C	11,919	9,050
Customer D	7,407	6,485
Customer E	N/A*	22,413

- * Not applicable as sales of the customer during the year ended 31 December 2020 is less than 10% of the Group's revenue.

5. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	48,139	99,305
Employee benefit expenses	16,847	18,668
Depreciation		
Owned property, plant and equipment	1,445	1,112
Right-of-use assets under the following categories:		
– Ownership interests in leasehold land for own use	101	103
– Other properties leased for own use	1,396	1,428
– Machinery and equipment	705	705
Short-term leases expenses	1,197	1,343
Legal and professional fee	599	1,887
Auditors' remuneration		
– Audit services	705	695
– Non-audit services	98	92
Others	11,186	15,356
	<u>82,418</u>	<u>140,694</u>

6. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Government grant (<i>note</i>)	2,030	–
Others	91	14
	<u>2,121</u>	<u>14</u>
Other gains and losses — others		
Gain on disposal of property, plant and equipment	20	89
Changes in fair value of other asset at fair value through profit or loss	87	(275)
	<u>107</u>	<u>(186)</u>

Note:

During the year, the Group received various subsidies totalling HK\$2,030,000 from the governments of Hong Kong, the People's Republic of China (the "PRC"), Singapore and Australia. Such subsidies include:

- (i) an amount of HK\$1,391,000 (2019: Nil) obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the government of Hong Kong supporting the payroll of the Group's Hong Kong employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time; and
- (ii) an aggregate amount of HK\$639,000 received from the governments of the PRC, Singapore and Australia mainly to help businesses keep employees and support businesses to tackle the impact of COVID-19 pandemic.

The Group has complied with requirements set out in the ESS and there is no other unfulfilled obligations relating to these subsidies.

7. INCOME TAX CREDIT

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current taxation for the year		
– Hong Kong profits tax	–	161
– Mainland China corporate income tax	597	22
– Singapore corporate income tax	–	–
– Australia corporate income tax	–	1
	<u>597</u>	<u>184</u>
Over-provision in respect of prior years	(162)	(18)
Deferred tax	<u>(1,370)</u>	<u>(967)</u>
Income tax credit	<u>(935)</u>	<u>(801)</u>

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2020 (2019: 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 2020 (2019: 25%). 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 2020 (2019: 17%). Australia corporate income tax has been provided for at the rate of 27.5% on the estimated assessable profits for the Group's operations in Australia for the year ended 31 December 2020 (2019: 27.5%).

8. LOSS PER SHARE

(a) Basic

The basic loss per share is calculated on the loss attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the respective year.

	Year ended 31 December	
	2020	2019
Loss attributable to equity holders of the Company (HK\$'000)	(5,379)	(1,334)
Weighted average number of ordinary shares in issue (thousands)	<u>600,000</u>	<u>600,000</u>
Basic loss per share (expressed in HK cents)	<u>(0.90)</u>	<u>(0.22)</u>

(b) Diluted

Diluted loss per share presented is the same as the basic loss per share as there were no potentially dilutive ordinary shares outstanding as at year end.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables	104,086	105,753
Less: loss allowance	<u>(5,078)</u>	<u>(5,880)</u>
Trade receivables – net	99,008	99,873
Bills receivables	1,754	10,871
Prepayments	265	306
Deposits paid	1,619	915
Other receivables	<u>2,246</u>	<u>1,516</u>
	104,892	113,481
Less: Non-current portion deposits	<u>(13)</u>	<u>(448)</u>
	<u>104,879</u>	<u>113,033</u>

The credit terms granted by the Group generally ranged up to 270 days (2019: 270 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	21,138	16,311
31 to 60 days	1,331	6,439
61 to 90 days	6,887	2,950
91 to 180 days	5,595	18,611
181 to 365 days	8,961	8,961
1 to 2 years	20,104	26,668
2 to 3 years	22,900	10,747
Over 3 years	17,170	15,066
	<hr/>	<hr/>
Trade receivables, gross	104,086	105,753
Less: loss allowance	(5,078)	(5,880)
	<hr/>	<hr/>
Trade receivables, net	99,008	99,873
	<hr/> <hr/>	<hr/> <hr/>

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January	5,880	6,842
Impairment losses charged to profit or loss	227	201
Impairment losses reversed	(1,345)	–
Written off during the year as uncollectible	–	(1,040)
Exchange difference	316	(123)
	<hr/>	<hr/>
Balance at 31 December	5,078	5,880
	<hr/> <hr/>	<hr/> <hr/>

Bills receivables represent bank acceptance notes issued by third parties with average maturity of within 240 days (2019: within 213 days), which are denominated in Renminbi.

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	46,283	46,825
Accrued expenses and other payables	4,561	6,754
	<u>50,844</u>	<u>53,579</u>

Included in trade payables as at 31 December 2020 is an amount of HK\$17,675,000 (2019: Nil) which is interest bearing at 4% per annum.

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

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	7,234	3,444
31 to 60 days	1,307	1,261
61 to 90 days	6,925	6,505
91 to 120 days	2,315	10,486
Over 120 days	28,502	25,129
	<u>46,283</u>	<u>46,825</u>

(b) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities related to trading in spare parts	<u>1,444</u>	<u>–</u>

Movements on contract liabilities are as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January	–	899
– Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	–	(899)
– Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts as at 31 December	<u>1,444</u>	<u>–</u>
Balance at 31 December	<u>1,444</u>	<u>–</u>

The contract liabilities of HK\$899,000 as at 31 December 2018 were recognised as income in 2019.

11. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Background, recent development and outlook

The Group is an integrated engineering solutions provider in connection with (i) the supply of specialised cutting tools and parts for construction equipment with particular focus on disc cutters which are widely used in conjunction with tunnel boring machines (“TBM”) and microtunnelling equipment; (ii) the supply of fabricated construction steel works and equipment; (iii) the supply of specialised construction equipment, and repair and maintenance services. Our business can broadly be categorized into two segments, namely tunnelling and foundation.

Hong Kong market

During the year ended 31 December 2020, the business and economic condition in Hong Kong were persistently affected by the outbreak of COVID-19. The business activities in Hong Kong were restricted and run at a low level. Recently, as the local epidemic has eased and the Legislative Council was restored to its efficiency for approving the infrastructure projects, certain projects have been carried out gradually. The Group has recently been awarded a contract for the supply and refurbishment of disc cutters for the tunnel works in relation to the HKT2 — trunk road T2 and infrastructure works for developments at the former south apron under the Kai Tak Development project. The Directors believe that the Hong Kong market is expected to regain its momentum.

We will closely monitor the development of new railway schemes which were recommended in the “Railway Development Strategy” published by the Transport and Housing Bureau of Hong Kong in 2014, as well as any potential business opportunities in Hong Kong.

PRC market

The Group’s business in the PRC market was related to the supply of specialised cutting tools and parts mainly for the tunnelling construction sites as well as the tunnelling equipment manufacturers. After a series of precautionary and quarantine control measures had been implemented across the Peoples Republic of China (the “PRC”), the PRC operation resumed gradually since March 2020. However, we observed that certain projects of our customers have been delayed and their purchasing decisions become prudent due to COVID-19 and the accompanied economic uncertainties. We will keep an eye on the situation and make appropriate responses.

Singapore and other Asia-Pacific countries

The Group has utilised Singapore as a regional hub to seek opportunities for expansion into Malaysia and other Southeast Asia countries. Moreover, the Group had completed the set-up of a workshop and maintenance services centre in Melbourne, Australia, which helps expanding our business into other Pacific countries. COVID-19 spread rapidly in Singapore, Malaysia, Australia and other Asia-Pacific countries during the year ended 31 December 2020. Although Melbourne began its lockdown in June, the projects in Australia are still in progress and the market condition in this region remains positive. Whereas in Singapore, after the implementation of a series of epidemic prevention measures in the second quarter, our operation in Singapore resumed in the third quarter. However, the economic activity is slow and the demand from our customers is still at a low level. The market prospect in this region is unclear and the management considers that more time would be needed for the markets to be recovered.

Other countries

We are also seeking actively for expansion opportunities in the global markets and have established a steady flow of revenue from our newly explored markets e.g. countries in Europe and America. During the year ended 31 December 2020, COVID-19 had spread widely across countries in Europe and America and the epidemic is still severe in these regions. The demands for our products from customers in these new markets were limited.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK\$70.3 million or 49.8% from approximately HK\$141.2 million for the year ended 31 December 2019 to approximately HK\$70.9 million for the year ended 31 December 2020. The decrease was primarily attributable to the decrease in revenue recognized for our tunnelling segment by approximately HK\$66.6 million or 50.7% from approximately HK\$131.3 million for the year ended 31 December 2019 to approximately HK\$64.7 million for the year ended 31 December 2020. Meanwhile, the revenue recognised for our foundation segment was also decreased, by HK\$3.6 million or 36.4% from approximately HK\$9.9 million for the year ended 31 December 2019 to approximately HK\$6.3 million for the year ended 31 December 2020. From the perspective of geographic locations of our customers, revenue derived from customers based in Hong Kong increased from approximately HK\$12.2 million for the year ended 31 December 2019 to approximately HK\$18.7 million for the year ended 31 December 2020, while revenue derived from customers based in the PRC and Singapore and other Asia-Pacific countries decreased by HK\$42.1 million or 54.7% and HK\$9.0 million or 38.8% to approximately HK\$34.8 million and HK\$14.2 million from the corresponding period in 2019 respectively.

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. Our cost of sales decreased by approximately HK\$51.6 million or 51.1% from approximately HK\$101.0 million for the year ended 31 December 2019 to approximately HK\$49.4 million for the year ended 31 December 2020. Such decrease 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\$18.7 million or 46.5% from approximately HK\$40.2 million for the year ended 31 December 2019 to approximately HK\$21.5 million for the year ended 31 December 2020. However, our gross profit margin increased slightly from approximately 28.5% for the year ended 31 December 2019 to approximately 30.3% for the year ended 31 December 2020. The increase in gross profit margin was largely due to the difference in the mix of customers and products supplied by us during the respective years.

Other income

Our other income increased from approximately HK\$14,000 for the year ended 31 December 2019 to approximately HK\$2.1 million for the year ended 31 December 2020. The increase was primarily attributable to COVID-19 subsidies of approximately HK\$2.0 million released by governments in the jurisdictions in which the Group operated during the year ended 31 December 2020.

Selling expenses

Selling expenses mainly include freight charges, on-site supervision fee and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses decreased from approximately HK\$6.6 million for the year ended 31 December 2019 to HK\$5.6 million for the year ended 31 December 2020. During the year ended 31 December 2020, the freight charges declined due to the drop in revenue, but were off-set by the increase in on-site supervision fee, as required by some customers, as compared to the same period in 2019.

Administrative expenses

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, depreciation and amortisation and other administrative expenses. Administrative expenses decreased by approximately HK\$5.7 million or 17.2% from approximately HK\$33.1 million for the year ended 31 December 2019 to approximately HK\$27.4 million for the year ended 31 December 2020. The decrease was mainly attributable to the decrease in

legal and professional fee of approximately HK\$1.3 million for the year ended 31 December 2020 and reduction in business and travelling and entertainment expenses of approximately HK\$1.9 million during the year ended 31 December 2020 due to the travel restrictions caused by COVID-19.

Exchange gain/(loss)

The exchange gain for the year ended 31 December 2020 was approximately HK\$4.2 million, while it was an exchange loss for the year ended 31 December 2019 of approximately HK\$0.8 million. The gain for the year ended 31 December 2020 was mainly due to the appreciation of Renminbi and Australian dollar.

Reversal of provision for/(provision for) impairment of trade receivables

It was a reversal of provision for impairment of trade receivables of approximately HK\$1.1 million for the year ended 31 December 2020, while it was a provision for impairment of trade receivables of approximately HK\$0.2 million for the year ended 31 December 2019. The reversal of provision was mainly attributable to the improvement in settlement from trade receivables in the PRC.

Finance costs

The finance costs increased by approximately HK\$1.0 million from approximately HK\$1.7 million for the year ended 31 December 2019 to approximately HK\$2.7 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in interest on overdue trade payables of approximately HK\$0.8 million.

Income tax credit

The income tax credit for the year ended 31 December 2020 was approximately HK\$1.0 million, while the income tax credit for the year ended 31 December 2019 was approximately HK\$0.8 million. The increase was mainly resulted from changes in deferred tax assets attributable to unused tax losses.

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 2020 of approximately HK\$5.4 million, while it was a loss attributable to equity holders of our Company of approximately HK\$1.3 million for the year ended 31 December 2019.

Liquidity, financial resources and capital structure

	31 December 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
Current assets	167,606	173,118
Current liabilities	91,894	94,354
Current ratio	<u>1.82</u>	<u>1.83</u>

During the year ended 31 December 2020, the Group financed its operations by its internal resources and banking facilities. As at 31 December 2020, the Group had net current assets of approximately HK\$75.7 million (31 December 2019: HK\$78.8 million), including cash and cash equivalents of approximately HK\$21.1 million (31 December 2019: HK\$25.1 million). The Group's current ratio as at 31 December 2020 was 1.82 times (31 December 2019: 1.83 times).

As at 31 December 2020, the Group had a total available banking and other facilities of approximately HK\$34.0 million, of which approximately HK\$27.0 million was utilised and approximately HK\$7.0 million was unutilised and available for use.

There has been no change in capital structure of the Company during the year ended 31 December 2020. As at 31 December 2020, the equity attributable to equity holders of the Company amounted to approximately HK\$106.4 million (31 December 2019: approximately HK\$111.2 million).

Gearing ratio

As at 31 December 2020, the net gearing ratio was 12.1% (31 December 2019: 9.8%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totalling HK\$12.9 million (31 December 2019: HK\$10.9 million) as a percentage of equity attributable to equity holders of the Company of HK\$106.4 million (31 December 2019: HK\$111.2 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2020, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro, Renminbi and Australian dollars (the “Major Foreign Currencies”).

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

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

CAPITAL COMMITMENT

As at 31 December 2020, the Group had no capital commitment.

USE OF PROCEEDS

The net proceeds from the share offer (the “Share Offer”) of the Company’s shares that listed on GEM of the Stock Exchange on 21 July 2017 (the “Listing Date”) was approximately HK\$40.2 million, which was different from the estimated net proceeds of HK\$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the “Prospectus”). The difference of HK\$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. As further disclosed in the announcements of the Company dated 21 December 2018 and 28 July 2020, the Board has resolved to change the usage of the unutilised net proceeds. The utilisation of net proceeds raised by the Group from the Share Offer up to 31 December 2020 is as below.

	Estimated use of net proceeds as set out in the Prospectus	Adjusted use of net proceeds (note 1)	Up to 31 December 2020		Expected Completion Date
	<u>HK\$'million</u>	<u>HK\$'million</u>	<u>utilised</u> <u>HK\$'million</u>	<u>unutilised</u> <u>HK\$'million</u>	
To further develop fabricated construction steel works and equipment business in the PRC	16.0	0.2	0.2	–	
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	30.3	14.0	16.3	On or before 31 December 2023 (note 2)
To expand repair and maintenance services in the PRC for tunnelling business	5.5	0.4	0.4	–	
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	2.7	–	
To set up 4 to 5 sets of mobile repair and maintenance units in the PRC for tunnelling business	–	1.1	–	1.1	On or before 31 December 2022 (note 3)
To renew the wear-off facilities and machineries of the repair and maintenance centres of the Group in Hong Kong and Singapore	–	1.5	–	1.5	On or before 31 December 2022 (note 3)
General working capital	3.9	4.0	4.0	–	
	<u>39.0</u>	<u>40.2</u>	<u>21.3</u>	<u>18.9</u>	

Notes:

1. The adjusted use of net proceeds are adjusted in the same proportion to the estimated use of net proceeds as shown in the Prospectus based on the actual amount received by the Company, and in the same manner as shown in our announcements dated 21 December 2018 and 28 July 2020.
2. The planned usage and timeline of the unutilised net proceeds of HK\$16.3 million are as follows:
 - a) HK\$9.0 million for acquisition of two sets of reverse circulation drilling (“RCD”) rig, manufacture of the steel structure by subcontractor and complete the assembly of the set of RCD rig in our Hong Kong warehouse, which will be made available for leasing and/or trading upon completion. We expect to complete the first set on or before 31 December 2021 and the second set on or before 31 December 2022.
 - b) HK\$7.3 million for acquisition of three sets of vibrodriver from PTC or similar construction machineries, which will be made available for leasing and/or trading upon completion. We expect to complete the first set on or before 31 December 2021, the second set on or before 31 December 2022 and the third set on or before 31 December 2023.
3. The planned usage and timeline of the unutilised net proceeds of HK\$2.6 million are as follows:
 - a) HK\$1.1 million for setting up 4 to 5 sets of mobile repair and maintenance units for deploying to customers’ construction sites in the PRC on or before 31 December 2022; and
 - b) HK\$1.5 million for renewal of wear-off facilities and machineries of the two repair and maintenance centres of the Group in Hong Kong and Singapore on or before 31 December 2022.

The unutilised net proceeds as at 31 December 2020 have been placed with licensed banks in Hong Kong.

The business objectives, future plans and estimated use of net proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and the industry.

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 2020.

CHARGES ON ASSETS

As at 31 December 2020, certain machinery and equipment under right-of-use assets and inventories with carrying value of approximately HK\$5,825,000 (2019: HK\$6,869,000) were pledged to secure for the finance of certain lease liabilities of approximately HK\$1,416,000 (2019: HK\$3,042,000). In addition, a life insurance policy to Mr. Ng Lai Ming with an insured sum of US\$1,582,862 has been assigned as security for certain banking facilities.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

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 and had complied with the CG Code throughout the year ended 31 December 2020 and up to the date of this announcement, 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 the Model Code throughout the year ended 31 December 2020.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the “AGM”) will be held on Thursday, 13 May 2021. The register of members of the Company will be closed from Monday, 10 May 2021 to Thursday, 13 May 2021 (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 Friday, 7 May 2021 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

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 2020 and up to and including the date of this announcement.

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 throughout the year and up to the date of this announcement.

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 2020.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020 and this results announcement. The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the year ended 31 December 2020 containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 25 March 2021

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

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.mleng.com.