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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 2023

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

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

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

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.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		% change
	2023	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	153,748	87,047	+76.6%
Gross profit	55,457	29,259	+89.5%
Profit/(Loss) before tax	9,446	(8,701)	N.A.
Other comprehensive income	2,206	385	+473.0%
Total comprehensive income	9,468	(8,190)	N.A.
Earnings/(Loss) per share (<i>HK cents</i>)	1.15	(1.41)	
Equity value per share (<i>HK cents</i>)	17.4	15.9	
Gearing ratio	4.7%	11.7%	

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 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000
Revenue	4	153,748	87,047
Cost of sales		<u>(98,291)</u>	<u>(57,788)</u>
Gross profit		55,457	29,259
Other income	6	558	1,643
Selling expenses		(13,690)	(3,980)
Administrative expenses		(27,290)	(26,762)
Other gains and losses			
Exchange loss		(1,909)	(5,478)
Provision for impairment of trade receivables	9	(1,094)	(1,491)
Others	6	119	91
Operating profit/(loss)		12,151	(6,718)
Finance income		316	116
Finance costs		(3,021)	(2,099)
Profit/(Loss) before income tax		9,446	(8,701)
Income tax (expense)/credit	7	(2,184)	126
Profit/(Loss) for the year		7,262	(8,575)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of land and buildings			
— Increase in fair value		2,997	1,311
— Income tax effect		(824)	(306)
		2,173	1,005
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		33	(620)
Other comprehensive income for the year		2,206	385
Total comprehensive income for the year		9,468	(8,190)

		Year ended 31 December	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the year attributable to:			
Equity holders of the Company		6,888	(8,452)
Non-controlling interests		374	(123)
		<u>7,262</u>	<u>(8,575)</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		9,096	(8,041)
Non-controlling interests		372	(149)
		<u>9,468</u>	<u>(8,190)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share			
— Basic and diluted	<i>8</i>	<u>1.15</u>	<u>(1.41)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,977	24,703
Right-of-use assets		7,799	8,068
Deposits		172	565
Other assets at fair value through profit or loss		5,601	5,327
Deferred tax assets		1,532	2,698
		41,081	41,361
Current assets			
Inventories		33,057	42,939
Trade and other receivables	9	77,801	81,902
Tax recoverable		360	391
Cash and cash equivalents		28,304	28,237
		139,522	153,469
Current liabilities			
Trade and other payables	10(a)	31,127	39,158
Contract liabilities	10(b)	395	11,473
Dividend payable		5,880	6,347
Amounts due to directors		3,727	4,227
Bank borrowings		24,586	27,833
Lease liabilities		1,350	1,816
Current income tax liabilities		1,134	–
		68,199	90,854
Net current assets		71,323	62,615
Total assets less current liabilities		112,404	103,976

	As at 31 December	
	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	3,482	5,065
Lease liabilities	540	788
Deferred tax liabilities	3,071	2,387
Other provision	615	508
	<u>7,708</u>	<u>8,748</u>
Net assets	<u>104,696</u>	<u>95,228</u>
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	6,000	6,000
Reserves	97,321	88,225
	<u>103,321</u>	94,225
Non-controlling interests	<u>1,375</u>	<u>1,003</u>
Total equity	<u>104,696</u>	<u>95,228</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”) since 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 21st 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 certain properties and other assets at fair value through profit or loss which are 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. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of new or amendments to HKFRSs — effective 1 January 2023

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 effective for the Group's financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except as disclosed below, the adoption of the above new or amendments to HKFRSs that are effective for the current reporting period did not have any significant impact on the Group's financial statements.

Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant accounting policies” with a requirement to disclose their “material accounting policy information” and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy information.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) New HKICPA guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“the Amendment Ordinance”) was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“MPF”) to offset severance payment (“SP”) and long service payments (“LSP”) (“the Abolition”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (“the Transition Date”). The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer’s MPF contributions and its LSP obligation and hence the impact arising from the Abolition, in July 2023 the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“the Guidance”) to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of Hong Kong Accounting Standard 19.93(a)

Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

(c) **New or amendments to HKFRSs that have been issued but are not yet effective**

The following amendments to 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	Non-current Liabilities with Covenants ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

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 amendments to standards on the Group's results and financial position in the first year of application. The Directors consider that these amendments are unlikely to have a material financial impact to the Group's financial statements.

4. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2023	2022
	<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	149,184	80,470
— Repair and maintenance services income	4,150	5,151
	<u>153,334</u>	<u>85,621</u>
Revenue from other sources		
— Machinery rental income	414	1,426
	<u>414</u>	<u>1,426</u>
	<u>153,748</u>	<u>87,047</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:

Tunnelling — Supply of specialised cutting tools and parts for construction equipment

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 information about 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 (2022: 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 2023 is as follows:

	Tunnelling <i>HK\$'000</i>	Foundation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (all from external customers)	149,911	3,837	153,748
Cost of sales	<u>(95,652)</u>	<u>(2,639)</u>	<u>(98,291)</u>
Segment results	54,259	1,198	55,457
Gross profit %	<u>36.19%</u>	<u>31.22%</u>	36.07%
Other income			558
Selling expenses			(13,690)
Administrative expenses			(27,290)
Other gains and losses			
Exchange loss			(1,909)
Provision for impairment of trade receivables			(1,094)
Others			<u>119</u>
Operating profit			12,151
Finance income			316
Finance costs			<u>(3,021)</u>
Profit before income tax			9,446
Income tax expense			<u>(2,184)</u>
Profit for the year			<u><u>7,262</u></u>

- (b) The segment information provided to the executive Directors for the reportable segments for the year ended 31 December 2022 is as follows:

	Tunnelling <i>HK\$'000</i>	Foundation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (all from external customers)	80,344	6,703	87,047
Cost of sales	<u>(53,595)</u>	<u>(4,193)</u>	<u>(57,788)</u>
Segment results	26,749	2,510	29,259
Gross profit %	<u>33.29%</u>	<u>37.45%</u>	33.61%
Other income			1,643
Selling expenses			(3,980)
Administrative expenses			(26,762)
Other gains and losses			
Exchange loss			(5,478)
Provision for impairment of trade receivables			(1,491)
Others			<u>91</u>
Operating loss			(6,718)
Finance income			116
Finance costs			<u>(2,099)</u>
Loss before income tax			(8,701)
Income tax credit			<u>126</u>
Loss for the year			<u><u>(8,575)</u></u>

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

	Year ended 31 December	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	72,229	60,152
United States of America	34,017	3,799
The PRC	28,765	13,479
Other Asia-Pacific countries	15,426	7,758
Others	<u>3,311</u>	<u>1,859</u>
	<u><u>153,748</u></u>	<u><u>87,047</u></u>

- (d) The total amounts of non-current assets, other than deposits and deferred tax assets of the Group as at 31 December 2023 and 2022 are located in the following regions:

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	9,793	11,717
The PRC	183	95
Singapore	8,645	8,144
Australia	20,756	18,142
	<u>39,377</u>	<u>38,098</u>

- (e) Certain customers individually contributed more than 10% of the total revenue of the Group. The amount of revenue generated from these customers are disclosed as follows:

	Year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	70,852	53,448
Customer B	32,225	4,189
	<u>70,852</u>	<u>53,448</u>

5. EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	96,446	56,417
Employee benefit expenses	15,091	15,364
Depreciation*		
Owned property, plant and equipment	2,171	1,993
Right-of-use assets under the following categories:		
— Ownership interests in leasehold land for own use	116	109
— Other properties leased for own use	2,082	1,133
	<u>4,369</u>	<u>3,235</u>
Short-term leases expenses	563	1,255
Auditor's remuneration		
— Audit services	650	620
— Non-audit services	78	71
	<u>650</u>	<u>620</u>

* Recorded as administrative expenses

6. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Other income		
Government grant (<i>note</i>)	87	589
Forfeiture of unclaimed dividend	467	1,050
Others	4	4
	<u>558</u>	<u>1,643</u>
Other gains and losses — others		
Change in fair value of other assets at fair value through profit or loss	114	91
Gain from disposal of property, plant and equipment	5	—
	<u>119</u>	<u>91</u>

Note:

During the year, the Group received various subsidies totalling HK\$87,000 (2022: HK\$589,000) from the governments of Singapore and Australia (2022: Hong Kong, Singapore and the PRC) mainly to help businesses to keep employees.

7. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Current taxation for the year — Hong Kong Profits Tax	<u>1,134</u>	<u>—</u>
	<u>1,134</u>	<u>—</u>
Deferred tax	<u>1,050</u>	<u>(126)</u>
Income tax expense/(credit)	<u><u>2,184</u></u>	<u><u>(126)</u></u>

The Group has no income subject to taxation in the Cayman Islands and the British Virgin Islands.

The Company and its Hong Kong incorporated subsidiaries are subject to Hong Kong Profits Tax, which is calculated at tax rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 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. 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. Australia corporate income tax has been provided for at the rate of 25%–30% (2022: 25%) on the estimated assessable profits for the Group's operations in Australia.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Year ended 31 December	
	2023	2022
Profit/(Loss) attributable to equity holders of the Company (HK\$'000)	6,888	(8,452)
Weighted average number of ordinary shares in issue (thousands)	<u>600,000</u>	<u>600,000</u>
Basic earnings/(loss) per share (expressed in HK cents)	<u><u>1.15</u></u>	<u><u>(1.41)</u></u>

(b) Diluted

Diluted earnings/(loss) per share presented is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during the year.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	75,661	81,137
Less: loss allowance	<u>(7,917)</u>	<u>(7,003)</u>
Trade receivables — net	67,744	74,134
Bills receivables	2,569	819
Prepayments	1,337	1,334
Deposits paid	5,135	5,023
Other receivables	<u>1,188</u>	<u>1,157</u>
	77,973	82,467
Less: Non-current portion deposits	<u>(172)</u>	<u>(565)</u>
	<u><u>77,801</u></u>	<u><u>81,902</u></u>

The credit terms granted by the Group generally ranged up to 270 days (2022: 270 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	17,089	14,654
31 to 60 days	3,227	6,271
61 to 90 days	1,159	393
91 to 180 days	5,205	2,125
181 to 365 days	5,691	3,904
1 to 2 years	3,361	9,362
2 to 3 years	7,609	11,106
Over 3 years	<u>32,320</u>	<u>33,322</u>
Trade receivables, gross	75,661	81,137
Less: loss allowance	<u>(7,917)</u>	<u>(7,003)</u>
Trade receivables, net	<u><u>67,744</u></u>	<u><u>74,134</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
As at 1 January	7,003	5,964
Impairment losses charged to profit or loss	1,094	1,491
Exchange difference	(180)	(452)
	<hr/>	<hr/>
As at 31 December	7,917	7,003
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	25,922	34,977
Accrued expenses and other payables	5,205	4,181
	<hr/>	<hr/>
	31,127	39,158
	<hr/> <hr/>	<hr/> <hr/>

Included in trade payables as at 31 December 2023 was an amount of HK\$4,076,000 (2022: HK\$10,818,000) 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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	3,281	13,023
31 to 60 days	7,202	1,877
61 to 90 days	1,311	3,156
91 to 120 days	429	50
Over 120 days	13,699	16,871
	<hr/>	<hr/>
	25,922	34,977
	<hr/> <hr/>	<hr/> <hr/>

(b) Contract liabilities

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities related to trading in spare parts	395	11,473

Movements on contract liabilities are as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January	11,473	2,567
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	(11,473)	(2,567)
Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts	395	11,473
As at 31 December	395	11,473

11. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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, construction activities in Hong Kong experienced a rebound, leading to increased demand for the Group’s products. A significant tunnelling project in Hong Kong has progressed to a stage where a higher consumption of TBM disc cutters is required. This increased consumption has driven up the demand for the Group’s products. On the other hand, performance of the foundation business segment declined further during the Year, as market competition and price pressure remained keen owing to the uncertain outlook of the property market. Overall, revenue from Hong Kong market recorded a growth of approximately HK\$12.1 million or 20.1% for the Year. Outlook of the Hong Kong market is expected to be driven by large scale infrastructure projects and we will closely monitor potential business opportunities associated with the “Railway Development Strategy”, the “Lantau Tomorrow” and the “Northern Metropolitan” development, while being cautious not to engage in cut-throat price competition. Hong Kong government has announced to abolish all special stamp duty on transfer of residential properties on 28 February 2024 with immediate effect, which was generally welcomed by the market and expected to promote real estate transactions, building construction activities and may bring about business opportunities for the Group’s foundation business segment in the future years.

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. Business negotiations with target customers in the PRC has become more active since travel restrictions were lifted. Notable improvement in sales of spare parts for tunnelling equipment was observed starting from March 2023 and continued throughout the Year, leading to an increase in revenue by approximately HK\$15.3 million or 113.4%. Despite the continuous increase in demand from the PRC customers, the Group will maintain a cautious approach on negotiation of settlement terms due to the prevailing economic uncertainties and will mainly target projects undertaken by the PRC customers at overseas locations in order to diversify credit and liquidity risks. The Group will continue monitoring this market with caution in the near term and focus on bidding for projects with favourable profit margin and settlement terms.

Overseas market

The Group's executives travelled to overseas trade conferences and visited our overseas sales network and noted a number of public infrastructure projects are scheduled for launch in the foreseeable future in various overseas countries. The Group's sales to Asia Pacific market recorded an increase in sales by approximately HK\$7.7 million or 98.8%, while sales to other overseas countries increase by approximately HK\$31.7 million or more than 5 times during the Year. Freight rates stabilised during the Year as compared to the Previous Year, but there was a subsequent rally from December 2023 to February 2024. Accordingly, we will evaluate the logistics arrangement cautiously and negotiate with customers on potential sales to overseas locations to minimise the Group's exposure to associated costs and responsibility.

FINANCIAL REVIEW

Revenue

Revenue increased by HK\$66.7 million or 76.6% to approximately HK\$153.7 million for the Year, as compared to approximately HK\$87.0 million for the Previous Year. The increase in revenue was due to a rise in revenue from the tunnelling business segment by approximately HK\$69.6 million but partly offset by a decrease in revenue from the foundation business segment by approximately HK\$2.9 million for the Year. Sales performance improved during the Year in all geographic segments as the Group's executives actioned promptly to capture business opportunities from the surge in construction activities subsequent to the COVID pandemic.

Cost of sales and gross profit

Cost of sales represents costs and expenses directly attributable to our revenue generating activities and predominantly comprised cost of inventories sold. Driven by revenue growth, our cost of sales increased by approximately HK\$40.5 million, or 70.1% to approximately HK\$98.3 million for the Year; gross profit increased by HK\$26.2 million to HK\$55.5 million and gross profit margin improved to 36.1% for the Year from 33.6% for the Previous Year. The improvement in gross profit margin was resulted from a sales mix of products and services with higher profit margin.

Other income

Other income mainly comprised government subsidies and forfeiture of dividend which remained unclaimed by non-controlling shareholders. The decrease in other income for the Year was attributable to a lower amount of unclaimed dividends having reached the threshold of forfeiture and been written back as income.

Selling expenses

Selling expenses mainly include freight charges and sales commission. Selling expenses increased by approximately HK\$9.7 million to HK\$13.7 million for the Year and was mainly attributable to rise in freight and transportation costs as a result of the substantial growth in sales to overseas market.

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. All key types of administrative expenses remained stable for the Year as compared to the Previous Year, as there was no major change in the personnel and overhead structure of the Group.

Exchange loss

The Group recorded a net exchange loss of approximately HK\$1.9 million for the Year, as compared to a loss of HK\$5.5 million for the Previous Year, as the depreciation of Renminbi and Australian Dollars during the Year has been stabilised from the Previous Year.

Provision for impairment of trade receivables

While there is presently no indication of possible default on any of the Group's receivable balances, the management acknowledges there is general risk of default associated with receivables balances and has adopted a systematic approach in assessing the overall risk of default, which resulted in an additional provision of HK\$1.1 million made against the Group's receivable balances as at 31 December 2023.

Finance costs

The Group generated a cash flow of over HK\$8.4 million from operating activities during the Year which reduced its needs for external financing. However, given that the interest rates had been on the rise during the Year, the Group incurred a finance cost of approximately HK\$3.0 million for the Year, an increase of HK\$0.9 million from the Previous Year.

Income tax (expense)/credit

Income tax expense of HK\$2.2 million was recorded for the Year as compared to an income tax credit in the Previous Year since the Group had turned around from a loss to a profit for the Year.

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

The Group recorded a profit attributable to equity holders of the Company of HK\$6.9 million for the Year as compared to a loss of HK\$8.5 million for the Previous Year, mainly as a result of the rise in gross profit of HK\$26.2 million, increase in selling expenses by HK\$9.7 million, reduction in exchange loss by HK\$3.6 million, increase in finance cost by HK\$0.9 million and increase in income tax by HK\$2.2 million.

Liquidity, financial resources and capital structure

	31 December 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	139,522	153,469
Current liabilities	68,199	90,854
Current ratio	2.05	1.69

During the year ended 31 December 2023, the Group financed its operations by its internal resources and banking facilities. As at 31 December 2023, the Group had net current assets of approximately HK\$71.3 million (31 December 2022: HK\$62.6 million), including cash and cash equivalents of approximately HK\$28.3 million (31 December 2022: HK\$28.2 million). The Group's current ratio as at 31 December 2023 was 2.05 times (31 December 2022: 1.69 times).

As at 31 December 2023, the Group had a total available banking and other facilities of approximately HK\$35.1 million, of which approximately HK\$28.1 million was utilised and approximately HK\$7.0 million was unutilised and available for use.

The maturity profile of the Group's borrowings as at 31 December 2023 is set out below. The carrying amounts of the bank borrowings are denominated in the HK\$.

At the end of reporting period, bank borrowings were scheduled to repay as follows:

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within 1 year	24,586	27,833
Later than 1 year but not exceeding 2 years	1,687	1,590
Later than 2 years but not exceeding 5 years	1,795	3,475
	28,068	32,898

There has been no change in capital structure of the Company during the year ended 31 December 2023. As at 31 December 2023, the equity attributable to equity holders of the Company amounted to approximately HK\$103.3 million (31 December 2022: approximately HK\$94.2 million).

Gearing ratio

As at 31 December 2023, the net gearing ratio was 4.7% (31 December 2022: 11.7%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totalling HK\$4.9 million (31 December 2022: HK\$11.0 million) as a percentage of equity attributable to equity holders of the Company of HK\$103.3 million (31 December 2022: HK\$94.2 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2023, 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 2023, 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 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, 28 July 2020, 23 March 2022 and 12 May 2023, 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 2023 was as below.

	Estimated use of net proceeds as set out in the Prospectus	Adjusted use of net proceeds (note)	Up to 31 December 2023	
	HK\$'million	HK\$'million	utilised HK\$'million	unutilised HK\$'million
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	17.0	17.0	—
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 renew the wear-off facilities and machineries of the repair and maintenance centres of the Group in Hong Kong and Singapore	—	0.5	0.5	—
General working capital	3.9	19.4	19.4	—
	<u>39.0</u>	<u>40.2</u>	<u>40.2</u>	<u>—</u>

Note:

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, 28 July 2020, 23 March 2022 and 12 May 2023.

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 2023.

CHARGES ON ASSETS

As at 31 December 2023, a life insurance policy for 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 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, 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 C1 of the GEM Listing Rules and had complied with the CG Code throughout the year ended 31 December 2023 and up to the date of this announcement, except for the deviation stipulated below.

As required by code provision C.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.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees and remuneration policies

The number of staff of the Group by functions as at 31 December 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
Directors	6	6
Sales & Engineering Solutions	8	10
Design & Development	5	3
Technical Services & Maintenance	11	11
Finance, Administration & Operations	13	14
	<u>43</u>	<u>44</u>

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 2023 was approximately HK\$15.1 million (2022: HK\$15.4 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 the PRC and various countries in Asia-Pacific and other overseas market, 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, Singapore and Australia.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2023, which will be sent to shareholders in due course.

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 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") will be held on Thursday, 30 May 2024. The register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (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, 24 May 2024 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 2023 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 2023.

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 2023 and this results announcement.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's external 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 and consequently no opinion or assurance conclusion 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 2023 containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company electronically (or in printed form upon request) 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, 26 March 2024

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.