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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 2021

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
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	
Revenue	85,991	70,944	+21.2%
Gross profit	21,075	21,531	-2.1%
Loss before tax	(9,230)	(6,452)	+43.1%
Other comprehensive income	4,929	635	+676.2%
Total comprehensive loss	(4,332)	(4,882)	-11.3%
Loss per share (<i>HK cents</i>)	(1.51)	(0.90)	
Equity value per share (<i>HK cents</i>)	17.2	17.9	
Gearing ratio	16.1%	12.1%	

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 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	4	85,991	70,944
Cost of sales		<u>(64,916)</u>	<u>(49,413)</u>
Gross profit		21,075	21,531
Other income	6	983	2,121
Selling expenses		(3,215)	(5,647)
Administrative expenses		(26,486)	(27,358)
Other gains and losses			
Exchange gain		1,256	4,173
(Provision)/Reversal of provision for impairment of trade receivables	9	(787)	1,118
Others	6	88	107
		<u> </u>	<u> </u>
Operating loss		(7,086)	(3,955)
Finance income		22	185
Finance costs		(2,166)	(2,682)
		<u> </u>	<u> </u>
Loss before income tax		(9,230)	(6,452)
Income tax (expense)/credit	7	(31)	935
		<u> </u>	<u> </u>
Loss for the year		(9,261)	(5,517)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of land and buildings			
— Increase in fair value		6,097	—
— Income tax effect		(1,485)	—
		<u> </u>	<u> </u>
		4,612	—
		<u> </u>	<u> </u>
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		317	635
		<u> </u>	<u> </u>
Other comprehensive income for the year		4,929	635
		<u> </u>	<u> </u>
Total comprehensive income for the year		(4,332)	(4,882)
		<u> </u>	<u> </u>

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:			
Equity holders of the Company		(9,059)	(5,379)
Non-controlling interests		(202)	(138)
		<u>(9,261)</u>	<u>(5,517)</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		(4,142)	(4,774)
Non-controlling interests		(190)	(108)
		<u>(4,332)</u>	<u>(4,882)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
— Basic and diluted	8	<u>(1.51)</u>	<u>(0.90)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		26,374	19,012
Right-of-use assets		7,438	10,024
Deposits		353	13
Other assets at fair value through profit or loss		5,076	4,831
Deferred tax assets		2,699	3,631
		41,940	37,511
Current assets			
Inventories		34,755	41,273
Trade and other receivables	9	95,713	104,879
Tax recoverable		402	392
Cash and cash equivalents		25,969	21,062
		156,839	167,606
Current liabilities			
Trade and other payables	10(a)	39,313	50,844
Contract liabilities	10(b)	2,567	1,444
Dividend payable		7,397	7,677
Amounts due to directors		4,976	5,674
Bank borrowings		28,437	23,667
Lease liabilities		1,042	1,956
Current tax liabilities		—	632
		83,732	91,894
Net current assets		73,107	75,712
Total assets less current liabilities		115,047	113,223

	As at 31 December	
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	7,896	3,333
Lease liabilities	1,103	107
Deferred tax liabilities	2,338	1,726
Other provision	292	307
	<u>11,629</u>	<u>5,473</u>
Net assets	<u><u>103,418</u></u>	<u><u>107,750</u></u>
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	6,000	6,000
Reserves	96,266	100,408
	<u>102,266</u>	106,408
Non-controlling interests	<u>1,152</u>	<u>1,342</u>
Total equity	<u><u>103,418</u></u>	<u><u>107,750</u></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 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.

In respect of current year's financial statements, the Directors have made the following change of accounting policies and restatement:

(a) Change of accounting policies — Revaluation of land and buildings and ownership interests in leasehold land for own use (“leasehold land”)

During the year, the Directors re-assessed the accounting policies for property, plant and equipment and right-of-use assets with respect to the measurement of the Group's interests in the office premises, warehouse and factory located in Australia and Singapore, which are classified as “land and buildings” under property, plant and equipment and “ownership interests in leasehold land for own use” under right-of-use assets. Previously these assets were measured at cost less accumulated depreciation and accumulated impairment losses, if any. With effect from 31 December 2021, these assets are accounted for using revaluation mode. The Directors believed such change in accounting policies will enhance the relevance and reliability of the Group's financial position and financial performance. As a result, a revaluation surplus of HK\$4,612,000 (net of taxation of HK\$1,485,000) arising from revaluation of those property interests were recognised in other comprehensive income and accumulated in the revaluation reserve.

After the adoption of revaluation model, those property interests are measured at their revalued amounts, being fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

This initial application of revaluation model for the Group's property interests in Australia and Singapore has been dealt with in accordance with HKAS 16 *Property, Plant and Equipment*.

(b) Restatement of the consolidated statement of cash flows

Previously finance costs incurred and paid for discounted bills receivables and late payment of suppliers' invoices were classified as cash flows under operating activities whereas finance costs incurred and paid for bank borrowings and other financing activities were classified as cash flows under financing activities. To procure for consistent classification of finance costs in the statement of cash flows, the Directors have revised the classification of finance costs in the statement of cash flows to present the cash flows of all finance costs under operating activities. The comparative figures of the consolidated statement of cash flows were revised accordingly by reclassifying interest paid for the financing activities from financing activities to operating activities.

3. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2021

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 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of the above new or amended HKFRSs that are effective for the current reporting period did not have any significant impact on the Group's financial statements.

(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 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2 HK Interpretation 5 (2020)	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 12	Definition of Accounting Estimates ²
Amendments to HKAS 16	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction ²
Amendments to HKAS 37	Property, plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKFRS 3	Onerous Contracts — Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRS 2018–2020	Reference to the Conceptual Framework ³ Amendments to HKFRS 9 Financial Instruments and Amendments to Illustrative Examples accompanying HKFRS 16 Lease ¹

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

² Effective for annual periods beginning on or after 1 January 2023.

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.

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 financial impact to the Group's financial statements.

4. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2021	2020
	<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	76,700	68,379
– Repair and maintenance services income	7,824	2,565
	<u>84,524</u>	<u>70,944</u>
Revenue from other sources		
– Machinery rental income	1,467	—
	<u>1,467</u>	<u>—</u>
	<u>85,991</u>	<u>70,944</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 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 (2020: 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 2021 is as follows:

	Tunnelling <i>HK\$'000</i>	Foundation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (all from external customers)	68,699	17,292	85,991
Cost of sales	<u>(50,458)</u>	<u>(14,458)</u>	<u>(64,916)</u>
Segment results	18,241	2,834	21,075
Gross profit %	<u>26.55%</u>	<u>16.39%</u>	24.51%
Other income			983
Selling expenses			(3,215)
Administrative expenses			(26,486)
Other gains and losses			
Exchange gain			1,256
Provision for impairment of trade receivables			(787)
Others			<u>88</u>
Operating loss			(7,086)
Finance income			22
Finance costs			<u>(2,166)</u>
Loss before income tax			(9,230)
Income tax expense			<u>(31)</u>
Loss for the year			<u>(9,261)</u>

- (b) 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><u>(5,517)</u></u>

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

	Year ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	58,423	18,668
The PRC	13,485	34,801
Singapore and other Asia-Pacific countries	6,410	14,202
Others	<u>7,673</u>	<u>3,273</u>
	<u><u>85,991</u></u>	<u><u>70,944</u></u>

- (d) The total amounts of non-current assets, other than deposits and deferred tax assets of the Group as at 31 December 2021 are located in the following regions:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	11,663	10,553
The PRC	298	513
Singapore	7,979	7,812
Australia	18,948	14,989
	<u>38,888</u>	<u>33,867</u>

- (e) Certain customers contributed more than 10% of the total sales of the Group during the year ended 31 December 2021. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	42,442	12,056
Customer B	12,616	N/A*
Customer C	N/A*	13,437
Customer D	N/A*	11,919
Customer E	N/A*	7,407
	<u> </u>	<u> </u>

* Not applicable as sales of the customer is less than 10% of the Group's revenue.

5. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	61,355	48,139
Employee benefit expenses	15,140	16,847
Depreciation*		
Owned property, plant and equipment	1,626	1,445
Right-of-use assets under the following categories:		
– Ownership interests in leasehold land for own use	104	101
– Other properties leased for own use	1,332	1,396
– Machinery and equipment	586	705
Short-term leases expenses	1,092	1,197
Auditor's remuneration		
– Auditors' services	590	570
– Non-audit services	81	98
	<u> </u>	<u> </u>

* Recorded as administrative expenses

6. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Government grant (<i>note</i>)	333	2,030
Others	650	91
	<u> </u>	<u> </u>
	<u>983</u>	<u>2,121</u>
Other gains and losses — others		
Gain on disposal of property, plant and equipment	—	20
Change in fair value of other assets at fair value through profit or loss	88	87
	<u> </u>	<u> </u>
	<u>88</u>	<u>107</u>

Note:

During the year, the Group received various subsidies totalling HK\$333,000 (2020: HK\$2,030,000) from the governments of Hong Kong, Singapore and Australia. Such subsidies include:

- (i) an amount of HK\$20,000 obtained from Construction Business Support Scheme under the Construction Industrial Council Relief Fund (2020: HK\$1,391,000 from Employment Support Scheme (“ESS”)) launched by the government of Hong Kong; and
- (ii) an aggregate amount of HK\$313,000 received from the governments of Singapore and Australia mainly to help businesses keep employees and support businesses to tackle the impact of COVID-19 pandemic (2020: HK\$639,000 including government granted by the government of the PRC, Singapore and Australia).

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

7. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current taxation for the year		
– Mainland China corporate income tax	—	597
	—	597
Under/(Over)-provision in respect of prior years	7	(162)
Deferred tax	24	(1,370)
Income tax expense/(credit)	31	(935)

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for profits derived in Hong Kong.

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 26.0% (2020: 27.5%) on the estimated assessable profits for the Group’s operations in Australia.

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	
	2021	2020
Loss attributable to equity holders of the Company (HK\$'000)	(9,059)	(5,379)
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>(1.51)</u>	<u>(0.90)</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	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	95,333	104,086
Less: loss allowance	<u>(5,964)</u>	<u>(5,078)</u>
Trade receivables — net	89,369	99,008
Bills receivables	1,456	1,754
Prepayments	256	265
Deposits paid	3,326	1,619
Other receivables	<u>1,659</u>	<u>2,246</u>
	96,066	104,892
Less: Non-current portion deposits	<u>(353)</u>	<u>(13)</u>
	<u>95,713</u>	<u>104,879</u>

The credit terms granted by the Group generally ranged up to 270 days (2020: 270 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	8,096	21,138
31 to 60 days	7,220	1,331
61 to 90 days	2,372	6,887
91 to 180 days	4,295	5,595
181 to 365 days	12,123	8,961
1 to 2 years	16,053	20,104
2 to 3 years	13,270	22,900
Over 3 years	31,904	17,170
	<hr/>	<hr/>
Trade receivables, gross	95,333	104,086
Less: loss allowance	(5,964)	(5,078)
	<hr/>	<hr/>
Trade receivables, net	89,369	99,008
	<hr/> <hr/>	<hr/> <hr/>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January	5,078	5,880
Impairment losses charged to profit or loss	787	227
Impairment losses reversed	—	(1,345)
Written off during the year as uncollectible	(32)	—
Exchange difference	131	316
	<hr/>	<hr/>
As at 31 December	5,964	5,078
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	36,126	46,283
Accrued expenses and other payables	<u>3,187</u>	<u>4,561</u>
	<u><u>39,313</u></u>	<u><u>50,844</u></u>

Included in trade payables as at 31 December 2021 is an amount of HK\$10,640,000 (2020: HK\$17,675,000) 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	5,020	7,234
31 to 60 days	5,774	1,307
61 to 90 days	426	6,925
91 to 120 days	2,768	2,315
Over 120 days	<u>22,138</u>	<u>28,502</u>
	<u><u>36,126</u></u>	<u><u>46,283</u></u>

(b) Contract liabilities

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

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities related to trading in spare parts	<u><u>2,567</u></u>	<u><u>1,444</u></u>

Movements on contract liabilities are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
As at 1 January	1,444	—
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	(1,444)	—
Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts	<u>2,567</u>	<u>1,444</u>
As at 31 December	<u><u>2,567</u></u>	<u><u>1,444</u></u>

11. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021 (the “Year”), the Coronavirus Disease 2019 (the “COVID-19”) outbreak was gradually coming under control and the Legislation Council resumed approving infrastructure projects, business and economic condition in Hong Kong has shown sign of recovery. Despite there was no major projects which launched with tunnel boring machines and consumption of disc cutters in Hong Kong recently, the Group recorded favourable sales results in both its tunnelling business (mainly from drill and blast projects) and foundation business segments for the Year, contributing a majority portion of revenue growth.

We will closely monitor business opportunities associated with the “Railway Development Strategy” published by the Transport and Housing Bureau and the Northern Metropolitan development strategy promulgated in the Chief Executive’s policy address, as well as private sector projects 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. Certain projects of the Group’s customers and potential customers have been delayed and their purchasing decisions become prudent and more price-conscious since the COVID-19 outbreak. Travel restrictions in place for pandemic prevention also rendered it difficult to pitch for potential projects. Furthermore, having considered the historic revenue settlement pattern of its PRC operations, the Group will take a more conservative approach on negotiation of settlement terms in order to safeguard itself from liquidity and credit risk exposure during the present time of economic uncertainties. All aforesaid factors led to revenue from the PRC market staying at low level. Nevertheless, the PRC remained a vast market with great demand for construction and engineering products and service and the Group will stay alert for potential business opportunities in the post COVID-19 period.

Singapore and other Asia-Pacific countries

The Group's operation setup in Singapore is a regional hub to serve and seek for business opportunities locally and also in Malaysia and other Southeast Asia countries. Moreover, the Group maintains a comprehensive sales, production and maintenance services centre in Melbourne, Australia targeting the southern pacific market. Construction activities in these regions were yet to be recovered since the COVID-19 outbreak; demand from our customers remained at low level and sales pitch and negotiation was greatly hindered by travel restrictions. 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 in Europe and North America. Business expansion in overseas markets fell short of expectation since construction activities worldwide are being affected by the COVID-19 outbreak. The Group will closely monitor potential business opportunities available in these markets as the pandemic in Europe and North America is gradually coming under control, and economic and commercial activities in these regions are showing sign of recovery.

FINANCIAL REVIEW

Revenue

Revenue increase by approximately HK\$15.0 million or 21.2% to HK\$86.0 million for the year ended 31 December 2021 ("Year" or "FY21"), as compared to approximately HK\$70.9 million for the year ended 31 December 2020 ("Previous Year"). The increase in revenue was mainly due to the combined effect of (i) revenue derived from Hong Kong increased by HK\$39.7 million or approximately 213.0%, as there was improvement in both the tunneling business segment (chiefly from drill and blast projects) and foundation segment during the Year; and (ii) a drop in revenue from the PRC and the Singapore and other Asia-Pacific markets by approximately HK\$21.3 million and HK\$7.8 million (or 61.3% and 54.9%) respectively, as demand in such area was yet to recover from the impact of the COVID-19 outbreak and also tender and negotiation for new contracts was restricted by travel blockade.

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities and predominantly comprised cost of inventories sold. Our cost of sales increased by approximately HK\$15.5 million, or 31.4%, from approximately HK\$49.4 million for the Previous Year to approximately HK\$64.9 million for the Year, which was generally in-line with the increase in cost of inventory sold associated with our increase in revenue.

Gross profit

Despite a gradual recovery in business activities during the Year, competition in the market remained keen and customers were highly price-conscious. As a result, the Group's gross profit margin for both the tunnelling and foundation segments experienced a decline for the Year, which led to an overall drop in gross profit margin to 24.5% for the Year from 30.4% for the Previous Year. Fortunately, having achieved a revenue growth for the Year, the Group's gross profit remained relatively stable at approximately HK\$21.1 million for the Year, as compared to HK\$21.5 million for the Previous Year.

Other income

Other income reduced by HK\$1.1 million to approximately HK\$1.0 million for the Year, as majority of other income for the Previous Year comprised COVID-19 disease subsidies from government which was not recurring in nature.

Selling expenses

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses decreased by approximately HK\$2.4 million to HK\$3.2 million for the Year, as the effect of unexpected increase in freight rates in the Previous Year caused by disorder in the shipping market receded.

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 remained relatively stable, except for a slight drop in Directors' remuneration as a result of reduction in the number of Directors since October 2020.

Exchange gains

The Group recorded a net exchange gain of approximately HK\$1.3 million for the Year, which mainly comprised of (i) an exchange gain of approximately HK\$1.4 million as a result of the appreciation of Renminbi; (ii) an exchange gain of approximately HK\$0.7 million as a result of depreciation of Euros (the major currency used for the Group's purchases of goods); and partly offset an exchange loss of approximately HK\$0.9 million resulting from depreciation of Australian dollars.

(Provision)/Reversal of 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 a provision made against the Group's receivable balances as at 31 December 2021.

Finance costs

The finance costs decreased by approximately HK\$0.5 million from approximately HK\$2.7 million for the Previous Year to approximately HK\$2.2 million for the Year. The decrease was mainly attributable to the increase in net cash generated from operating activities during the Year.

Income tax (expense)/credit

Minimal amount of tax expense was recorded for the Year as the Group is in operating loss position. Furthermore, no deferred tax assets has been recognised for the Year in relation to tax losses arising from the year.

Loss attributable to equity holders of our Company

We recorded a loss attributable to equity holders of our Company for the Year of approximately HK\$9.1 million, while it was a loss attributable to equity holders of our Company of approximately HK\$5.4 million for the Previous Year.

Liquidity, financial resources and capital structure

	31 December 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	156,839	167,606
Current liabilities	83,732	91,894
Current ratio	1.87	1.82

During the year ended 31 December 2021, the Group financed its operations by its internal resources and banking facilities. As at 31 December 2021, the Group had net current assets of approximately HK\$73.1 million (31 December 2020: HK\$75.7 million), including cash and cash equivalents of approximately HK\$26.0 million (31 December 2020: HK\$21.1 million). The Group's current ratio as at 31 December 2021 was 1.87 times (31 December 2020: 1.82 times).

As at 31 December 2021, the Group had a total available banking and other facilities of approximately HK\$41.3 million, of which approximately HK\$36.3 million was utilised and approximately HK\$5.0 million was unutilised and available for use.

The maturity profile of the Group's borrowings as at 31 December 2021 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within 1 year	28,437	23,667
Later than 1 year but not exceeding 2 years	2,847	2,000
Later than 2 years but not exceeding 5 years	5,049	1,333
	36,333	27,000

There has been no change in capital structure of the Company during the year ended 31 December 2021. As at 31 December 2021, the equity attributable to equity holders of the Company amounted to approximately HK\$102.3 million (31 December 2020: approximately HK\$106.4 million).

Gearing ratio

As at 31 December 2021, the net gearing ratio was 16.1% (31 December 2020: 12.1%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totalling HK\$16.5 million (31 December 2020: HK\$12.9 million) as a percentage of equity attributable to equity holders of the Company of HK\$102.3 million (31 December 2020: HK\$106.4 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2021, 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 2021, 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 and 23 March 2022, 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 2021 was as below.

	Estimated use of net proceeds as set out in the Prospectus	Adjusted use of net proceeds (note 1)	Up to 31 December 2021		Expected Completion Date
	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	22.0	14.0	8.0	On or before 31 December 2024 (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	—	—	—	—	
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 2023 (note 3)
General working capital	3.9	13.4	4.0	9.4	On or before 31 December 2023
	<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, 28 July 2020 and 23 March 2022.
2. The planned usage and timeline of the unutilised net proceeds of HK\$8.0 million are as follows:
 - a) HK\$4.0 million for acquisition of one 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 on or before 31 December 2024.

- b) HK\$4.0 million for acquisition of one to two 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 2023 and the second set on or before 31 December 2024.
3. The planned usage and timeline of the unutilised net proceeds of 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 2023.

The unutilised net proceeds as at 31 December 2021 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 2021.

CHARGES ON ASSETS

As at 31 December 2021, 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 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, 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 2021 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.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees and remuneration policies

The number of staff of the Group by functions as at 31 December 2021 and 2020 are as follows:

	As at 31 December	
	2021	2020
Directors	6	6
Sales & Engineering Solutions	10	9
Design & Development	3	4
Technical Services & Maintenance	11	14
Finance, Administration & Operations	14	15
	44	48

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 2021 was approximately HK\$15.1 million (2020: HK\$16.8 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 countries in Asia-Pacific, Europe, Americas 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, 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 2021, 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 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 13 May 2022. The register of members of the Company will be closed from Tuesday, 10 May 2022 to Friday, 13 May 2022 (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, 6 May 2022 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 2021 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 2021.

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 2021 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 2021 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 2021 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, 23 March 2022

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.