



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



2021

INTERIM REPORT

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

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

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

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This report, for which the directors (the “Directors”) of M&L Holdings Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



Interim Results

The board of Directors (the "Board") of M&L Holdings Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2021, together with the comparative figures for the corresponding periods in 2020.

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2021

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	4	14,846	22,279	36,982	31,613
Cost of sales	5	(10,213)	(16,975)	(26,742)	(23,190)
Gross profit		4,633	5,304	10,240	8,423
Other income		285	305	510	395
Selling expenses	5	(485)	(887)	(2,971)	(1,883)
Administrative expenses	5	(6,591)	(6,520)	(13,640)	(14,350)
Other gains and losses					
Exchange gain/(loss)		270	2,497	395	(1,720)
Provision for impairment of trade receivables		(321)	(572)	(603)	(572)
Others		22	42	43	63
Operating (loss)/profit		(2,187)	169	(6,026)	(9,644)
Finance income		4	61	12	142
Finance costs		(492)	(546)	(963)	(1,052)
Loss before income tax		(2,675)	(316)	(6,977)	(10,554)
Income tax (expense)/credit	6	(166)	70	(121)	1,033
Loss for the period		(2,841)	(246)	(7,098)	(9,521)
Other comprehensive income					
<i>Item that may be reclassified to profit or loss:</i>					
Currency translation differences		257	31	73	(502)
Total comprehensive income		(2,584)	(215)	(7,025)	(10,023)

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2021

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Loss for the period attributable to:					
Equity holders of the Company		(2,735)	(176)	(6,804)	(9,244)
Non-controlling interests		(106)	(70)	(294)	(277)
		(2,841)	(246)	(7,098)	(9,521)
Total comprehensive income attributable to:					
Equity holders of the Company		(2,485)	(146)	(6,735)	(9,741)
Non-controlling interests		(99)	(69)	(290)	(282)
		(2,584)	(215)	(7,025)	(10,023)
Loss per share					
— Basic and diluted (expressed in HK cents per share)	7	(0.46)	(0.03)	(1.13)	(1.54)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8(a)	18,239	19,012
Right-of-use assets	8(b)	11,478	10,024
Deposits		353	13
Other asset at fair value through profit or loss		4,874	4,831
Deferred tax assets		1,797	1,905
		36,741	35,785
Current assets			
Inventories		35,022	41,273
Trade and other receivables	9	94,973	104,879
Tax recoverable		395	392
Cash and cash equivalents		30,188	21,062
		160,578	167,606
Current liabilities			
Trade and other payables	10	39,496	50,844
Contract liabilities		10,280	1,444
Dividend payable	11	7,677	7,677
Amounts due to directors	12	5,574	5,674
Bank borrowings	13	27,667	23,667
Lease liabilities		1,596	1,956
Current tax liabilities		36	632
		92,326	91,894
Net current assets		68,252	75,712
Total assets less current liabilities		104,993	111,497

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Non-current liabilities			
Bank borrowings	13	2,333	3,333
Lease liabilities		1,628	107
Other provision		307	307
		4,268	3,747
Net assets			
		100,725	107,750
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	14	6,000	6,000
Reserves		93,673	100,408
		99,673	106,408
Non-controlling interests		1,052	1,342
Total equity		100,725	107,750

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2021

	Attributable to equity holders of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other Reserves HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
		(Note 15)	(Note 15)			
At 1 January 2021 (audited)	6,000	63,332	37,076	106,408	1,342	107,750
Comprehensive income:						
Loss for the period	—	—	(6,804)	(6,804)	(294)	(7,098)
Other comprehensive income:						
Currency translation differences	—	—	69	69	4	73
Total comprehensive income for the period	—	—	(6,735)	(6,735)	(290)	(7,025)
At 30 June 2021 (unaudited)	6,000	63,332	30,341	99,673	1,052	100,725
At 1 January 2020 (audited)	6,000	63,332	41,850	111,182	1,450	112,632
Comprehensive income:						
Loss for the period	—	—	(9,244)	(9,244)	(277)	(9,521)
Other comprehensive income:						
Currency translation differences	—	—	(497)	(497)	(5)	(502)
Total comprehensive income for the period	—	—	(9,741)	(9,741)	(282)	(10,023)
At 30 June 2020 (unaudited)	6,000	63,332	32,109	101,441	1,168	102,609

Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operations	9,468	4,228
Interest received	12	142
Income tax paid	(646)	–
Net cash generated from operating activities	8,834	4,370
Cash flows from investing activities		
Purchase of property, plant and equipment	(413)	(289)
Proceeds from disposal of property, plant and equipment	–	20
Net cash used in investing activities	(413)	(269)
Cash flows from financing activities		
Proceeds from bank borrowings	3,000	–
Repayment of principal portion of the lease liability	(1,607)	(1,541)
Interest paid	(536)	(963)
Repayment to a director	(100)	–
Net cash generated from/(used in) financing activities	757	(2,504)
Increase in cash and cash equivalents	9,178	1,597
Cash and cash equivalents at beginning of the period	21,062	25,109
Currency translation differences	(52)	(160)
Cash and cash equivalents at end of period	30,188	26,546

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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 on 21 July 2017 (the "Share Offer").

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 is principally engaged in trading and lease of construction machinery and spare parts.

The ultimate holding company of the Group is JAT United Company Limited, which is a company incorporated in the British Virgin Islands and wholly owned by Mr. Ng Lai Ming.

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

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 has not been audited but has been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial information was approved for issue by the Board on 13 August 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020. It has been prepared under the historical cost basis, except for other asset at fair value through profit or loss which is measured at fair value.

Significant accounting policies

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those described in the annual financial statements for the year ended 31 December 2020, except for the adoption of new or amended Hong Kong Financial Reporting Standards ("HKFRSs") which have become effective for accounting periods beginning on or after 1 January 2021. The Directors consider that the application of these new or amended HKASs and HKFRSs in the current period has no material effect on the amounts reported in this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 December 2020.

4 REVENUE AND SEGMENT INFORMATION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15				
Timing of revenue recognition				
— At a point in time				
— Sales of goods	13,242	21,775	34,607	30,582
— Repair and maintenance services income	1,489	504	2,100	1,041
	14,731	22,279	36,707	31,623
Revenue from other sources				
— Machinery rental income	115	—	275	(10)
	14,846	22,279	36,982	31,613

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

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

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The executive Directors assess the performance of the operating segments based on revenue and gross profit margin of each segment. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities for the tunnelling and foundation business segments reported to the chief operating decision maker, accordingly, no operating segment assets and liabilities are presented.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the three months and six months ended 30 June 2021 and 2020. The accounting policies of the reportable segments are the same as the Group's accounting policies.

- (a) The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2021 (unaudited) is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	26,949	10,033	36,982
Cost of sales	(17,954)	(8,788)	(26,742)
Segment results	8,995	1,245	10,240
Gross profit %	33.38%	12.40%	27.69%
Other income			510
Selling expenses			(2,971)
Administrative expenses			(13,640)
Other gains and losses			
Exchange gain			395
Provision for impairment of trade receivables			(603)
Others			43
Operating loss			(6,026)
Finance income			12
Finance costs			(963)
Loss before income tax			(6,977)
Income tax expense			(121)
Loss for the period			(7,098)

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (b) The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2020 (unaudited) is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue			
(all from external customers)	29,425	2,188	31,613
Cost of sales	(22,081)	(1,109)	(23,190)
Segment results	7,344	1,079	8,423
Gross profit %	24.96%	49.31%	26.64%
Other income			395
Selling expenses			(1,883)
Administrative expenses			(14,350)
Other gain and losses			
Exchange loss			(1,720)
Provision for impairment of trade receivable			(572)
Others			63
Operating loss			(9,644)
Finance income			142
Finance costs			(1,052)
Loss before income tax			(10,554)
Income tax credit			1,033
Loss for the period			(9,521)

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	5,161	4,589	16,032	7,004
The PRC	4,905	8,122	7,822	12,847
Singapore and other Asia-Pacific countries	1,624	8,111	5,535	10,070
Others	3,156	1,457	7,593	1,692
	14,846	22,279	36,982	31,613

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

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	12,303	10,553
The PRC	389	513
Singapore	7,598	7,812
Australia	14,301	14,989
	34,591	33,867

Notes to the Condensed Consolidated Interim Financial Information

5 EXPENSES BY NATURE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	9,527	16,680	26,030	22,829
Employee benefit expenses	4,165	4,172	8,354	8,698
Depreciation				
Owned property, plant and equipment	387	329	840	636
Right-of-use assets under the following categories:				
— Ownership interests in leasehold land for own use	26	25	52	50
— Other properties leased for own use	352	374	832	713
— Machinery and equipment	176	176	352	352
Short-term lease expenses	267	269	540	621
Freight charge	53	455	1,873	1,064
Legal and professional fee	11	18	29	351
Auditors' remuneration				
— Audit services	142	142	287	285
— Non-audit services	9	9	18	18
Entertainment expenses	96	37	205	199
Travelling expenses	100	129	291	357
Motor vehicle expenses	169	181	361	452
Others	1,809	1,386	3,289	2,798
Total cost of sales, selling expenses and administrative expenses	17,289	24,382	43,353	39,423

Notes to the Condensed Consolidated Interim Financial Information

6 INCOME TAX EXPENSE/(CREDIT)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Current taxation				
— Hong Kong profits tax	—	—	—	—
— Mainland China corporate income tax	45	23	45	23
— Singapore corporate income tax	—	—	—	—
— Australia corporate income tax	—	(2)	—	—
Deferred income tax	121	(91)	76	(1,056)
Income tax expense/(credit)	166	(70)	121	(1,033)

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 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 27.5% on the estimated assessable profits for the Group's operations in Australia.

Notes to the Condensed Consolidated Interim Financial Information

7 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 period.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021	2020	2021	2020
Loss attributable to equity holders of the Company (HK\$'000)	(2,735)	(176)	(6,804)	(9,244)
Weighted average number of ordinary shares in issue (thousands)	600,000	600,000	600,000	600,000
Basic loss per share (expressed in HK cents)	(0.46)	(0.03)	(1.13)	(1.54)

(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 period end.

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Property, plant and equipment

	Unaudited 30 June 2021 HK\$'000	Unaudited 30 June 2020 HK\$'000
Opening net book amount as at 1 January	19,012	18,557
Additions	413	289
Disposals	–	–
Depreciation	(839)	(636)
Exchange difference	(347)	(435)
Closing net book amount as at 30 June	18,239	17,775

All depreciation expenses have been recorded in administrative expenses.

(b) Right-of-use assets

	Unaudited 30 June 2021 HK\$'000	Unaudited 30 June 2020 HK\$'000
Opening net book amount as at 1 January	10,024	13,921
Additions	2,767	212
Disposals	–	–
Depreciation	(1,237)	(1,115)
Exchange difference	(76)	(197)
Closing net book amount as at 30 June	11,478	12,821

All depreciation expenses have been recorded in administrative expenses.

Notes to the Condensed Consolidated Interim Financial Information

9 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade receivables	88,193	104,086
Less: loss allowance	(5,716)	(5,078)
Trade receivables — net	82,477	99,008
Bills receivables	2,954	1,754
Prepayments	417	265
Trade deposits paid	6,849	867
Deposits paid	740	752
Other receivables	1,889	2,246
Less: Non-current portion deposits	95,326 (353)	104,892 (13)
	94,973	104,879

Notes to the Condensed Consolidated Interim Financial Information

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
0 to 30 days	12,112	21,138
31 to 60 days	6,612	1,331
61 to 90 days	894	6,887
91 to 180 days	3,114	5,595
181 to 365 days	11,488	8,961
1 to 2 years	18,009	20,104
2 to 3 years	19,121	22,900
Over 3 years	16,843	17,170
Trade receivables, gross	88,193	104,086
Less: loss allowance	(5,716)	(5,078)
Trade receivables, net	82,477	99,008

10 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade payables	34,909	46,283
Accrued expenses and other payables	4,587	4,561
	39,496	50,844

The carrying amounts of trade and other payables approximate their fair values as at 30 June 2021 and 31 December 2020.

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
0-30 days	3,680	7,234
31-60 days	1,202	1,307
61-90 days	1,215	6,925
91-120 days	690	2,315
Over 120 days	28,122	28,502
	34,909	46,283

11 DIVIDEND PAYABLE

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

The amount is unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars.

12 AMOUNTS DUE TO DIRECTORS

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Amounts due to:		
— Mr. Ng Lai Tong	774	774
Advance from:		
— Mr. Ng Lai Ming	4,800	4,900
	5,574	5,674

The amount due to Mr. Ng Lai Tong is unsecured, interest-free and repayable on demand.

The advance from Mr. Ng Lai Ming bears interest at 2.5% per annum and it is paid on simple basis and semi-annually. It is unsecured and repayable upon 3 months' notice.

Notes to the Condensed Consolidated Interim Financial Information

13 BANK BORROWINGS

The carrying amounts of the bank borrowings approximate their fair values as at 30 June 2021 and 31 December 2020, and are denominated in the Hong Kong dollars. The interests are charged on floating rate basis.

The Group has obtained total banking facilities from banks of approximately HK\$34,000,000 as at 30 June 2021 (31 December 2020: HK\$34,000,000), of which HK\$4,000,000 (31 December 2020: HK\$7,000,000) has not been utilised.

The banking facilities are secured by the followings:

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

14 SHARE CAPITAL

The Company's share capital as at 30 June 2021 and 31 December 2020 was as follows:

Ordinary share of HK\$0.01 each	Number of ordinary shares	Share capital HK\$'000
Authorised	1,000,000,000	10,000
Issued and fully paid	600,000,000	6,000

Notes to the Condensed Consolidated Interim Financial Information

17 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense paid to a Director	30	31	60	62

(b) Key management compensation

Key management includes Directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits	831	1,388	1,751	2,814
Contributions to defined contribution retirement plans	28	39	64	79
	859	1,427	1,815	2,893

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 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 six months ended 30 June 2021 (the "Period"), the business and economic condition in Hong Kong has shown sign of recovery since the outbreak of Coronavirus Disease 2019 (the "COVID-19 Pandemic") is gradually coming under control and the Legislation Council resumed approving infrastructure projects. The Group has been awarded a contract in January 2021 for the supply and refurbishment of disc cutters for the tunnel works in relation to the HKT2 — trunk road T2 and infrastructure works for developments at the former south apron under the Kai Tak Development project. The Directors believe that the Hong Kong market is expected to regain its momentum.

We will closely monitor the development of new railway schemes which were recommended in the "Railway Development Strategy" published by the Transport and Housing Bureau of Hong Kong in 2014, as well as any potential business opportunity 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. Despite our PRC operation have resumed for the most part of year 2020 after a series of precautionary and quarantine control measures had been implemented across the People's Republic of China (the "PRC") at the early stage of COVID-19 outbreak, we observed that certain projects of our customers have been delayed and their purchasing decisions become prudent due to COVID-19 and the accompanied economic uncertainties. We will keep an eye on the situation and make appropriate responses.

Singapore and other Asia-Pacific countries

The Group'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. The COVID-19 outbreak has continuous impact on construction activities in these regions and the demand from our customers is still at low level. The market prospect in this region is unclear and the management considers that more time would be needed for the markets to be recovered.

Management Discussion and Analysis

Other countries

We are also seeking actively for expansion opportunities in the global markets and have established a steady flow of revenue from our newly explored market e.g. countries in Europe and North America. The COVID-19 outbreak in Europe and North America is gradually coming under control, and economic and construction activities in these regions are showing sign of recovery and the Group will closely monitor potential business opportunities available in these markets.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately HK\$5.4 million, or 17.0%, from approximately HK\$31.6 million for the six months ended 30 June 2020 to approximately HK\$37.0 million for the Period. The increase in revenue is mainly a result of improved performance in foundation segment in Hong Kong and in tunnelling segment in the Europe and North America markets, as the COVID-19 situations eased up near the end of year 2020 and sales to customers in such regions gradually picked up and revenue from Hong Kong increased by approximately HK\$9.0 million and revenue from Europe and North America markets increased by approximately HK\$5.9 million. On the other hand, revenue from PRC and Asia Pacific decreased by approximately HK\$5.0 million and HK\$4.5 million respectively, as potential customers have become prudent with their purchasing decision in view of economic uncertainties.

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. Our cost of sales increased by approximately HK\$3.6 million, or 15.3%, from approximately HK\$23.2 million for the six months ended 30 June 2020 to approximately HK\$26.7 million for the Period. Such movement was primarily attributable to the increase in cost of inventory sold associated with our increase in revenue.

Management Discussion and Analysis

Gross profit

Gross profit increased by approximately HK\$1.8 million, or 21.6%, to HK\$10.2 million for the Period, which is generally in line with the rise in revenue. The gross profit margin remained relatively stable at 27.7% for the Period, as compared to 26.7% for the same period last year. The slight fluctuation in gross profit margin was due to the difference in the mix of customers and products supplied by us during the respective periods.

Other income

The other income primarily consisted of inspection charges and government subsidies.

Exchange gains/(losses)

The Group recorded an exchange gain of approximately HK\$0.4 million recorded for the Period as opposed to an exchange loss of approximately HK\$1.7 million for the six months ended 30 June 2020 as a result of relatively stable Renminbi and Euro exchange rates.

Selling expenses

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses increased from approximately HK\$1.9 million for the six months ended 30 June 2020 to HK\$3.0 million for the Period, which was mainly attributable to the unexpected increase in freight rates which led to rise in freight charges for sales to overseas customers owing to the disorder in the shipping market since the latter part of year 2020.

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

Management Discussion and Analysis

Finance income and finance costs

The net amount of finance costs remained stable at approximately HK\$1.0 million for the Period as compared to approximately HK\$1.1 million for the six months ended 30 June 2020. The finance costs are mainly related to the bank borrowings and the lease liabilities.

Income tax expense/credit

The income tax expense for the six months ended 30 June 2021 was approximately HK\$0.1 million, while the income tax credit for the six months ended 30 June 2020 was approximately HK\$1.0 million.

Loss attributable to equity holders of our Company

We recorded a loss attributable to equity holders of our Company for the six months ended 30 June 2021 of approximately HK\$6.8 million, as compared to loss of approximately HK\$9.2 million for the six months ended 30 June 2020.

Liquidity, financial resources and capital structure

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Current assets	160,578	167,606
Current liabilities	92,326	91,894
Current ratio	1.74	1.82

During the six months ended 30 June 2021, the Group financed its operations by its internal resources and banking facilities. As at 30 June 2021, the Group had net current assets of approximately HK\$68.3 million (31 December 2020: HK\$75.7 million), including cash and cash equivalents of approximately HK\$30.2 million (31 December 2020: HK\$21.1 million). The Group's current ratio as at 30 June 2021 was 1.74 times (31 December 2020: 1.82 times).

As at 30 June 2021, the Group had a total available banking facilities of approximately HK\$34.0 million, of which approximately HK\$30.0 million was utilised and approximately HK\$4.0 million was unutilised and available for use.

There has been no change in capital structure of the Company during the six months ended 30 June 2021. As at 30 June 2021, the equity attributable to equity holders of the Company amounted to approximately HK\$99.7 million (31 December 2020: approximately HK\$106.4 million).

Management Discussion and Analysis

Gearing ratio

As at 30 June 2021, the net gearing ratio was 7.8% (31 December 2020: 12.1%), based on net debt of HK\$7.8 million (31 December 2020: HK\$12.9 million) (being bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent) as a percentage of equity attributable to equity holders of the Company of HK\$99.7 million (31 December 2020: HK\$106.4 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the six months ended 30 June 2021, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro, Renminbi, US dollars and Australian dollars (the "Major Foreign Currencies").

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

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

CAPITAL COMMITMENT

As at 30 June 2021, the Group had no capital commitment.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the six months ended 30 June 2021.

CHARGES ON ASSETS

As at 30 June 2021, certain machinery and equipment under right-of-use assets and inventories with carrying value of approximately HK\$5,473,000 (31 December 2020: HK\$5,825,000) were pledged to secure for the finance of certain lease liabilities of approximately HK\$573,000 (31 December 2020: HK\$1,416,000). In addition, a life insurance policy of Mr. Ng Lai Ming with an insured sum of US\$1,582,862 has been assigned as security for certain banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 47 staff (31 December 2020: 48). The total staff costs of the Group (including Directors' emoluments, salaries to staff, sales commission, provident fund contributions and other staff benefits) for the six months ended 30 June 2021 was approximately HK\$8.4 million (for the six months ended 30 June 2020: HK\$8.7 million). The Group determines the salaries of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the Share Offer was approximately HK\$40.2 million, which was different from the estimated net proceeds of HK\$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). The difference of HK\$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. As disclosed in the announcements of the Company dated 21 December 2018 and 28 July 2020, the Board has on the two occasions resolved to adopt changes in the use of unutilised net proceeds. The utilisation of net proceeds raised by the Group from the Share Offer up to 30 June 2021 are set out as follows:

	Estimated use of	Adjusted	Up to 30 June 2021		Expected Completion Date
	net proceeds as set out in the Prospectus	use of net proceeds	utilised	unutilised	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
To further develop fabricated construction steel works and equipment business in the PRC	16.0	0.2	0.2	–	
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	30.3	14.0	16.3	On or before 31 December 2023 (note 1)
To expand repair and maintenance services in the PRC for tunnelling business	5.5	0.4	0.4	–	
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	2.7	–	
To set up 4 to 5 sets of mobile repair and maintenance units in the PRC for tunnelling business	–	1.1	–	1.1	On or before 31 December 2022 (note 2)
To renew the wear-off facilities and machineries of the repair and maintenance centres of the Group in Hong Kong and Singapore	–	1.5	–	1.5	On or before 31 December 2022 (note 2)
General working capital	3.9	4.0	4.0	–	
	39.0	40.2	21.3	18.9	

Management Discussion and Analysis

Notes:

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

The unutilised net proceeds as at 30 June 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.

Management Discussion and Analysis

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Director	Nature of interest	Number of shares	Percentage of the Company's issued shares capital
Mr. Ng Lai Ming (note 2)	Interest in a controlled corporation (note 1)	364,095,000	60.68%
Mr. Ng Lai Tong	Beneficial owner	29,025,000	4.84%
Mr. Ng Lai Po	Beneficial owner	4,500,000	0.75%

Notes:

- The 364,095,000 shares are owned by JAT United Company Limited ("JAT United"), which is wholly owned by Mr. Ng Lai Ming. Mr. Ng Lai Ming is deemed to be interested in all the shares held by JAT United under the SFO.
- Mr. Ng Lai Ming is the brother of Mr. Ng Lai Tong and Mr. Ng Lai Po.

Directors' interests in an associated corporation of the Company

Director	Associated corporation	Nature of interest	Number of shares/Position	Percentage of the shareholding
Mr. Ng Lai Ming	JAT United	Beneficial owner	1/Long position	100%

Management Discussion and Analysis

Save as disclosed above, as at 30 June 2021, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2021, the following person(s), not being a Director or chief executive of our Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of our Group:

Long position in the shares of the Company

Shareholder	Capacity/Nature of interest	Number of shares	Percentage of the Company's issued shares capital
JAT United (note 1)	Beneficial owner	364,095,000	60.68%
Ms. Law So Lin (note 2)	Interest of spouse	364,095,000	60.68%
Mr. Cheung King	Beneficial owner	31,005,000	5.17%
Ms. Ng Yuk Sheung (note 3)	Interest of spouse	31,005,000	5.17%

Notes:

- JAT United is wholly owned by Mr. Ng Lai Ming. Mr. Ng Lai Ming is deemed to be interested in all the shares held by JAT United under the SFO.
- Ms. Law So Lin is the spouse of Mr. Ng Lai Ming, therefore she is deemed to be interested in all the shares which Mr. Ng Lai Ming is interested in.
- Ms. Ng Yuk Sheung is the spouse of Mr. Cheung King, therefore she is deemed to be interested in all the shares held by Mr. Cheung King under the SFO.

Management Discussion and Analysis

Saved as disclosed above, as at 30 June 2021, no other person had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 19 June 2017 and no options have been granted, exercised or cancelled since then and up to the date of this report.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options may be issued.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

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 Rules 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards set out in Model Code during the six months ended 30 June 2021 and up to the date of this report.

Management Discussion and Analysis

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our shareholders as a whole.

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules and had complied with the CG Code during the six months ended 30 June 2021 and up to the date of this report, except for the deviation stipulated below.

As required by code provision A.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Ng Lai Ming currently performs these two roles concurrently. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company to ensure that appropriate and timely arrangements are in place to meet changing circumstances.

COMPETING INTERESTS

None of the Directors, substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which compete with the business of the Group during the six months ended 30 June 2021 and up to and including the date of this report.

Management Discussion and Analysis

AUDIT COMMITTEE

The members of the audit committee are Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung, all of whom are independent non-executive Directors. Mr. Tai Wai Kwok is the chairman of the audit committee. The audit committee has reviewed this report and has provided advice and comments thereon.

By order of the Board

M&L Holdings Group Limited

Ng Lai Ming

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 13 August 2021

As at the date of this report, 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.