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

2020
ANNUAL REPORT

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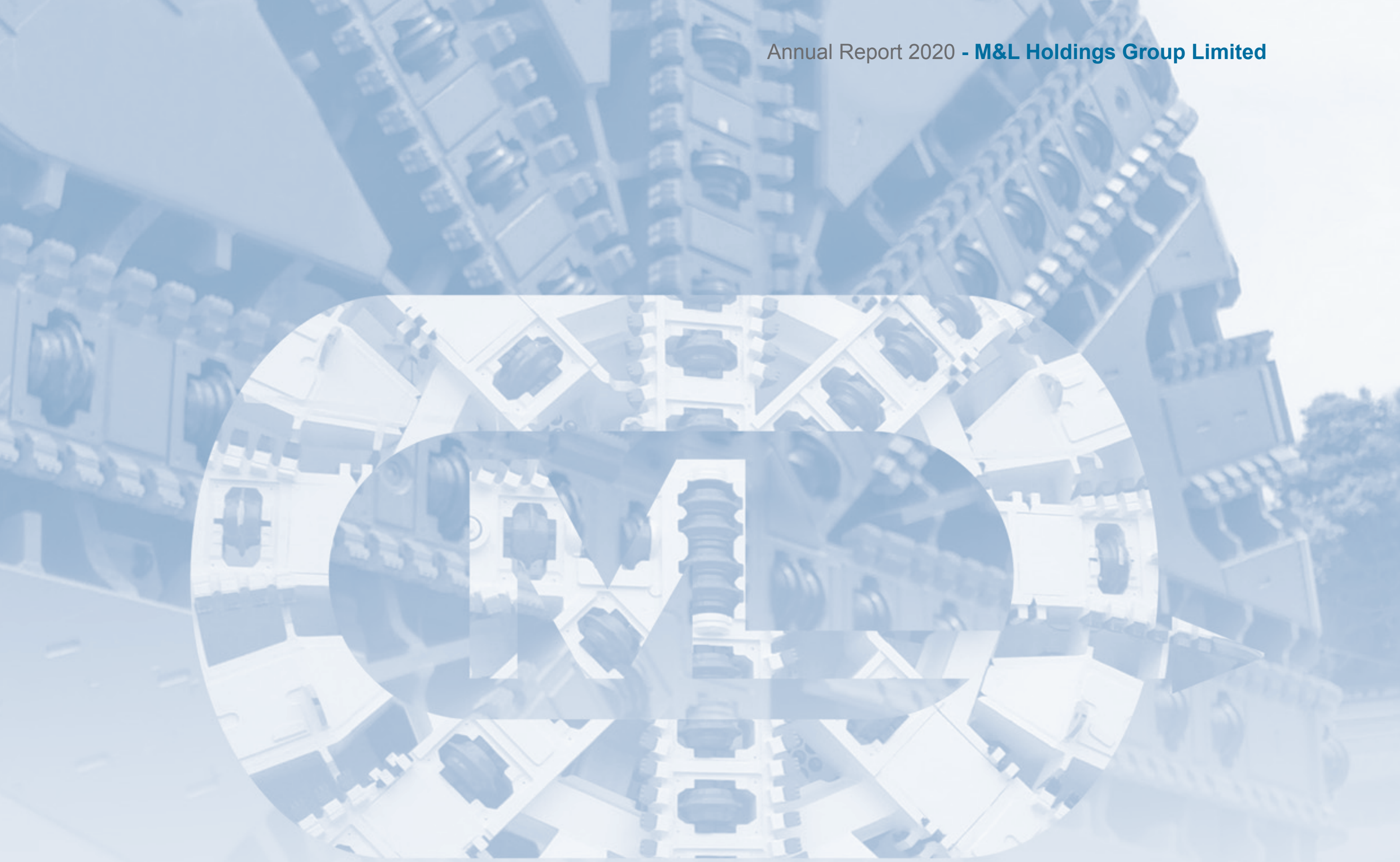

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EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Ms. Pang Suk Yee

AUTHORISED REPRESENTATIVES

Mr. Ng Lai Ming
Ms. Pang Suk Yee

COMPLIANCE OFFICER

Mr. Ng Lai Po

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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17-19 Chatham Road South
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

AUDITOR

BDO Limited

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

8152

COMPANY WEBSITE

www.mleng.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board") of M&L Holdings Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "Group") in respect of the year ended 31 December 2020.

The coronavirus ("COVID-19") outbreak has had a significant impact on people and economies around the world, shutting down many ongoing projects and keeping business at the lowest level in history. The widespread and repeated blockade imposed has restricted business activities and weakened revenue.

In 2020, Hong Kong's business and economic conditions were affected by the COVID-19 outbreak. Commercial activities in Hong Kong were restricted and the level of operation was low. At present, as the local epidemic is alleviated and certain infrastructure projects are gradually carried out. I am delighted to announce that the Group has recently been awarded a contract for the supply and refurbishment of disc cutters for the tunnel works in relation to the HKT2 — trunk road T2 and infrastructure works for developments at the former south apron under the Kai Tak Development project. I believe that the Hong Kong market is expected to regain its momentum.

Nevertheless, the performance of our markets in China and Singapore and other Asia-Pacific countries were greatly affected by the precautionary and quarantine control measures that were implemented during the first half of 2020. Compared with year 2019, the revenue in 2020 from China and Singapore & other Asia-Pacific countries had decreased by 54.7% and 38.8% respectively. I also 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. Moreover, the demands for our products from Europe and America were also limited as COVID-19 had spread widely across countries and the epidemic is still severe in these regions. Therefore, our revenue derived from other countries dropped by 88.5% as compared to year 2019.

Looking ahead, due to the economic uncertainty brought about by the unprecedented COVID-19 pandemic, 2021 will remain full of challenges. However, the Group has accepted the "new normal" and has since adapted to the new business normal. The Board remains cautious and optimistic to respond to and overcome global, regional and domestic challenges.

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

Yours truly,

Ng Lai Ming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

Background, recent development and outlook

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

Hong Kong market

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

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

PRC market

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

Singapore and other Asia-Pacific countries

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

Other countries

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. Our cost of sales decreased by approximately HK$51.6 million or 51.1% from approximately HK$101.0 million for the year ended 31 December 2019 to approximately HK$49.4 million for the year ended 31 December 2020. Such decrease was primarily attributable to the decrease in cost of inventory sold associated with our decrease in revenue.

Gross profit

Our gross profit decreased by approximately HK$18.7 million or 46.5% from approximately HK$40.2 million for the year ended 31 December 2019 to approximately HK$21.5 million for the year ended 31 December 2020. However, our gross profit margin increased slightly from approximately 28.5% for the year ended 31 December 2019 to approximately 30.3% for the year ended 31 December 2020. The increase in gross profit margin was largely due to the difference in the mix of customers and products supplied by us during the respective years.

Other income

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

Selling expenses

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

Administrative expenses

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, depreciation and amortisation and other administrative expenses. Administrative expenses decreased by approximately HK$5.7 million or 17.2% from approximately HK$33.1 million for the year ended 31 December 2019 to approximately HK$27.4 million for the year ended 31 December 2020. The decrease was mainly attributable to the decrease in legal and professional fee of approximately HK$1.3 million for the year ended 31 December 2020 and reduction in business and travelling and entertainment expenses of approximately HK$1.9 million during the year ended 31 December 2020 due to the travel restrictions caused by COVID-19.

Exchange gain/(loss)

The exchange gain for the year ended 31 December 2020 was approximately HK4.2 million, while it was an exchange loss for the year ended 31 December 2019 of approximately HK$0.8 million. The gain for the year ended 31 December 2020 was mainly due to the appreciation of Renminbi and Australian dollar.

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

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

Finance costs

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

Income tax credit

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

Loss attributable to equity holders of our Company

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

Liquidity, financial resources and capital structure

	31 December 2020 HK$'000	31 December 2019 HK$'000
Current assets	**167,606**	173,118
Current liabilities	**91,894**	94,354
Current ratio	**1.82**	1.83

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

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

Please refer to note 23 to the consolidated financial statements for more detailed information, including maturity profile, on the Group's borrowings.

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

Gearing ratio

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

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

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

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

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

CAPITAL COMMITMENT

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

USE OF PROCEEDS

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

	Estimated use of net proceeds as set out in the Prospectus	**Adjusted use of net proceeds**	**Up to 31 December 2020**		**Expected Completion Date**
		(note 1)	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 2)
To expand repair and maintenance services in the PRC for tunnelling business	5.5	0.4	0.4	–	
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	2.7	–	
To set up 4 to 5 sets of mobile repair and maintenance units in the PRC for tunnelling business	–	1.1	–	1.1	On or before 31 December 2022 (note 3)
To renew the wear-off facilities and machineries of the repair and maintenance centres of the Group in Hong Kong and Singapore	–	1.5	–	1.5	On or before 31 December 2022 (note 3)
General working capital	3.9	4.0	4.0	–	
	39.0	40.2	21.3	18.9	

Notes:

1. The adjusted use of net proceeds are adjusted in the same proportion to the estimated use of net proceeds as shown in the Prospectus based on the actual amount received by the Company, and in the same manner as shown in our announcements dated 21 December 2018 and 28 July 2020.

2. The planned usage and timeline of the unutilised net proceeds of HK$16.3 million are as follows:

   a) HK$9.0 million for acquisition of two sets of reverse circulation drilling ("RCD") rig, manufacture of the steel structure by subcontractor and complete the assembly of the set of RCD rig in our Hong Kong warehouse, which will be made available for leasing and/or trading upon completion. We expect to complete the first set on or before 31 December 2021 and the second set on or before 31 December 2022.

   b) HK$7.3 million for acquisition of three sets of vibrodriver from PTC or similar construction machineries, which will be made available for leasing and/or trading upon completion. We expect to complete the first set on or before 31 December 2021, the second set on or before 31 December 2022 and the third set on or before 31 December 2023.

3. The planned usage and timeline of the unutilised net proceeds of HK$2.6 million are as follows:

   a) HK$1.1 million for setting up 4 to 5 sets of mobile repair and maintenance units for deploying to customers' construction sites in the PRC on or before 31 December 2022; and

   b) HK$1.5 million for renewal of wear-off facilities and machineries of the two repair and maintenance centres of the Group in Hong Kong and Singapore on or before 31 December 2022.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

CHARGES ON ASSETS

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

SIGNIFICANT INVESTMENTS HELD

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

CONTINGENT LIABILITIES

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees and remuneration policies

The number of staff of the Group by functions as at 31 December 2020 and 2019 are as follows:

	As at 31 December	
	2020	2019
Directors	**6**	7
Sales & Engineering Solutions	**9**	10
Design & Development	**4**	4
Technical Services & Maintenance	**14**	13
Finance, Administration & Operations	**15**	15
	48	49

The total staff costs of the Group (including Directors' emoluments, salaries to staff, sales commission and other staff benefits included provident fund contributions and other staff benefits) for the year ended 31 December 2020 was approximately HK$16.8 million (2019: HK$18.7 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. For further details, please refer to the section headed "Environmental, Social and Governance Report".

PRINCIPAL RISK AND UNCERTAINTY

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

– Our businesses operate on a project-by-project basis and we may be unable to compete effectively or secure new contracts;

– A significant portion of our purchases of products were supplied by a few suppliers;

– Potential competition with the entry of other integrated engineering solutions (or similar services) providers may reduce our market share and adversely affect our business;

– Demand for our businesses may be adversely impacted by slowdown in the tunnelling and foundation sectors in Hong Kong, the PRC, Singapore and Australia; and

– We are exposed to our customers' credit risk.

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

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ng Lai Ming (吳麗明), aged 57, is our chairman, chief executive officer and executive Director. Mr. Ng is one of our founders and controlling shareholders. Mr. Ng is primarily responsible for the overall management, strategic development and daily operation of our Group. He was appointed as our Director on 24 September 2015, and currently holds directorship in certain subsidiaries of our Company. He is also a member of our remuneration committee and nomination committee. Mr. Ng is the brother of Mr. Ng Lai Tong and Mr. Ng Lai Po.

Mr. Ng obtained his bachelor's degree in mechanical engineering from Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1989. Mr. Ng has over 27 years of experience in the construction and engineering industries in Hong Kong.

Mr. Ng Lai Tong (吳麗棠), aged 55, is our executive Director. Mr. Ng Lai Tong is primarily responsible for the overall business operation and sales of our Group in Hong Kong and the PRC. He was appointed as our Director on 6 January 2017, and currently holds directorship in certain subsidiaries of our Company. Mr. Ng Lai Tong first joined our Group in August 1994, and rejoined our Group in June 2001 after leaving us in November 1997 and was responsible for sales, marketing and overall business strategy of our Group in the PRC. Mr. Ng Lai Tong is the brother of Mr. Ng Lai Ming and Mr. Ng Lai Po. Mr. Ng obtained his bachelor's degree in science from the Chinese University of Hong Kong in December 1988. Mr. Ng has over 28 years of experience in engineering and sales in the construction and manufacturing industries.

Mr. Ng Lai Po (吳麗寶), aged 53, is our executive Director and compliance officer. Mr. Ng is primarily responsible for the corporate governance of our Group. He joined our Group in October 2015 and was appointed as our Director on 6 January 2017. He is also the chairman of our corporate governance committee. Mr. Ng is the brother of Mr. Ng Lai Ming and Mr. Ng Lai Tong. Mr. Ng obtained his bachelor's degree in social sciences from the University of Hong Kong in December 1990. He has been a fellow of the Association of Chartered Certified Accountants since November 1999 and a member of the Hong Kong Institute of Certified Public Accountants since 2017. Mr. Ng has over 24 years of experience in financial and operation management in Hong Kong and the PRC, covering a variety of industries including property management, department store operation, petroleum, fast moving consumer goods, pharmaceutical, luxury and fashion products trading and retailing. Mr. Ng has been serving as an independent non-executive director of Elate Holdings Limited (previously named "South Sea Petroleum Holdings Limited"), a company listed on the Stock Exchange (stock code: 76) since December 2012.

Independent Non-executive Directors

Mr. Tai Wai Kwok (戴偉國), aged 51, was appointed as our independent non-executive Director on 19 June 2017. He is also the chairman of our audit committee and a member of our remuneration committee, nomination committee and corporate governance committee. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 1996 and a fellow of the Association of Chartered Certified Accountant since September 2003. Mr. Tai obtained his bachelor of arts degree in accountancy from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1991. Mr. Tai has over 29 years of experience in auditing, accounting and financial related matters.

Ir Lo Kok Keung (盧覺強), aged 72, was appointed as our independent non-executive Director on 19 June 2017. Ir Lo is also the chairman of our remuneration committee and a member of our audit committee, nomination committee and corporate governance committee. Ir Lo obtained his higher certificate in mechanical engineering from the Hong Kong Technical College (former of the Hong Kong Polytechnic University) in July 1972. He has been a chartered engineer of the Institution of Mechanical Engineers since January 2002. Ir Lo has been a fellow of the Institution of Mechanical Engineers and the Institute of Marine Engineering, Science and Technology in the United Kingdom since January 2007 and July 2009, respectively. He has been a member of the Society of Automotive Engineers in the United States of America since October 1985. Ir Lo was admitted as a member of the Hong Kong Institution of Engineers in January 2000 and a registered professional engineer (mechanical) of the Engineers Registration Board in Hong Kong since 2001. Ir Lo was appointed as a member of the Appeal Board Panel under the Builders' Lifts and Tower Working Platforms (Safety) Ordinance from October 2003 to October 2006 and he has been repeatedly appointed by the Hong Kong Council for Accreditation of Academic & Vocational Qualifications as a specialist. Ir Lo has over 43 years of experience in teaching, running project laboratories, and assisting in experimental rigs design of research students and professors. Ir Lo has been serving as an expert witness in the Hong Kong courts of law since January 1994, providing expert witness testimony and evidence related to traffic accidents and mechanical defects. Ir Lo was recognized as expert witness by the court of law of Macau and given evidence related to traffic accident case in trial in May 2017. Ir Lo had been invited as a honourable speaker to give the seminar on Road Traffic Accident Reconstruction by the Legal and Judicial Training Centre of Macau Special Administrative Region in May 2018. This seminar provided for justices, prosecutors and senior police officers only. Ir Lo was also appointed by the Macau Government Special Administrative Region Transport Bureau, to act as instructor of the traffic accident reconstruction training course in January 2019 and he has been appointed as Instructor of the Traffic Accident Reconstruction Training Course in Open University since October 2020. Ir Lo is also invited to teach the same course for the Fire Services Department's officer at managerial level in Fire Services Department on 8th April 2021.

Mr. Lau Chi Leung (劉志良), aged 71, was appointed as our independent non-executive Director on 19 June 2017. He is also the chairman of our nomination committee and a member of our audit committee, remuneration committee and corporate governance committee. Mr. Lau obtained his Bachelor of Arts degree in architectural studies from the University of Hong Kong in November 1973, Diploma in Architecture from Canterbury College of Art in the United Kingdom in July 1977 and Master's degree in project management from the University of Sydney in Australia in October 2004. Mr. Lau has been a member of the Hong Kong Institute of Architects for over 41 years and was awarded for his outstanding contribution towards the works of the Hong Kong Institute of Architects in March 2015. Mr. Lau is a Registered Architect under the Architects Registration Board, Hong Kong, an Authorized Person and a Registered Inspector under the Buildings Ordinance, Hong Kong. Mr. Lau has over 41 years of experience in the building construction and property development industry. Mr. Lau was appointed as a member of the Contractors Registration Committee for a period of four years from January 2017, a member of the Construction Workers Registration Appeal Panel for a period of four years from January 2017 and a member of the Appeal Tribunal Panel, Buildings Ordinance for a period of three years from December 2018.

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

SENIOR MANAGEMENT

Ms. Pang Suk Yee (彭淑儀), aged 48, is our financial controller. Ms. Pang joined our Group in March 2015 as an accounting manager and was promoted to financial controller in October 2015. She is mainly responsible for the financial management of our Group, including but not limited to consolidating financial statements at group level, reviewing financial accounts of subsidiaries and liaising with external auditor. Ms. Pang obtained her bachelor's degree of business administration in accounting from the Hong Kong University of Science and Technology in November 1995. She has been a member of the Hong Kong Institute of Certified Public Accountants since April 2001 and a fellow of the Association of Chartered Certified Accountants since December 2005. Ms. Pang has over 20 years of experience in accounting and finance.

Mr. Chew Chee Boon (Zhou Zhiwen) (周志文), aged 40, is our regional manager in Singapore. Mr. Chew joined our group in January 2013 as assistant regional manager and was promoted to regional manager of Singapore M&L in July 2014. He is primarily responsible for the regional business operation of our Group in Singapore. Mr. Chew obtained his diploma in electronic and computer engineering from Singapore Ngee Ann Polytechnic in August 2001, his bachelor's degree of science in computer systems engineering (computer science) from Nottingham Trent University in the United Kingdom in November 2007 through distance learning, his master's degree in international management from the University Schools of Management IAE France in March 2010 and his master's degree in Management from Université Grenoble Alpes (formerly known as Université de Grenoble 2) in April 2010, both in France.

COMPANY SECRETARY

Ms. Pang Suk Yee (彭淑儀), is the company secretary of our Group, being responsible for corporate governance of our Group. Ms. Pang is also our financial controller. For further details of Ms. Pang, please refer to the paragraph headed "Directors and Senior Management – Senior Management" above.

COMPLIANCE OFFICER

Mr. Ng Lai Po (吳麗寶) is the compliance officer of our Group. Mr. Ng is also an executive Director of the Company.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules and had complied with the CG Code throughout the year ended 31 December 2020 and up to the date of this report, except for the deviation stipulated below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

BOARD DIVERSITY POLICY

The Company has a policy on diversity of Directors which requires that the Board shall comprise members with the following attributes in order to achieve a sufficient balance of knowledge and perspectives in discharging the Board's duties:

- commercial and business management skills and experience;
- industry specific knowledge and experience relevant to the Group;
- financial management skills and experience; and
- legal and compliance expertise.

The Company does not discriminate on the basis of gender, age and other personal backgrounds in assessing the suitability of candidates for appointment to the Board. Nonetheless, the Board also acknowledges stakeholders' expectation and international best practices calling for gender and ethnicity parity, etc. The nomination committee shall take the opportunity to enhance gender balance of the Board over time in the selection of candidates amongst those who are equally competent and possess the desired attributes.

Corporate Governance Report

BOARD OF DIRECTORS

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

Executive Directors

Mr. Ng Lai Ming *(Chairman)*
Mr. Ng Lai Tong
Mr. Cheung King *(Resigned on 29 October 2020)*
Mr. Ng Lai Po

Independent non-executive Directors

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

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

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

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

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

BOARD COMMITTEES

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

The participation of members of the Board and the four Board committees and their attendance record of the relevant meetings in 2020, are set out as follows:

Composition of Board committees	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors					
Mr. Ng Lai Ming	10/10	–	1/1	1/1	–
Chairman of the Board					
Mr. Ng Lai Tong	10/10	–	–	–	–
Mr. Cheung King *(Resigned on 29 October 2020)*	9/9	–	–	–	–
Mr. Ng Lai Po	10/10	–	–	–	1/1
Chairman of Corporate Governance Committee					
Independent Non-executive Directors					
Mr. Tai Wai Kwok	10/10	4/4	1/1	1/1	1/1
Chairman of Audit Committee					
Ir Lo Kok Keung	9/10	4/4	1/1	1/1	1/1
Chairman of Remuneration Committee					
Mr. Lau Chi Leung	10/10	4/4	1/1	1/1	1/1
Chairman of Nomination Committee					

– The Director is not a member

Audit committee

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

In 2020, the Audit Committee reviewed the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them, the Group's accounting principles and practices, development in accounting standards and associated impacts on the Group, risk management issues, audit findings, compliance, strategy summary and financial reporting matters, and the effectiveness of the Group's risk management and internal control systems. The audit committee discussed the above matters, where appropriate, with management and external auditor.

Remuneration committee

The primary duties of the Remuneration Committee are to review and approve our management's remuneration proposals, and to make recommendations on our policy and structure for the remuneration of our management. The Remuneration Committee has reviewed the remuneration of Directors for the year ended 31 December 2020 and make recommendations to the Board on salary revision to senior management and Directors for the year 2021.

Nomination committee

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

Corporate Governance Committee

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The audit committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The Company has not established a separate internal audit department. However, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. In 2020, the Company has engaged an external independent consultant to conduct a review on the risk management and internal control system of the Group. The external consultant conducted an update risk assessment according to the Group's latest operation; key risks identified are recorded in a risk register and assigned to a risk owner who shall ensure such risks are continuously monitored and properly controlled according to the prescribed procedures.

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

The internal control review scope for 2020 covered control procedures for the revenue and receivables, purchase and payables, inventory and fixed asset of our subsidiary in Hong Kong. The findings of the review has been reported to the Board.

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

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor for the year ended 31 December 2020 is as below:

	HK$'000
Audit services provided to the Group	570
Non-audit services	–
	570

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 41 to 45 of this annual report.

COMPANY SECRETARY

The Company's company secretary is Ms. Pang Suk Yee. Ms. Pang is also our financial controller. Please refer to the section headed "Directors and Senior Management" of this report for biographical details of the company secretary of the Company.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.mleng.com to disseminate latest information about the Group. The Company's constitution document and terms of reference of board committees are also available for download at Company's website. There has been no change to the Company's constitution document throughout the year ended 31 December 2020. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the trading and lease of construction machinery and spare parts. The principal activities of the subsidiaries of the Company are set out in note 14 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2020 is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the year ended 31 December 2020 is set out under the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on page 46 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") will be held on Thursday, 13 May 2021. The register of members of the Company will be closed from Monday, 10 May 2021 to Thursday, 13 May 2021 (both days inclusive), during which period no transfer of shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Friday, 7 May 2021 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 108 of this annual report. Such summary does not form part of the audited consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$2,000.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 December 2020 are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movement in the Group's and the Company's reserves during the year ended 31 December 2020 are set out in note 26 and note 33 to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$100.4 million as at 31 December 2020.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

DIRECTORS

The Directors of the Company during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors

Mr. Ng Lai Ming *(Chairman and Chief Executive Officer)*
Mr. Ng Lai Tong
Mr. Cheung King *(Resigned on 29 October 2020)*
Mr. Ng Lai Po

Independent Non-executive Directors

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

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

Each of the independent non-executive Directors was appointed for an initial term of two years commencing on 21 July 2017 and subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the memorandum and articles of association of the Company.

DIRECTORS' SERVICE CONTRACTS

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

COMPETING INTERESTS

None of the Directors, substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) has any interest in a business which compete with the business of the Group during the year ended 31 December 2020 and up to and including the date of this report.

DEED OF NON-COMPETITION

The controlling shareholders of the Company has given an unconditional and irrevocable non-competition undertaking in favour of the Company and its subsidiaries on 19 June 2017 to protect the Group from any potential competition with the controlling shareholders. The controlling shareholders have confirmed full compliance with the terms of the non-competition undertaking during the year ended 31 December 2020. Furthermore, the Directors, including independent non-executive Directors, have carried out certain review procedures and nothing has come to their attention that there has been non-compliance with the terms of the non-competition undertaking during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

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

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connected party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the year ended 31 December 2020.

DISCLOSURE OF INTERESTS

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

As at 31 December 2020, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in shares of the Company

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

Notes:

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

(2) Mr. Ng Lai Ming is the brother of Mr. Ng Lai Tong and Mr. Ng Lai Po.

Substantial Shareholders' Interests And/Or Short Positions In The Shares And Underlying Shares Of The Company

So far as the Directors are aware, as at 31 December 2020, the interest and short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Stock Exchange and the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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:

(1) JAT United is wholly owned by Mr. Ng Lai Ming. Mr. Ng Lai Ming is deemed to be interested in all the shares held by JAT United under the SFO.

(2) Ms. Law So Lin is the spouse of Mr. Ng Lai Ming, therefore she is deemed to be interested in all the shares in which Mr. Ng Lai Ming is interested in under the SFO.

(3) 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 71.9% (2019: 68.9%) and 18.9% (2019: 25.0%) of the Group's total revenue respectively.

During the year ended 31 December 2020, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 95.5% (2019: 95.3%) and 69.7% (2019: 69.3%) of the Group's total purchases respectively.

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

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2020 are disclosed in note 31 to the financial statements, none of which constituted connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group did not have any connected transactions which were subject to the reporting requirements prescribed in Chapter 20 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

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

The Company has taken out appropriate directors' liability insurance coverage for the Directors.

SUFFICIENCY OF PUBLIC FLOAT

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

DIVIDEND POLICY

The Directors acknowledge the importance of stakeholders' engagement and would endeavour to share the Group's results with shareholders by way of a dividend. The portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's general financial condition, availability of cash, future plans and funding needs for expansion.

CHANGE IN AUDITORS IN PRECEDING 3 YEARS

As disclosed in the announcement of the Company dated 24 October 2018 in relation to the change of auditor, PricewaterhouseCoopers ("PwC") has resigned as auditor of the Company and its subsidiaries incorporated in Hong Kong with effect from 24 October 2018 as the Company cannot reach a mutual agreement with PwC on the audit fee for the financial year ended 31 December 2018. The Board, with the recommendation from the Company's audit committee, has appointed BDO Limited ("BDO") as the auditor of the Company with effect from 24 October 2018 to fill the casual vacancy following the resignation of PwC and to hold the office as auditor until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 December 2020 have been audited by BDO, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint BDO will be proposed at the forthcoming annual general meeting of the Company.

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

Hong Kong, 25 March 2021

Environmental, Social and Governance Report

INTRODUCTION

M&L Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is pleased to present this Environmental, Social and Governance ("ESG") Report. This report is prepared in accordance with the requirements set forth in the ESG Reporting Guide under Appendix 20 of the Listing Rules governing the GEM, it presents our major ESG policies, initiatives and performance of the Group for the year ended 31 December 2020 (the "Reporting Period").

SCOPE OF REPORT

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

STAKEHOLDERS ENGAGEMENT

In order to define our current and future sustainability strategies, it is important to ensure and understand our stakeholders' perspectives and expectations on the development and success of the Group and help us assess the potential impacts of our future business activities.

The Group will continue to build the effective communication with our key stakeholder group in various ways in order to address their concerns and feedback timely. We believe that the interests of all stakeholders must be taken into account in order to maintain the long-term relationships with our shareholders and investors, employees, customers, suppliers, government authorities and the public community. The areas of concern considered by the stakeholders are listed below:

Major Stakeholders	Major Communication Channels	Major Concerns
Shareholders and Investors	• Annual, Interim and Quarterly Reports • Annual General Meetings • Corporate Announcements and Circulars • Press release	• Business Development Plan • Financial and Business Stability • Information Disclosure and Transparency • Profitability
Employees	• Business Meetings and Briefings • Performance Appraisals and Evaluation • Staff Trainings • Team Building Activities	• Career Development and Training Opportunities • Compensation and Benefits • Health & Safety Work Environment • Personal Data Protection and Security
Customers	• Customer Service and Complaint Hotlines • Meetings and Correspondences	• Privacy Protection • Quality Products and Services
Suppliers	• Emails • Phone Calls • Procurement Meetings • Site Visits	• Compliance Operation • Cooperation on Fair Terms • Integrity • Quality and Stability
Community and Society	• Charitable and Donation Activities • Community Interactions • ESG Reporting • Social Media Channels	• Community Investment and Charitable Activities • Corporate Social Responsibilities
Government Authorities	• Information Disclosures • Institutional Visits • Major Meeting and Policy Consultation	• Compliance Operation • Corporate Governance • Environmental Protection

During the year, through a wide range of communication channels, we found that the major concerns of our key stakeholders vary from the environmental and energy saving measures, compliance operation, information disclosure to privacy protection and community involvement.

MATERIALITY ASSESSMENT

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

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

The Group has complied with the "comply or explain" provisions set out in the ESG Reporting Guide of Appendix 20 of GEM Listing Rules for the Reporting Period.

A. Environmental

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

During the Reporting Period, the Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong, the PRC, Singapore and Australia (2019: Nil).

A1. Emissions

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

Direct emissions from vehicles

The source of direct emissions is generated from the usage of private cars and light goods vehicles during our operation. In order to facilitate the efficient use of our vehicles, usage of vehicles is subjected to formal application and booking. The Group is always trying to combine several applications to enhance the least usage of vehicles, hence, producing the least emissions to the environment.

Regarding the Group's approximate amount of nitrogen oxide ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM") produced from our operation, the figures are shown in the table below:

	Nitrogen oxide ("NOx") (Grams)		Percentage Increase (+) or Decrease (−)
Region	**2020**	2019	
Hong Kong	**31,663**	78,077	−59%
The PRC	**2,435**	18,497	−87%
Singapore	**109**	1,251	−91%
Australia	**773**	808	−4%
Total	**34,980**	98,633	−65%

	Sulphur oxides ("SOx") (Grams)		Percentage Increase (+) or Decrease (−)
Region	**2020**	2019	
Hong Kong	**205**	196	+5%
The PRC	**47**	59	−20%
Singapore	**7**	14	−50%
Australia	**14**	10	+40%
Total	**273**	279	−2%

Region	Particulate matter ("PM") (Grams) 2020	2019	Percentage Increase (+) or Decrease (−)
Hong Kong	**2,912**	3,503	−17%
The PRC	**179**	1,360	−87%
Singapore	**8**	92	−91%
Australia	**57**	60	−5%
Total	**3,156**	5,015	−37%

Direct greenhouse gas ("GHG") emissions from vehicles

Due to the usage of private cars and light goods vehicles, the Group has identified the relevant greenhouse gas emissions in relation to the amounts of fuel consumed during our operation. Regarding the Group's approximate amount of carbon dioxide ("CO_2") emissions, methane ("CH_4") emissions and nitrous oxide ("N_2O") emissions produced from our operation, the figures are shown in the table below:

Region	Total GHG emissions (Kilograms) 2020	2019	Percentage Increase (+) or Decrease (−)
Hong Kong	**37,040**	35,523	+4%
The PRC	**8,670**	10,720	−19%
Singapore	**1,260**	2,520	−50%
Australia	**2,570**	1,761	+46%
Total	**49,540**	50,524	−2%

The business in Australia was fully operated during the year after the start-up in 2019. Therefore, the usage of vehicles increases which leads to the increase of direct emissions from Australia region. Overall, the Group has disposed several vehicles and reduce the usage of vehicles during operation in 2020. As a result, the total emissions of nitrogen oxide ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM") as well as GHG emission arising from the usage of vehicles have reduced by 65%, 2%, 37% and 2% respectively as comparing to the emissions data in 2019.

The above two figures of direct emissions and direct GHG emissions from vehicles represent a reduction compared to the direct emissions and total GHG emissions in 2019. The Group will keep monitoring on the emissions data in order to enhance the least usage of vehicles in the future.

Energy indirect emissions — Carbon emissions

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

Region	Carbon dioxide (CO_2) generated equivalent (Tonnes) 2020	2019	Percentage Increase (+) or Decrease (−)
Hong Kong	**24**	27	−11%
The PRC	**7**	7	No change
Singapore	**3**	4	−25%
Australia	**6**	3	+100%
Total	**40**	41	−2%

The Group has implemented relevant policies and measures on the environmental and energy saving aspects and encourage the employees to follow. The business in Australia was fully operated during the year after the start-up in 2019 and the carbon emission increased by 100% for the year 2020 which was attributable to the electricity consumption. In an overall perspective, the figure represents a reduction of indirect emission of approximately 2% compared to the emission rate of 2019. The Group will continue to be aware of the environmental and energy saving issue and encourage the employees to work with the Group's policies.

A2. Our Use of Resources

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

Use of electricity

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

Region	**Electricity consumption in Kilowatt hours (kWh)** **2020**	2019	**Percentage Increase (+) or Decrease (−)**
Hong Kong	**48,020**	52,653	−9%
The PRC	**8,050**	8,747	−8%
Singapore	**8,190**	8,371	−2%
Australia	**7,300**	2,496	+192%
Total	**71,560**	72,267	−1%

The business in Australia was fully operated during the year after the start-up in 2019 and the electricity consumption increased by 192% for the year 2020. In overall perspective, the figure represents a reduction of electricity consumption of approximately 1% in the electricity consumed at the workplace compared to the emission rate of 2019.

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

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

Water usage

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

Region	Water Consumption in Cubic meters 2020	2019	Percentage Increase (+) or Decrease (−)
Hong Kong	**165**	518	−68%
The PRC	**63**	30	+110%
Singapore	**67**	163	−59%
Australia	**28**	n/a	n/a
Total	**323**	711	−55%

Although the water usage is considered minimal, we encourage staff to consume water in a considerate way by reminding them to turn-off water tap after use. The business in Australia was fully operated during the year after the start-up in 2019 but water consumption data was not available for 2019. Comparison data of water consumption for Australia will be available starting from the next reporting period.

Packaging materials and paper usage

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

Region	Number of A4 paper consumed 2020	2019	Percentage Increase (+) or Decrease (−)
Hong Kong	**64,638**	80,500	−20%
The PRC	**13,000**	8,000	+63%
Singapore	**5,677**	9,889	−43%
Australia	**0**	3,000	−100%
Total	**83,315**	101,389	−18%

During the year, the region of Australia is still utilizing the paper being purchased in 2019. As the data for paper consumption is based on the box of paper purchased within the reporting period, therefore it results a nil consumption for this year. To reduce the amount of paper used, we do encourage staff to be mindful when printing documents and make use of double sided printing where possible. Non-essential items should be used in e-format instead of printing out and any documents that are no longer in use should be shredded and recycled.

Regarding the use of resources, the above figures represent reduction of the usage in all of the areas including electricity, water and paper consumption. In particular, water consumption has resulted a decrease of 55% where electricity and paper usage resulted a decrease of 1% and 18% respectively. The Group monitors and compares the emission data continuously in an annual basis for better controls on the energy and resources usage. For the overall business and operation, the Group continuously promotes the energy and resources saving measures to staff in order to meet the environmental target in the future.

A3. Environmental protection and natural resources

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

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

B. Social Commitment

B1. Employment

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

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

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

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

B2. Health and Safety

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

Due to the outbreak of COVID-19, we advised our employees to avoid gathering at lunch and after work and encouraged the use of tele-conferencing tools. Office administration measures, such as body temperature check, provision of hand sanitizers, etc have been in place.

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

The Group did not violate any health and safety laws and regulations during the Reporting Period (2019: Nil).

B3. Development and Training

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

B4. Labour Standards

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

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

B5. Supply Chain Management

Our largest supplier is Palmieri from Italy with high reputation and credibility which has appointed us as its sole and exclusive agent for certain products and locations. Other than Palmieri, most of the products we purchased are branded products based on the demand of our customers under the agreed contracts and/or purchase orders. We do regular site visits to suppliers to ensure the quality of products and quality control procedures fulfilled our Group's requirements and the expectation of our customers. Continuously, we will incorporate sustainability considerations into our sourcing practices including procurement of other office equipment and communicate with suppliers on their environmental and social responsibilities to identify opportunities to improve their current environmental and social practices.

B6. Product Responsibility

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

Integrated Engineering Solutions

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

Quality assurance

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

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

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

B7. Anti-Corruption

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

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

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

B8. Community Investment

The Group has always dedicated itself to insist on repaying the society, actively performing social responsibility of corporate citizen. To facilitate the development of community services, the Group has made donations to Lifewire and The Lighthouse Club Hong Kong Benevolent Fund to provide medical funding support to the patients and to deliver financial support to current or former construction workers and their families in 2019 and 2020 respectively.

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

ENVIRONMENTAL PERFORMANCE INDICATORS

Aspect A1: Emissions

Performance indicator		2020 Data	2019 Data	Stock Exchange ESG Reporting Guide KPI
Emissions	Nitrogen oxide emission (Gram)	**34,980**	98,633	KPI A1.1
	Sulphur oxides emission (Gram)	**273**	279	KPI A1.1
	Particulate matter emission (Gram)	**3,156**	5,015	KPI A1.1
	Total GHG emissions generated equivalent (CO_2) (Kg) (Direct emission from vehicle usage)	**49,540**	50,524	KPI A1.2
	Carbon dioxide generated equivalent (CO_2) (Ton) (Indirect emission from electricity consumed)	**40**	41	KPI A1.2

Aspect A2: Use of resources

Performance indicator		2020 Data	2019 Data	Stock Exchange ESG Reporting Guide KPI
Energy	Electricity consumption (Kwh)	**71,560**	72,267	KPI A2.1
Water	Water consumption (Cubic meters)	**323**	711	KPI A2.2
Paper	Number of A4 Paper consumption (Piece)	**83,315**	101,389	KPI A2.5

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of M&L Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 107, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Impairment assessment of trade receivables

Refer to note 4.6(ii), note 5.1(c) and note 18 to the consolidated financial statements

As at 31 December 2020, the Group had trade receivables amounting to HK$104,086,000 before allowances as set out in note 18. The Group has assessed impairment for its receivables based on expected credit losses model under HKFRS 9 Financial Instruments ("HKFRS 9"). Loss allowances for expected credit losses amounting to HK$5,078,000 have been made for the trade receivables as at 31 December 2020.

Assessing expected credit losses on trade receivables is a subjective area as it requires application of judgment and uses of estimates. To determine whether impairment provision is required, management considers a wide range of factors such as the creditworthiness, the past collection history of each customer, the probability of insolvency or significant financial difficulties of the customer and default or significant delay in payment according to the contract terms. Management is also required to consider forward looking information with reference to market and economic conditions that may affect the ability of customers to settle trade receivables.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgment and estimation being required in conducting impairment assessment as mentioned in the foregoing paragraph.

Our procedures in relation to management's assessment of expected credit losses on trade receivables included:

- Obtaining an understanding on how loss allowance for trade receivables is estimated by the management and assessing whether the Group's impairment policy is in accordance with the requirements under HKFRS 9;

- Obtaining a list of receivables which were past due and assessing the recoverability of these outstanding receivables beyond credit period with provision made through discussion with management and with reference to supporting information provided by management, such as historical payment trend of the customers;

- Assessing the recoverability of these balances by considering, among others, subsequent settlements and aging analysis of trade receivables;

- Testing the accuracy of ageing of trade receivables balances at year end to the underlying invoices on a sample basis; and

- Assessing whether the receivables are credit-impaired which include how reasonably management has incorporated in their assessment of forward-looking information including expected changes in economic and financial conditions which is expected to cause a significant change in the customers' ability to meet their debt obligations.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 25 March 2021

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2020 HK$'000	2019 HK$'000
Revenue	6	**70,944**	141,190
Cost of sales	7	**(49,413)**	(100,959)
Gross profit		**21,531**	40,231
Other income	8	**2,121**	14
Selling expenses	7	**(5,647)**	(6,644)
Administrative expenses	7	**(27,358)**	(33,091)
Other gains and losses			
Exchange gain/(loss)		**4,173**	(832)
Reversal of provision/(Provision) for impairment of trade receivables	18	**1,118**	(201)
Others	8	**107**	(186)
Operating loss		**(3,955)**	(709)
Finance income	11	**185**	270
Finance costs	11	**(2,682)**	(1,686)
Loss before income tax		**(6,452)**	(2,125)
Income tax credit	12	**935**	801
Loss for the year		**(5,517)**	(1,324)
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Currency translation differences		**635**	(127)
Total comprehensive income		**(4,882)**	(1,451)
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		**(5,379)**	(1,334)
Non-controlling interests		**(138)**	10
		(5,517)	(1,324)
Total comprehensive income attributable to:			
Equity holders of the Company		**(4,774)**	(1,453)
Non-controlling interests		**(108)**	2
		(4,882)	(1,451)
		HK cents	HK cents
Loss per share			
– Basic and diluted	13	**(0.90)**	(0.22)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2020 HK$'000	 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(a)	**19,012**	18,557
Right-of-use assets	15(b)	**10,024**	13,921
Deposits	18	**13**	448
Other asset at fair value through profit or loss	16	**4,831**	4,744
Deferred tax assets	24	**3,631**	1,955
		37,511	39,625
Current assets			
Inventories	17	**41,273**	34,496
Trade and other receivables	18	**104,879**	113,033
Tax recoverable		**392**	480
Cash and cash equivalents	19	**21,062**	25,109
		167,606	173,118
Current liabilities			
Trade and other payables	20(a)	**50,844**	53,579
Contract liabilities	20(b)	**1,444**	–
Dividend payable	21	**7,677**	7,980
Amounts due to directors	22	**5,674**	5,701
Bank borrowings	23(a)	**23,667**	24,000
Lease liabilities	23(b)	**1,956**	2,932
Current tax liabilities		**632**	162
		91,894	94,354
Net current assets		**75,712**	78,764
Total assets less current liabilities		**113,223**	118,389
Non-current liabilities			
Bank borrowings	23(a)	**3,333**	–
Lease liabilities	23(b)	**107**	4,038
Deferred tax liabilities	24	**1,726**	1,424
Other provision		**307**	295
		5,473	5,757
Net assets		**107,750**	112,632

Consolidated Statement of Financial Position

	Notes	2020 HK$'000	2019 HK$'000
		As at 31 December	
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	25	**6,000**	6,000
Reserves	26	**100,408**	105,182
		106,408	111,182
Non-controlling interests		**1,342**	1,450
Total equity		**107,750**	112,632

The consolidated financial statements on pages 46 to 107 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Tong
Executive Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital HK$'000	Share premium HK$'000 (note 26)	Other reserves HK$'000 (note 26)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	6,000	63,332	43,303	112,635	1,448	114,083
(Loss)/Profit for the year	–	–	(1,334)	(1,334)	10	(1,324)
Other comprehensive income:						
Currency translation differences	–	–	(119)	(119)	(8)	(127)
Total comprehensive income for the year	–	–	(1,453)	(1,453)	2	(1,451)
At 31 December 2019	6,000	63,332	41,850	111,182	1,450	112,632
At 1 January 2020	**6,000**	**63,332**	**41,850**	**111,182**	**1,450**	**112,632**
Loss for the year	**–**	**–**	**(5,379)**	**(5,379)**	**(138)**	**(5,517)**
Other comprehensive income:						
Currency translation differences	**–**	**–**	**605**	**605**	**30**	**635**
Total comprehensive income for the year	**–**	**–**	**(4,774)**	**(4,774)**	**(108)**	**(4,882)**
At 31 December 2020	**6,000**	**63,332**	**37,076**	**106,408**	**1,342**	**107,750**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash used in operations	27(a)	**(2,606)**	(3,453)
Interest received		**185**	270
Income tax recovered/(paid)		**113**	(100)
Net cash used in operating activities		**(2,308)**	(3,283)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(566)**	(3,068)
Payments for acquiring the other asset at fair value through profit or loss		**–**	(5,019)
Proceeds from disposal of property, plant and equipment	27(b)	**20**	89
Net cash used in investing activities		**(546)**	(7,998)
Cash flows from financing activities			
Proceeds from bank borrowings		**4,000**	7,000
Repayment of bank borrowings		**(1,000)**	–
Repayment of principal portion of the lease liabilities		**(2,967)**	(2,804)
Repayment to a director		**(100)**	–
Interest paid		**(1,380)**	(1,686)
Net cash (used in)/generated from financing activities		**(1,447)**	2,510
Decrease in cash and cash equivalents		**(4,301)**	(8,771)
Cash and cash equivalents at beginning of year		**25,109**	33,916
Currency translation differences		**254**	(36)
Cash and cash equivalents at end of year	19	**21,062**	25,109

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements, are disclosed in note 5.

3. ADOPTION OF NEW OR REVISED HKFRSs

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Subsidiaries

(i) Consolidation

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

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

Acquisition-related costs are expensed as incurred.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Subsidiaries (Continued)

(ii) Separate financial statements

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

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

4.2 Segment reporting

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

4.3 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Foreign currency translation (Continued)

(iii) Group companies

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

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

4.4 Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Machinery and equipment	10%–25%
Motor vehicles	25%
Furniture, fixtures and equipment	25%
Leasehold improvements	20% or over the lease term, whichever is shorter
Freehold land	Not depreciated
Buildings	1.7%–2.5%

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Property, plant and equipment (Continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in consolidated statement of comprehensive income.

4.5 Impairment of non-financial assets

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

4.6 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

– Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Fair value through profit or loss ("FVTPL"):

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables and financial assets measured at amortised cost. The ECL are measured on either of the following bases: (1) 12 months ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables using simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group defines a financial asset as in default when: (1) there is a breach of financial covenants by the debtor; or (2) it is becoming probable that the borrower or guarantor will enter bankruptcy or other financial reorganisation.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, taking into account of settlement pattern and behaviour of the debtors, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less allowances) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to directors, lease liabilities, dividend payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 4.13).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowances, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.6(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* (“HKFRS 15”).

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 *Financial Instruments* (“HKFRS 9”).

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Inventories

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

4.8 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 4.6 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

4.9 Cash and cash equivalents

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

4.10 Share capital

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

4.11 Trade and other payables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Borrowings

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

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

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

4.13 Borrowing costs

All borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred. Borrowing costs include interest expense and finance charges in respect of lease liabilities.

4.14 Current and deferred tax

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

(i) Current income tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Current and deferred tax (Continued)

(ii) Deferred tax

Inside basis differences

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

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

Outside basis differences

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

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

(iii) Offsetting

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Employee benefits

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

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

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

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

In accordance with the rules and regulations in Australia, the Group makes contributions to Superannuation ("Super") for its employees in Australia, Obligations for contributions to Super are recognised as an employee benefit expense in profit or loss in the same period of employment.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Employee benefits (Continued)

(iii) Bonus plans

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

4.16 Provisions

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

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

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

4.17 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Revenue recognition (Continued)

If control of the goods or services transfer over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group recognised revenue at the following basis:

(i) Revenue from sales of goods is recognised at a point in time when the goods are delivered to and have been accepted by customers. Repair and maintenance services income is recognised at a point in time when the service are rendered to customers. There is generally only one performance obligation for these income. In general, no variable consideration like rebates, refunds, right of return are offered to customers. No element of financing deemed present as the sales are made with a credit terms ranged up to 270 days, which is consistent with market practice.

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

(iii) Interest income is accrued on a time basis using the effective interest method by applying applicable interest rate on (i) the amortised cost (i.e. gross carrying amount less loss allowances for credit-impaired financial assets; or (ii) the gross carrying amount for non-credit impaired financial assets.

(iv) Inspection charges are recognised when services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Contract costs, contract assets and contract liabilities

Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories or property, plant and equipment.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to subcontractors). Other costs of fulfilling a contract, which are not capitalised as inventories, or property, plant and equipment, are expensed as incurred.

Capitalised contract costs are stated as cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the assets relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of goods or services to which the costs relate. The accounting policy for revenue recognition is set out in note 4.17.

Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 4.17) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4.6(ii). Loss allowances for contract assets are measured at an amount equal to lifetime ECL. Contract assets are reclassified to receivable when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 4.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Leases

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

Right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

Lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-of-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Leases (Continued)

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out certain machinery and equipment to a number of leasees. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4.20 Other asset

Other asset at fair value through profit or loss represent upfront payment for life insurance policy. Other asset are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

4.21 Dividend distribution

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

4.22 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.22 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4.23 Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit of loss over the useful life of the asset by way of reduced depreciation expense.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are as follows:

(a) Allowance for inventories

Management carries out inventory review on a product-by-product basis at the end of each reporting period and provides allowance for obsolete items. A considerable amount of judgment and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory ageing analysis at the end of the reporting period and identifies slow-moving inventories that are no longer suitable for consumption and saleable. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions.

(b) Estimates of current and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Such assessment requires significant judgement by the management. Where the expectations are different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

(c) Loss allowances of trade and other receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires significant judgment and estimation, in particular, the assessment of a significant increase in credit risk and the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

5.1 Key sources of estimation uncertainty (Continued)

(c) Loss allowances of trade and other receivables (Continued)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Details of the key assumptions and inputs used are set out in note 35(a)(ii).

6. REVENUE AND SEGMENT INFORMATION

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

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

(i) Tunnelling – Supply of specialised cutting tools and parts for construction equipment

(ii) Foundation – Supply of fabricated construction steel works and equipment

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

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2020 (2019: Nil). The accounting policies of the reportable segments are the same as the Group's accounting policies.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	**64,684**	**6,260**	**70,944**
Cost of sales	**(44,585)**	**(4,828)**	**(49,413)**
Segment results	**20,099**	**1,432**	**21,531**
Gross profit %	**31.07%**	**22.88%**	**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			**107**
Operating loss			**(3,955)**
Finance income			**185**
Finance costs			**(2,682)**
Loss before income tax			**(6,452)**
Income tax credit			**935**
Loss for the year			**(5,517)**

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

7. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Cost of inventories sold	**48,139**	99,305
Employee benefit expenses (note 9)	**16,847**	18,668
Depreciation		
Owned property, plant and equipment (note 15(a))	**1,445**	1,112
Right-of-use assets under the following categories (note 15(b)):		
– Ownership interests in leasehold land for own use	**101**	103
– Other properties leased for own use	**1,396**	1,428
– Machinery and equipment	**705**	705
Short-term leases expenses	**1,197**	1,343
Legal and professional fee	**599**	1,887
Auditors' remuneration		
– Audit services	**705**	695
– Non-audit services	**98**	92
Others	**11,186**	15,356
Total cost of sales, selling expenses and administrative expenses	**82,418**	140,694

8. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

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

Note:

During the year, the Group received various subsidies totalling HK$2,030,000 (2019: Nil) from the governments of Hong Kong, the PRC, Singapore and Australia. Such subsidies include:

(i) an amount of HK$1,391,000 obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the government of Hong Kong supporting the payroll of the Group's Hong Kong employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time; and

(ii) an aggregate amount of HK$639,000 received from the governments of the PRC, Singapore and Australia mainly to help businesses keep employees and support businesses to tackle the impact of COVID-19 pandemic.

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

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Salaries, wages and other benefits	**16,206**	17,820
Pension costs – defined contribution plans	**641**	848
	16,847	18,668

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

The emoluments of individual directors of the Company during the year which were included in the staff costs as disclosed in note 9 are set out below:

For the year ended 31 December 2020

	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000 (note (ii))	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Ng Lai Ming	–	938	–	18	956
Ng Lai Tong	–	912	306	18	1,236
Ng Lai Po	25	746	–	15	786
Cheung King (note (i))	–	801	218	17	1,036
Independent non-executive directors:					
Tai Wai Kwok	150	–	–	–	150
Lo Kok Keung	150	–	–	–	150
Lau Chi Leung	150	–	–	–	150
	475	3,397	524	68	4,464

For the year ended 31 December 2019

	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000 (note (ii))	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Ng Lai Ming	–	975	–	18	993
Ng Lai Tong	–	949	468	18	1,435
Ng Lai Po	–	995	–	18	1,013
Cheung King (note (i))	–	962	233	18	1,213
Independent non-executive directors:					
Tai Wai Kwok	150	–	–	–	150
Lo Kok Keung	150	–	–	–	150
Lau Chi Leung	150	–	–	–	150
	450	3,881	701	72	5,104

10. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) Mr. Cheung King was resigned as executive director of the Company on 29 October 2020.

(ii) Other benefits represented sales commission earned.

During the year, no amount was paid or payable by the Group to the directors set out above as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: Nil).

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 4 directors (2019: 4 directors) for the year ended 31 December 2020, whose remuneration are reflected in the analysis presented in note 10(a) above.

The remuneration paid or payable to the remaining 1 individual (2019: 1) are as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Salaries, wages and other benefits	**698**	729
Pension costs – defined contribution plan	**–**	76
	698	805

The remuneration fell within the following band:

	Number of individual Year ended 31 December	
	2020	2019
Remuneration band		
Nil to HK$1,000,000	**1**	1

During the year, no amount was paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

(c) Senior management's remuneration

The remuneration paid or payable to senior management for the year ended 31 December 2020 and 2019 fell within the following band:

	Number of individual Year ended 31 December	
	2020	2019
Remuneration band		
Nil to HK$1,000,000	**3**	3

11. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Finance income on:		
– Bank deposits	**185**	270
Finance costs on:		
– Bank borrowings	**1,010**	1,153
– Trade payables	**800**	–
– Lease liabilities	**245**	408
– Discounting charges on bills receivables	**502**	–
– Advance from a director	**125**	125
	2,682	1,686

12. INCOME TAX CREDIT

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Current taxation for the year		
– Hong Kong profits tax	**–**	161
– Mainland China corporate income tax	**597**	22
– Singapore corporate income tax	**–**	–
– Australia corporate income tax	**–**	1
	597	184
Over-provision in respect of prior years	**(162)**	(18)
Deferred tax (note 24)	**(1,370)**	(967)
Income tax credit	**(935)**	(801)

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.

12. INCOME TAX CREDIT (CONTINUED)

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Loss before income tax	**(6,452)**	(2,125)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**(960)**	(470)
Income not subject to tax	**(630)**	(121)
Expenses not deductible for tax purposes	**46**	174
Tax losses for which no deferred tax asset was recognised	**756**	82
Utilisation of previously unrecognised tax losses	**–**	(9)
Provision for withholding tax on undistributed earnings of a subsidiary	**278**	–
Over-provision in respect of prior years	**(162)**	(18)
Others	**(263)**	(439)
Income tax credit	**(935)**	(801)

13. LOSS PER SHARE

(a) Basic

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

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

(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.

14. SUBSIDIARIES

The following is a list of subsidiaries as at 31 December 2020:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Issued and paid up share capital	Effective equity interest held as at 2020	2019
Directly held by the Company:					
M&L Pacific Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
M&L Far East Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
East Focus International Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
Indirectly held by the Company:					
M&L China Engineering & Materials Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$10,000	**96.45%**	96.45%
M&L Engineering & Materials Limited	Hong Kong, limited liability company	Trading and hiring of construction machinery and spare parts in Hong Kong	HK$15,000,000	**95.33%**	95.33%
M&L Engineering Machinery (Shenzhen) Limited	The PRC, limited liability company	Trading and hiring of construction machinery and spare parts in the PRC	RMB3,500,000	**96.45%**	96.45%
East Focus Engineering Services Limited	Hong Kong, limited liability company	Trading and hiring of construction machinery and spare parts in Hong Kong	HK$100,000	**100%**	100%
M&L Engineering & Materials PTE Limited	Singapore, limited liability company	Trading and hiring of construction machinery and spare parts in Singapore	SG$50,000	**100%**	100%
M&L South Pacific Group Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$100,000	**100%**	100%
M&L Australia Engineering Pty Limited	Australia, limited liability company	Trading of construction machinery and spare parts in Australia	AUD10,000	**100%**	100%
M&L Oceania Management Pty Limited	Australia, limited liability company	Property investment in Australia	AUD50,000	**100%**	100%

15. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Property, plant and equipment

	Freehold land and buildings HK$'000	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2019						
Opening net book amount	14,444	1,021	715	317	228	16,725
Additions	–	1,758	1,002	66	242	3,068
Disposal (note 27(b))	–	–	–	–	–	–
Depreciation	(299)	(297)	(257)	(143)	(116)	(1,112)
Exchange difference	(116)	(2)	(1)	–	(5)	(124)
Closing net book amount	14,029	2,480	1,459	240	349	18,557
At 31 December 2019						
Cost	14,696	6,379	2,414	1,201	4,164	28,854
Accumulated depreciation	(667)	(3,899)	(955)	(961)	(3,815)	(10,297)
Net book amount	14,029	2,480	1,459	240	349	18,557
Year ended 31 December 2020						
Opening net book amount	**14,029**	**2,480**	**1,459**	**240**	**349**	**18,557**
Additions	**–**	**421**	**–**	**54**	**91**	**566**
Disposal (note 27(b))	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation	**(295)**	**(388)**	**(503)**	**(124)**	**(135)**	**(1,445)**
Exchange difference	**1,094**	**147**	**66**	**5**	**22**	**1,334**
Closing net book amount	**14,828**	**2,660**	**1,022**	**175**	**327**	**19,012**
At 31 December 2020						
Cost	**15,860**	**6,997**	**2,509**	**1,276**	**4,238**	**30,880**
Accumulated depreciation	**(1,032)**	**(4,337)**	**(1,487)**	**(1,101)**	**(3,911)**	**(11,868)**
Net book amount	**14,828**	**2,660**	**1,022**	**175**	**327**	**19,012**

All depreciation expenses for the years ended 31 December 2020 and 2019 have been recorded in administrative expenses.

15. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Ownership interests in leasehold land for own use HK$'000	Other properties leased for own use HK$'000	Machinery and equipment HK$'000	Total HK$'000
Year ended 31 December 2019				
Opening net book amount	5,356	5,186	5,578	16,120
Depreciation	(103)	(1,428)	(705)	(2,236)
Exchange difference	42	(5)	–	37
Closing net book amount	5,295	3,753	4,873	13,921
At 31 December 2019				
Cost	5,398	5,180	5,578	16,156
Accumulated depreciation	(103)	(1,427)	(705)	(2,235)
Net book amount	5,295	3,753	4,873	13,921
Year ended 31 December 2020				
Opening net book amount	**5,295**	**3,753**	**4,873**	**13,921**
Additions	**–**	**217**	**–**	**217**
Effect of lease modification	**–**	**(1,996)**	**–**	**(1,996)**
Depreciation	**(101)**	**(1,396)**	**(705)**	**(2,202)**
Exchange difference	**73**	**11**	**–**	**84**
Closing net book amount	**5,267**	**589**	**4,168**	**10,024**
At 31 December 2020				
Cost	**5,477**	**3,320**	**5,578**	**14,375**
Accumulated depreciation	**(210)**	**(2,731)**	**(1,410)**	**(4,351)**
Net book amount	**5,267**	**589**	**4,168**	**10,024**

15. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

(b) Right-of-use assets (Continued)

Notes:

a. The Group as a lessee, has entered into certain lease contracts for its operation.

The Group holds an industrial building for its operation. Lump sum payments were made upfront to acquire the leased land from previous owner with initial lease periods of 60 years, and no ongoing payment will be made under the terms of the land lease, other than payment based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

The Group leases a number of properties in the jurisdictions from which it operates. The periodic rental of properties leased are fixed over the lease term. The leases of properties generally have lease terms between 3 and 5 years.

The Group acquired certain machineries under finance lease arrangements for use in its operation. The lease has lease terms of 4 years.

b. All depreciation expenses for the year ended 31 December 2019 and 2020 have been recorded in administrative expenses.

16. OTHER ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Other asset at fair value through profit or loss		
— Life insurance for Mr. Ng Lai Ming	**4,831**	4,744

A non-wholly owned subsidiary of the Company, in the capacity of policy holder and beneficiary, has entered into a life insurance policy with an insurance company, an independent third party not related to the Group, on Mr. Ng Lai Ming, the chief executive officer of the Company. The policy required an upfront payment of the total policy premium and the policy holder may request partial surrender or full surrender of the policy at any time and receive cash back based on the value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged. If such withdrawal is made at any time during the first to the fifteen year, as appropriate, a pre-determined specified surrender charge would be imposed.

16. OTHER ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Group presently has no intention to terminate the policy nor withdraw cash prior to the fifteenth year of the insurance policy and the expected life of the policy remained unchanged from the initial recognition.

The life insurance policy is denominated in United States dollar ("US$") and it has been assigned as security for the banking facilities.

Particulars of the policy are as follows:

		Guaranteed interest rates	
Insured sum	**Upfront payment**	**First to fifth years**	**Sixth year and onwards**
US$1,582,862 (equivalent to approximately HK$12,425,000)	US$639,386 (equivalent to approximately HK$5,019,000)	3.90% per annum	2.25% per annum

The fair value of the payment for a life insurance policy is determined by reference to the account value of the life insurance policy at the end of the reporting period, which has included the guaranteed interest rate as mentioned above. It is measured at fair value using significant unobservable inputs (Level 3 under HKFRS 13 "Fair Value Measurement"). Significant inputs include the expected return and the internal rate of return of the underlying investments. During the year ended 31 December 2020, there were no transfers between Levels 1, 2 and 3 fair value measurement (2019: Nil). The change in fair value of the insurance policy was recognised in profit or loss under "other gains and losses — others"

17. INVENTORIES

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Merchandise	**41,273**	34,496

18. TRADE AND OTHER RECEIVABLES

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

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

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

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

The Group recognised impairment loss on trade receivables based on the accounting policies stated in note 4.6(ii). Further details of the Group's credit policy and credit risk arising from trade receivables and the loss allowances arising from ECL are set out in note 35(a)(ii).

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

19. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020 HK$'000	2019 HK$'000
Short-term bank deposits with original maturities within three months	**15,000**	15,000
Cash at banks and on hand	**6,062**	10,109
	21,062	25,109

19. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Renminbi	**1,078**	2,952
Euro	**110**	2,573
HK dollar	**16,939**	16,818
Singapore dollar	**742**	317
United States dollar	**296**	1,093
Australian dollar	**1,897**	1,215
Other currencies	**–**	141
	21,062	25,109

As at 31 December 2020, cash and cash equivalents of approximately HK$1,048,000 (2019: HK$2,892,000) are denominated in Renminbi and deposited with banks in Mainland China. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of Mainland China is subject to the rules and regulations of exchange control promulgated by the government of the PRC.

20. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

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

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

20. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

(a) Trade and other payables (Continued)

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

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

(b) Contract liabilities

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

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Contract liabilities related to trading in spare parts	**1,444**	–

Movements on contract liabilities are as follows:

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

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

21. 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 HK$.

22. AMOUNTS DUE TO DIRECTORS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Amounts due to:		
– Mr. Ng Lai Tong	**774**	468
– Mr. Cheung King	**–**	233
Advance from:		
– Mr. Ng Lai Ming	**4,900**	5,000
	5,674	5,701

The amounts due to Mr. Ng Lai Tong and Mr. Cheung King are unsecured, interest-free and repayable on demand. Mr. Cheung King was resigned as executive director on 29 October 2020.

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.

23. BORROWINGS

The breakdown of borrowings are as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Bank borrowings (note (a))	**27,000**	24,000
Lease liabilities (note (b))	**2,063**	6,970
	29,063	30,970

23. BORROWINGS (CONTINUED)

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Non-current		
Bank borrowings	**3,333**	–
Lease liabilities	**107**	4,038
	3,440	4,038
Current		
Bank borrowings	**23,667**	24,000
Lease liabilities	**1,956**	2,932
	25,623	26,932
Total	**29,063**	30,970

(a) Bank borrowings

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	
	2020	2019
	HK$'000	HK$'000
On demand or within 1 year	**23,667**	24,000
Later than 1 year but not exceeding 2 years	**2,000**	–
Later than 2 years but not exceeding 5 years	**1,333**	–
	27,000	24,000

23. BORROWINGS (CONTINUED)

(b) Lease liabilities

The movement of lease liabilities are as follows:

	Other properties leased for own use HK$'000	Machinery and equipment HK$'000	Total HK$'000
Balance at 1 January 2019	5,186	4,593	9,779
Finance cost	224	184	408
Lease payments	(1,477)	(1,735)	(3,212)
Exchange difference	(5)	–	(5)
Balance at 31 December 2019	3,928	3,042	6,970
Balance at 1 January 2020	**3,928**	**3,042**	**6,970**
Finance cost	**136**	**109**	**245**
Lease payments	**(1,477)**	**(1,735)**	**(3,212)**
Additions	**217**	**–**	**217**
Effect of lease modification	**(2,167)**	**–**	**(2,167)**
Exchange difference	**10**	**–**	**10**
Balance at 31 December 2020	**647**	**1,416**	**2,063**

23. BORROWINGS (CONTINUED)

(b) Lease liabilities (Continued)

The lease liabilities were repayable as follows:

	Minimum lease payments As at 31 December	
	2020	2019
	HK$'000	HK$'000
Not later than 1 year	**1,993**	3,203
Later than 1 year but not exceeding 2 years	**81**	3,008
Later than 2 years but not exceeding 5 years	**28**	1,171
	2,102	7,382
Future finance charges on leases	**(39)**	(412)
Present value of lease liabilities	**2,063**	6,970
The present value of lease liabilities is as follows:		
Not later than 1 year	**1,956**	2,932
Later than 1 year but not exceeding 2 years	**79**	2,886
Later than 2 years but not exceeding 5 years	**28**	1,152
	2,063	6,970

The Group's obligations under its leases of machinery and equipment amounting to HK$1,416,000 (2019: HK$3,042,000) as at 31 December 2020 were effectively secured as the rights to the underlying leased assets which are recognised as right-of-use assets and inventories with aggregate carrying value of HK$5,825,000 as at 31 December 2020 (2019: HK$6,869,000) would be reverted to the lessors in the event of default.

(c) Banking facilities

The Group has obtained total banking facilities from banks of approximately HK$34,000,000 (2019: HK$30,000,000), of which HK$7,000,000 (2019: HK$6,000,000) has not been utilised.

The banking facilities are secured by the following:

(i) the assignment of the life insurance policy of Mr. Ng Lai Ming with an insured sum of US$1,582,862;

(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.

23. BORROWINGS (CONTINUED)

(d) Interest rate

The weighted average of the effective interest rates of the borrowings at the year end are as follows:

	As at 31 December	
	2020	2019
Floating rate		
Bank borrowings	**3.1%**	5.0%
Lease liabilities	**4.3%**	4.9%

24. DEFERRED TAXATION

The breakdown of deferred tax assets and liabilities is as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Deferred tax assets	**3,631**	1,955
Deferred tax liabilities	**(1,726)**	(1,424)
Deferred taxation, net	**1,905**	531

The movements on the deferred taxation are as follows:

	HK$'000
At 1 January 2019	(454)
Credited to profit or loss (note 12)	967
Exchange difference	18
At 31 December 2019	**531**
Credited to profit or loss (note 12)	**1,370**
Exchange difference	**4**
At 31 December 2020	**1,905**

24. DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the years ended 31 December 2019 and 2020 are as follows:

	Tax losses HK$'000	Unrealised profit HK$'000	Total HK$'000
Deferred tax assets			
At 1 January 2019	931	187	1,118
Credited/(Charged) to profit or loss	859	(25)	834
Exchange difference	3	–	3
At 31 December 2019	**1,793**	**162**	**1,955**
Credited to profit or loss	**1,397**	**207**	**1,604**
Exchange difference	**72**	**–**	**72**
At 31 December 2020	**3,262**	**369**	**3,631**

	Accelerated depreciation allowances HK$'000	Withholding tax HK$'000	Total HK$'000
Deferred tax liabilities			
At 1 January 2019	858	714	1,572
Credited to profit or loss	(133)	–	(133)
Exchange difference	–	(15)	(15)
At 31 December 2019	**725**	**699**	**1,424**
(Credited)/Charged to profit or loss	**(44)**	**278**	**234**
Exchange difference	**3**	**65**	**68**
At 31 December 2020	**684**	**1,042**	**1,726**

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

25. SHARE CAPITAL

	Number of ordinary shares	Carrying amount HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	600,000,000	6,000

26. SHARE PREMIUM AND OTHER RESERVES

	Share premium HK$'000	Capital reserve HK$'000 (note (a))	Translation reserve HK$'000	Statutory reserve HK$'000 (note (b))	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2019	63,332	15,642	(363)	1,224	26,800	106,635
Loss for the year	–	–	–	–	(1,334)	(1,334)
Currency translation difference	–	–	(119)	–	–	(119)
Balance at 31 December 2019	63,332	15,642	(482)	1,224	25,466	105,182
Balance at 1 January 2020	**63,332**	**15,642**	**(482)**	**1,224**	**25,466**	**105,182**
Loss for the year	**–**	**–**	**–**	**–**	**(5,379)**	**(5,379)**
Currency translation difference	**–**	**–**	**605**	**–**	**–**	**605**
Transactions with owners:						
Transfer to statutory reserve	**–**	**–**	**–**	**298**	**(298)**	**–**
Balance at 31 December 2020	**63,332**	**15,642**	**123**	**1,522**	**19,789**	**100,408**

Notes:

(a) Capital reserve of HK$15,642,000 as at 31 December 2020 and 2019 included:

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

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

26. SHARE PREMIUM AND OTHER RESERVES (CONTINUED)

Notes: (Continued)

(b) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. The PRC company is required to appropriate 10% of statutory net profits to statutory reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. The statutory reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the statutory reserve using its post-tax profits in accordance with resolutions of the board of directors.

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash used in operations:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Loss before income tax	**(6,452)**	(2,125)
Adjustments for:		
Finance costs	**2,682**	1,686
Finance income	**(185)**	(270)
Depreciation	**3,647**	3,348
(Reversal of provision)/Provision for impairment of trade receivables	**(1,118)**	201
Gain on disposal of property, plant and equipment (note (b))	**(20)**	(89)
Effect on lease modification	**(171)**	–
Forfeited of unclaimed dividend	**(303)**	–
Changes in fair value of other asset at fair value through profit or loss	**(87)**	275
Cash (used in)/generated from operation before changes in working capital	**(2,007)**	3,026
Changes in working capital		
Inventories	**(5,612)**	(5,794)
Trade and other receivables	**15,424**	(17,511)
Trade and other payables	**(11,940)**	18,117
Contract liabilities	**1,444**	(835)
Balances with directors	**73**	(431)
Other provision	**12**	(25)
Net cash used in operations	**(2,606)**	(3,453)

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

	Year ended 31 December 2020 HK$'000	2019 HK$'000
Net book amount (note 15(a))	–	–
Gain on disposal of property, plant and equipment (note (a))	20	89
Proceeds from disposal of property, plant and equipment	20	89

(c) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities			
	Bank borrowings HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000	Total HK$'000
Balance at 1 January 2020	(24,000)	(6,970)	(5,000)	(35,970)
Changes from financing cash flows:				
Proceeds from borrowings	(4,000)	–	–	(4,000)
Repayment of borrowings	1,000	–	100	1,100
Payment of principal element of lease liabilities	–	2,967	–	2,967
Interest paid	1,010	–	125	1,135
Payment of interest element of lease liabilities	–	245	–	245
Total changes from financing cash flows	(1,990)	3,212	225	1,447
Other changes:				
Exchange adjustments	–	(10)	–	(10)
Recognition of lease liabilities	–	(217)	–	(217)
Effect of lease modification	–	2,167	–	2,167
Interest expense	(1,010)	(245)	(125)	(1,380)
Total other changes	(1,010)	1,695	(125)	560
Balance at 31 December 2020	(27,000)	(2,063)	(4,900)	(33,963)

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Liabilities from financing activities			
	Bank borrowings HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000	Total HK$'000
Balance at 1 January 2019	(17,000)	(9,779)	(5,000)	(31,779)
Changes from financing cash flows:				
Proceeds from borrowings	(7,000)	–	–	(7,000)
Payment of principal element of lease liabilities	–	2,804	–	2,804
Interest paid	1,153	–	125	1,278
Payment of interest element of lease liabilities	–	408	–	408
Total changes from financing cash flows	(5,847)	3,212	125	(2,510)
Other changes:				
Exchange adjustments	–	5	–	5
Interest expense	(1,153)	(408)	(125)	(1,686)
Total other changes	(1,153)	(403)	(125)	(1,681)
Balance at 31 December 2019	(24,000)	(6,970)	(5,000)	(35,970)

28. DIVIDENDS

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

29. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2020 and 2019.

30. COMMITMENTS

The Group had no significant capital commitment as at 31 December 2020.

31. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Interest expense paid to a director (note 22)	**125**	125

(b) Key management compensation

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Salaries, wages and other benefits	**5,831**	7,006
Contributions to defined contribution retirement plans	**171**	166
	6,002	7,172

32. ULTIMATE HOLDING COMPANY

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

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**45,412**	47,075
Deferred tax asset	**304**	257
	45,716	47,332
Current assets		
Prepayments and other receivables	**6**	112
Amounts due from subsidiaries	**46,611**	50,994
Cash and cash equivalents	**15,136**	15,084
	61,753	66,190
Current liabilities		
Accrued expenses	**487**	1,398
Net current assets	**61,266**	64,792
Net assets	**106,982**	112,124
CAPITAL AND RESERVES		
Share capital	**6,000**	6,000
Reserves (note)	**100,982**	106,124
Total equity	**106,982**	112,124

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2021 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Tong
Executive Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

Reserve movements of the Company are as follows:

	Share premium and other reserves HK$'000	(Accumulated losses)/Retained earnings HK$'000	Total HK$'000
Balance at 31 December 2018 and 1 January 2019	129,114	894	130,008
Loss for the year	–	(23,884)	(23,884)
Balance at 31 December 2019	**129,114**	**(22,990)**	**106,124**
Loss for the year	**–**	**(5,142)**	**(5,142)**
Balance at 31 December 2020	**129,114**	**(28,132)**	**100,982**

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Financial assets:		
Financial assets at amortised cost:		
– Trade and other receivables	**102,261**	111,734
– Cash and cash equivalents	**21,062**	25,109
	123,323	136,843
Financial liabilities:		
Financial liabilities at amortised cost:		
– Trade and other payables	**50,148**	52,990
– Amounts due to directors	**5,674**	5,701
– Bank borrowings	**27,000**	24,000
– Lease liabilities	**2,063**	6,970
– Dividend payable	**7,677**	7,980
	92,562	97,641

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

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

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

At 31 December 2020, if HK$ had strengthened/weakened by 5% against the EUR with all other variables held constant, pre-tax loss for the year would have been approximately HK$1,284,000 lower/higher (2019: pre-tax loss would have been approximately HK$1,334,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of EUR denominated trade receivables and payables and cash and cash equivalents.

At 31 December 2020, if HK$ had strengthened/weakened by 5% against the RMB with all other variables held constant, pre-tax loss for the year would have been approximately HK$3,799,000 higher/lower (2019: pre-tax loss would have been approximately HK$4,495,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of RMB denominated trade receivables and payables and cash and cash equivalents.

At 31 December 2020, if HK$ had strengthened/weakened by 5% against the AUD with all other variables held constant, pre-tax loss for the year would have been approximately HK143,000 higher/lower (2019: pre-tax loss would have been approximately HK$99,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of AUD denominated trade receivables and payables and cash and cash equivalents.

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

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

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix by reference to past four years data on default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The expected credit losses also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle the trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowances based on past due status is not further distinguished between the Group's different customer bases. Normally, the group does not obtain collateral from customers.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables:

As at 31 December 2020:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.02%	32,235	7
1–30 days past due	0.04%	2,689	1
31–60 days past due	0.17%	1,811	3
61–180 days past due	0.23%	3,908	9
181–365 days past due	0.46%	12,588	58
1–2 years past due	1.43%	21,670	310
2–3 years past due	1.71%	18,404	315
Over 3 years past due	40.58%	10,781	4,375
		104,086	5,078

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

As at 31 December 2019:

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.04%	31,760	14
1–30 days past due	0.12%	1,632	2
31–60 days past due	0.21%	3,875	8
61–180 days past due	0.36%	11,268	41
181–365 days past due	0.59%	18,669	110
1–2 years past due	0.94%	18,888	177
2–3 years past due	1.76%	5,845	103
Over 3 years past due	39.27%	13,816	5,425
		105,753	5,880

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

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

(iii) Cash flow interest rate risk

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

At 31 December 2020, had the interest rate on bank borrowings been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$225,000 (2019: HK$200,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2020, had the interest rate on lease liabilities been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$12,000 (2019: HK$25,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

	On demand	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020					
– Bank borrowings	**23,090**	**774**	**2,066**	**1,347**	**27,277**
– Lease liabilities	**–**	**1,993**	**81**	**28**	**2,102**
– Amounts due to directors	**5,674**	**–**	**–**	**–**	**5,674**
– Trade and other payables	**–**	**50,148**	**–**	**–**	**50,148**
– Dividend payable	**–**	**7,677**	**–**	**–**	**7,677**
	28,764	**60,592**	**2,147**	**1,375**	**92,878**
As at 31 December 2019					
– Bank borrowings	24,158	–	–	–	24,158
– Lease liabilities	–	3,203	3,008	1,171	7,382
– Amounts due to directors	5,701	–	–	–	5,701
– Trade and other payables	–	52,990	–	–	52,990
– Dividend payable	–	7,980	–	–	7,980
	29,859	64,173	3,008	1,171	98,211

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Total debts	**33,963**	35,970
Total assets	**205,117**	212,743
Debt-to-asset ratio	**16.56%**	16.91%

(c) Fair value estimation

The carrying amounts of the Group's current financial assets, including trade and other receivables and cash and cash equivalents, and current financial liabilities, including trade and other payables, dividend payable, amounts due to directors, bank borrowings and lease liabilities, approximate their fair values as at the reporting date due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values. The carrying value of non-current lease liabilities is assumed to approximate its fair value as the amount bears interest at commercial rate.

Financial Summary

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from this annual report and prior year financial statements, is set out below.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**70,944**	141,190	113,933	161,626	247,348
Gross profit	**21,531**	40,231	33,265	45,092	73,270
(Loss)/Profit before income tax	**(6,452)**	(2,125)	(5,178)	(6,691)	27,028
Income tax credit/(expense)	**935**	801	152	(1,805)	(4,972)
(Loss)/Profit for the year	**(5,517)**	(1,324)	(5,026)	(8,496)	22,056
(Loss)/Profit for the year attributable to equity holders of the Company	**(5,379)**	(1,334)	(4,951)	(8,645)	21,150

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**37,511**	39,625	29,738	18,730	15,997
Current assets	**167,606**	173,118	160,458	175,620	160,663
Total assets	**205,117**	212,743	190,196	194,350	176,660
Non-current liabilities	**5,473**	5,757	4,934	5,920	1,397
Current liabilities	**91,894**	94,354	71,179	63,852	83,778
Total liabilities	**97,367**	100,111	76,113	69,772	85,175
Non-controlling interests	**1,342**	1,450	1,448	1,540	2,857