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

2018
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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Corporate Information

EXECUTIVE DIRECTORS

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

JOINT COMPANY SECRETARIES

Mr. Ng Lai Po
Mr. Chan Sun Kwong

AUTHORISED REPRESENTATIVES

Mr. Ng Lai Ming
Mr. Ng Lai Po

COMPLIANCE OFFICER

Mr. Ng Lai Po

REGISTERED OFFICE

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Clifton House
75 Fort Street
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
Tsimshatsui, Kowloon, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

COMPLIANCE ADVISER

VMS Securities Limited

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 2018.

Looking back the year, 2018 was a time for both prospecting and pioneering to our Company.

In this year, we have recorded a further drop in revenue from tunnelling segment of Hong Kong. No tunnel boring machine ("TBM") tunnelling projects had been staged recently in Hong Kong, which had in turn adversely affected our Company's performance, as well as the whole tunnelling industry. During a Legislative Council meeting held on 9 January 2019, a Council Member had raised an enquiry to the Government over why did they not consult the public on two new railway schemes as per schedule in 2018. The two new railway schemes had been recommended in the "Railway Development Strategy 2014" and were targeted to launch in 2018 and 2019. The Government had replied that they would undertake public consultation on these two new railway schemes as soon as possible, and committed that these projects would meet the expectation of the public and also the timetable for the development of the new development areas. From the commitment which was shown by the Government through their reply, we are prospecting with full confidence that the demand for our products in the tunnelling segment of Hong Kong would be pick up gradually in mid to long terms.

As a measure to curb the impact on our performance due to the slowdown in tunnelling market of Hong Kong and Singapore, and keen market competition of China, we had promised in our 2017 Annual Report that we would continuously look for expansion in global markets. We are delighted to announce that we had recorded revenue from our targeted new market during the year. We will keep pioneering into global markets to seek for the next growing point of our Company.

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, 21 March 2019

Management Discussion and Analysis

BUSINESS REVIEW

Background, recent development and outlook

The Group is an integrated engineering solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on disc cutters. Disc cutters are widely used in conjunction with tunnel boring machines ("TBM") and microtunnelling equipment and typically applied towards the excavation of tunnels with circular cross section through a variety of soil and rock strata. In addition to our focus in tunnelling sector, we also provide integrated engineering solutions to our customers in the foundation sector.

In general, our integrated engineering solutions involve (i) the supply of specialised cutting tools and parts for construction 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.

To heighten the Group's recognition and enhance its capital base, the Company listed its shares on GEM of the Stock Exchange on 21 July 2017 (the "Listing Date") by ways of placing and public offer (the "Share Offer").

Hong Kong market

For tunnelling sector, several TBM tunnelling projects in Hong Kong were finished in 2015, thus the industry has been witnessing a moderate drop in the contract value of TBM tunnelling works. Recently, no new TBM tunnelling projects was staged in Hong Kong which had in turn adversely affected our revenue from Hong Kong. Nevertheless, the Hong Kong Government had committed publicly on pursuing the development of two new railway schemes which were recommended in the "Railway Development Strategy" published by the Transport and Housing Bureau of Hong Kong in 2014, in which seven new railway schemes had been proposed up to 2026.

For foundation sector, we have seen some new projects being staged in 2018, and we had received purchase orders from new customers for our branded foundation products for these projects. As such, the performance of the foundation segment for the year ended 31 December 2018 was better than that of the same period of 2017.

On the whole, the management is confident that Hong Kong market will be recovered gradually in mid to long term.

PRC market

The Group's business in the PRC market was related to the supply of specialised cutting tools and parts mainly for tunnelling equipment manufacturers. We observed competition building up in the cutting tools market in the PRC and a trend for tunnelling equipment manufacturers diversifying supplier base for cutting tools. As such, we have recorded a drop in the revenue from sales to PRC tunnelling equipment manufacturer for the year ended 31 December 2018, as compared to the same period of 2017. Nevertheless, due to the expansion of the PRC sales team, our revenue from sales to the PRC construction sites remained stable despite the keen market competition.

Singapore and other Asia-Pacific countries

The Group has utilised Singapore as a regional hub to seek opportunities for expansion into Malaysia. The Group is targeting certain new infrastructure projects pending to be launched in Singapore in 2019 and the management is prudently optimistic in the expansion of Malaysia market. Furthermore, in response to the slow performance of business in our current market, the management have liaised actively with projects and customers in other Asia-Pacific countries for new business opportunities.

Other countries

We are also seeking actively for expansion opportunities in the global markets. We are delighted to announce that we recorded revenue from our new targeted markets. We will keep exploring expansion opportunities and identify the next growing point of the Group.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK$47.7 million, or 29.5%, from approximately HK$161.6 million for the year ended 31 December 2017 to approximately HK$113.9 million for the year ended 31 December 2018. The decrease was primarily attributable to the decrease in revenue recognized for our tunnelling segment by approximately HK$50.4 million, or 34.8%, from approximately HK$144.7 million for the year ended 31 December 2017 to approximately HK$94.3 million for the year ended 31 December 2018. Meanwhile, the revenue recognised for our foundation segment was increased, by HK$2.6 million, or 15.3%, from approximately HK$17.0 million for the year ended 31 December 2017 to approximately HK$19.6 million to the year ended 31 December 2018. From the perspective of geographic locations of our customers, revenue derived from customers based in Hong Kong, the PRC and Singapore and other Asia-Pacific countries decreased by approximately HK$9.1 million, HK$26.7 million and HK$16.0 million to approximately HK$33.1 million, HK$62.6 million and HK$14.1 million from the corresponding prior year, 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$35.8 million, or 30.7%, from approximately HK$116.5 million for the year ended 31 December 2017 to approximately HK$80.7 million for the year ended 31 December 2018. Such movement 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$11.8 million, or 26.2%, from approximately HK$45.1 million for the year ended 31 December 2017 to approximately HK$33.3 million for the year ended 31 December 2018. Our gross profit margin increased slightly from approximately 27.9% for the year ended 31 December 2017 to approximately 29.2% for the year ended 31 December 2018.

Other income and other losses

The other income and other losses, primarily consisted of (i) inspection charges and (ii) loss from disposal of property, plant and equipment. Our net other income were approximately HK$0.2 million and HK$0.3 million for the year ended 31 December 2018 and 2017, respectively.

Selling expenses

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses decreased from approximately HK$6.1 million for the year ended 31 December 2017 to HK$4.7 million for the year ended 31 December 2018, which was mainly attributable to the decrease in revenue recorded by our Group.

Administrative expenses

Administrative expenses – others mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, operating lease charges on land and buildings, (reversal of provision)/provision for impairment loss on trade receivables and other administrative expenses. Legal and professional fee for the listing preparation was approximately HK$11.5 million for the year ended 31 December 2017 was non-recurring in nature.

Finance income and finance costs

The net amount of finance costs increased by approximately HK$0.1 million from approximately HK$0.7 million for the year ended 31 December 2017 to approximately HK$0.8 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in finance costs related to bank borrowings and the finance lease liabilities.

Income tax credit/(expense)

Our income tax represents Hong Kong profits tax, the PRC enterprise income tax, Singapore corporate income tax and Australia corporate income tax. Our Group is not subject to any income tax in the Cayman Islands and British Virgin Islands. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2018. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018. Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group’s operations in Mainland China for the year ended 31 December 2018. Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group’s operations in Singapore for the year ended 31 December 2018. Australia corporate income tax has been provided for at the rate of 30% on the estimated assessable profits for the Group’s operations in Australia for the year ended 31 December 2018. The income tax expense for the year ended 31 December 2017 was approximately HK$1.8 million, while we recorded an income tax credit of approximately HK$0.2 million for the year ended 31 December 2018. The decrease was primarily due to a decrease in our Group’s assessable profit for the year ended 31 December 2018.

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 2018 of approximately HK$5.0 million, while it was a loss of approximately HK$8.6 million for the year ended 31 December 2017.

Liquidity, financial resources and capital structure

	31 December 2018 HK$’000	31 December 2017 HK$’000
Current assets	**160,458**	175,620
Current liabilities	**71,179**	63,852
Current ratio	**2.25**	2.75

During the year ended 31 December 2018, the Group financed its operations by its internal resources, banking facilities and net proceeds from the Share Offer. As at 31 December 2018, the Group had net current assets of approximately HK$89.3 million (31 December 2017: HK$111.8 million), including cash and cash equivalents of approximately HK$33.9 million (31 December 2017: HK$70.1 million). The Group’s current ratio as at 31 December 2018 was 2.25 times (31 December 2017: 2.75 times).

As at 31 December 2018, the Group had a total available banking and other facilities of approximately HK$30.0 million, of which approximately HK$17.0 million was utilised and approximately HK$13.0 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.

The shares of the Company were listed on GEM on 21 July 2017, 15,000,000 and 135,000,000 of the Company's shares at a price of HK$0.47 were issued on the same day by ways of public offer and placing, respectively. There has been no change in capital structure of the Company since 21 July 2017. As at 31 December 2018, the equity attributable to equity holders of the Company amounted to approximately HK$112.6 million (31 December 2017: approximately HK$123.0 million).

Gearing ratio

Our Directors confirmed that as at each of 31 December 2018 and 31 December 2017, we maintained a net cash position. On this basis, we did not record a gearing ratio.

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2018, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro and Renminbi (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 2018, the Group had capital commitments in respect of the property, plant and equipment that had been contracted for but not provided for in the consolidated financial statements of approximately HK$1,196,000.

USE OF PROCEEDS

The net proceeds from the Share Offer was approximately HK$40.2 million, which was different from the estimated net proceeds of HK$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). The difference of HK$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. As further disclosed in the announcement of the Company dated 21 December 2018 (the "Use of Proceeds Announcement"), the Board has resolved to reallocate approximately HK$2.7 million of the net proceeds for expanding our repair and maintenance services for tunnelling business in Australia from the amount of net proceeds originally designated for expanding such services in Mainland China. The utilisation of net proceeds raised by the Group from the Share Offer up to 31 December 2018 is as below.

	Estimated use of proceeds HK$'million	Adjusted use of proceeds HK$'million	Up to 31 December 2018 Utilised HK$'million	Unutilised HK$'million
To further develop fabricated construction steel works and equipment business in the PRC	16.0	16.5	0.2	16.3
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	14.0	14.0	–
To expand repair and maintenance services in the PRC for tunnelling business	5.5	3.0	0.2	2.8
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	0.5	2.2
General working capital	3.9	4.0	4.0	–
	39.0	40.2	18.9	21.3

The unutilised net proceeds from the Share Offer have been placed with licensed banks in Hong Kong.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus and the Use of Proceeds Announcement with the Group's actual business progress for the period from the Listing Date to 31 December 2018 is set out below.

Business objectives	Actual business progress up to 31 December 2018
Further development fabricated construction steel works and equipment business in the PRC	We had visited various industrial properties in Foshan, Dongguan and Huizhou in Guangdong Province to find the appropriate location for the set-up of the factory. The process is still ongoing.
Expansion of fleet of specialised construction machinery and equipment	Acquired seven sets of PTC vibrator equipment for trading purpose.
Expansion of repair and maintenance services in the PRC	We had visited various industrial properties in Foshan, Dongguan and Huizhou in Guangdong Province to find the appropriate location for the workshop. The process is still ongoing.
Expansion of repair and maintenance services in Australia	We had engaged local constructors to install lifting equipment, power supply and necessary improvements to our Australia warehouse, so as to prepare for commencement of repair and maintenance services in 2019.

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 2018.

CHARGES ON ASSETS

As at 31 December 2018, certain machinery and equipment and inventories with carrying value of approximately HK$7,574,000 (2017: HK$8,279,000) were pledged to secure for the Group's borrowings.

SIGNIFICANT INVESTMENTS HELD

On 21 November 2017, M&L Oceania Management Pty Ltd (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into the Contract of Sale (the "Contract of Sale") with Raunik Warehouse Developments Pty Ltd (the "Vendor"), pursuant to which the Purchaser will acquire from the Vendor a warehouse with office situated at 9 Efficient Drive, Truganina VIC 3029, Australia (the "Property") for a purchase price of AUD2,078,000. An initial deposit of AUD207,800 had been paid by the Purchaser to the Vendor upon signing of the Contract of Sale; and the remaining balance of the purchase price in the amount of AUD1,870,200 payable by the Purchaser to the Vendor will take place within 6 months from the date of the Contract of Sale. The transaction was completed on 21 May 2018.

Save as disclosed above, the Group had not held any significant investments during the year ended 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, 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 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
Directors	**7**	7
Sales & Engineering Solutions	**10**	9
Design & Development	**5**	3
Technical Services & Maintenance	**15**	17
Finance, Administration & Operations	**14**	14
	51	50

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 2018 was approximately HK$20.2 million (2017: HK$21.8 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

Customers and suppliers

The Group is committed to providing high-quality products and services to its customers. We have extensive customer networks and relationships with market participants in various Southeast Asian countries, Europe 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 and Singapore. For further details, please refer to the section headed “Environmental, Social and Governance Report”.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company’s subsidiaries in Hong Kong, the PRC, Singapore and Australia. The Group’s establishment and operations accordingly shall comply with relevant laws and regulations in each of the above jurisdictions. During the year ended 31 December 2018 and up to the date of this report, the Group’s operations have complied with all the relevant laws and regulations in each of the above jurisdictions in all material respect.

In relation to import and export of articles (other than exempted articles) to and from Hong Kong, an accurate and complete import and export declaration is required to lodge with the Customs and Excise Commissioner within 14 days after the date of import or export of articles under regulations 4 and 5 of the Import and Export Registration Regulations. A declaration charge is payable for such import or export. To the best knowledge of the management of our Group, our Group has complied in all materials respects with the relevant provisions under the Import and Export Ordinance and its subsidiary legislation in respect of all import and export declarations from August 2016 and up to 31 December 2018.

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 suppliers 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 and Singapore; 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.

EVENTS AFTER THE FINANCIAL YEAR

No event has occurred after 31 December 2018 and up to the date of this report which would have a material effect on the Group.

DIRECTORS

Executive Directors

Mr. Ng Lai Ming (吳麗明), aged 55, 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 22 years of experience in the construction and engineering industries in Hong Kong.

Mr. Ng Lai Tong (吳麗棠), aged 53, 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 26 years of experience in engineering and sales in the construction and manufacturing industries.

Mr. Cheung King (張勁), aged 48, is our executive Director. Mr. Cheung is also the director of our fabricated construction steel works division and is primarily responsible for the overall management of our fabricated construction steel works division. He was appointed as our Director on 6 January 2017, and currently holds directorship in certain subsidiaries of our Company. Mr. Cheung obtained his higher diploma in electronic engineering from Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1993. Mr. Cheung joined our Group in November 1999 as a sales director and has over 21 years of experience in the construction and engineering industries in Hong Kong.

Mr. Ng Lai Po (吳麗寶), aged 52, is our chief financial officer, executive Director, compliance officer and joint company secretary. Mr. Ng is primarily responsible for the overall financial management and 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 21 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 South Sea Petroleum Holdings Limited, a company listed on the Stock Exchange (stock code: 76) since December 2012.

Directors and Senior Management

Independent Non-executive Directors

Mr. Tai Wai Kwok (戴偉國), aged 49, 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 27 years of experience in auditing, accounting and financial related matters.

Ir Lo Kok Keung (盧覺強), aged 70, 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 Polytechnic University (formerly known as the Hong Kong Technical College) 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 41 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 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.

Mr. Lau Chi Leung (劉志良), aged 69, 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 39 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 40 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 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 46, 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. Kwok Wai Kai (郭偉佳), aged 68, is the senior sales and marketing manager of our foundation works division and is primarily responsible for the sales management of our foundation division. Mr. Kwok joined our Group in February 2004 and was responsible for our Group's foundation business in Hong Kong. Mr. Kwok has over 31 years of experience in the foundation industry.

Ms. Lam Siu Ling (林小玲), aged 42, is our international sales and marketing manager and currently holds directorship in our subsidiaries in Australia. Ms. Lam joined our Group in July 2013 and is primarily responsible for the sales management of the tunnelling segment of our Group in Hong Kong and overseas markets, excluding the PRC. Ms. Lam obtained her bachelor's degree in materials engineering from City University of Hong Kong in November 2003. Ms. Lam has over 14 years of experience in sales and engineering.

Mr. Chew Chee Boon (Zhou Zhiwen) (周志文), aged 38, 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.

JOINT COMPANY SECRETARIES

Mr. Ng Lai Po (吳麗寶), is the joint company secretary of our Group, being responsible for corporate governance of our Group. Mr. Ng is also an executive Director, our chief financial officer and compliance officer. For further details of Mr. Ng, please refer to the paragraph headed "Directors and Senior Management – Executive Directors" above.

Mr. Chan Sun Kwong (陳晨光), aged 52, was appointed as the joint company secretary of our Group on 19 June 2017. He is responsible for corporate governance of our Group. Mr. Chan obtained his diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chan is also a mediator of both Hong Kong Mediation Accreditation Association Limited and the Hong Kong Mediation Centre. Mr. Chan has over 20 years of experience in the accounting, auditing and company secretarial fields in Hong Kong.

COMPLIANCE OFFICER

Mr. Ng Lai Po (吳麗寶) is the compliance officer of our Group. Mr. Ng is also an executive Director, our chief financial officer and joint company secretary.

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 2018 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 Model Code throughout the year ended 31 December 2018.

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.

BOARD OF DIRECTORS

The Board currently consists of seven Directors with four 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 budget 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
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 issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

During the year, all Directors have 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"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and 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 2018, 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	9/9	–	1/1	1/1	–
Chairman of the Board					
Mr. Ng Lai Tong	9/9	–	–	–	–
Mr. Cheung King	9/9	–	–	–	–
Mr. Ng Lai Po	9/9	–	–	–	1/1
Chairman of Corporate Governance Committee					
Independent Non-executive Directors					
Mr. Tai Wai Kwok	8/9	5/5	1/1	1/1	1/1
Chairman of Audit Committee					
Ir Lo Kok Keung	8/9	5/5	1/1	1/1	1/1
Chairman of Remuneration Committee					
Mr. Lau Chi Leung	8/9	5/5	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 2018, 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 2018 and make recommendations to the Board on salary revision to senior management and Directors for the year 2019.

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 our 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 2018, 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 2018 covered control procedures for revenue and receivables, purchase and payables and inventory management of our subsidiary in Singapore, the financial reporting and disclosure, and IT general control of the Group. 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 2018 is as below:

	HK$'000
Audit services provided to the Group	550
Non-audit services	–
	550

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 34 to 38 of this annual report.

COMPANY SECRETARY

The Company's joint company secretaries are Mr. Ng Lai Po and Mr. Chan Sun Kwong. Mr. Ng is an executive Director and an employee of the Company, while Mr. Chan is an external service provider. Mr. Ng is the primary contact person at the Company with Mr. Chan.

Please refer to the section headed "Directors and Senior Management" of this report for biographical details of the joint company secretaries 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 2018. 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.

Directors' Report

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2018.

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 2018 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 2018 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 2018 are set out in the consolidated statement of comprehensive income on page 39 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

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, 9 May 2019. The register of members of the Company will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019 (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, 3 May 2019 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 four years is set out on page 112 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$10,000.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 December 2018 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 2018 are set out in note 26 and note 33 to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$130.0 million as at 31 December 2018.

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, after which no further options may be issued.

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 2018.

DIRECTORS

The Directors of the Company during the year ended 31 December 2018 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
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, Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung 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 2018 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 2018. 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 2018.

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 2018.

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 2018.

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 2018, 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. Cheung King	Beneficial owner	31,005,000	5.17%
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.

Directors' interests in an associated corporation of the Company

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

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 2018, the following person(s), not being a Director or chief executive of our Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of our Group:

Long position in the shares of the Company

Shareholder	Capacity/ Nature of Interest	Number of shares	Percentage of the Company's issued shares capital
JAT United (note 1)	Beneficial owner	364,095,000	60.68%
Ms. Law So Lin (note 2)	Interest of spouse	364,095,000	60.68%

Note:

(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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 72.0% (2017: 74.4%) and 24.1% (2017: 30.4%) of the Group's total revenue respectively.

During the year ended 31 December 2018, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 96.9% (2017: 93.7%) and 65.7% (2017: 83.8%) 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 2018 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 2018, 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, VMS Securities Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser which commenced on 21 July 2017, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at the date of this report which is required to be notified to the Company pursuant Rule 6A.32 of the GEM Listing Rules.

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 2018 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, 21 March 2019

INTRODUCTION

We are pleased to present our second Environmental Social and Governance ("ESG") Report of M&L Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). 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 2018 (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 and Singapore.

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	**Area 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 and Singapore.

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 and Singapore (2017: Nil).

A1. Emissions

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

	Carbon dioxide (CO_2) generated equivalent (Tonnes)	
Region	**2018**	2017
Hong Kong	**33**	37
The PRC	**7**	6
Singapore	**5**	8
Total	**45**	51

Sulphur oxides emissions

The source of sulphur oxides is generated from the usage of private cars and light good 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 sulphur oxides emissions to the environment. Regarding the Group's approximate amount of sulphur oxides (SOx) produced from our operation, the figures are shown in the table below:

	Number of private cars for the Group		Number of light good vehicles for the Group		Sulphur oxides (SOx) (Grams)	
Region	**2018**	2017	**2018**	2017	**2018**	2017
Hong Kong	**8**	8	**3**	3	**220**	260
The PRC	**2**	1	**1**	1	**61**	46
Singapore	**1**	1	**–**	–	**19**	26
Total	**11**	10	**4**	4	**300**	332

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:

	Kilowatt hours (kWh)	
Region	**2018**	2017
Hong Kong	**60,534**	68,873
The PRC	**8,739**	7,200
Singapore	**11,608**	18,684
Total	**80,881**	94,757

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:

	Cubic meters	
Region	**2018**	2017
Hong Kong	**451**	451
The PRC	**34**	29
Singapore	**118**	155
Total	**603**	635

Although the water is considered minimal, we encourage staff to consume water in a considerate way by reminding them to turn-off water tap after use.

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 customer 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 the paper usage at office, the figure is shown in the table below:

	Number of A4 paper consumed	
Region	**2018**	2017
Hong Kong	**78,500**	73,500
The PRC	**4,500**	8,500
Singapore	**10,660**	10,566
Total	**93,660**	92,566

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.

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. 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 (2017: Nil).

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.

We encourage our employees to keep the work place tidy to minimise 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 (2017: Nil).

B3. Development and Training

The Group recognized that 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 training 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 training 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 training 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 staffs are working on a voluntary basis with agreed terms between employee 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 (2017: Nil).

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 a regular site visit to supplier to ensure the quality of products and quality control procedures are 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 issues of product quality to ensure all products that are supplied to our customers meet our requirements for product safety and quality. Assessment of supplier's 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 specialised 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 its specification, functionalities and performance for branded products. Supplier is 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 product meet the requirements before delivery to our customers. We also offer incidental repair and maintenance services to our customers to enhance our after-sale 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 referral and other related information which strictly require directors and staff to follow and be aware of it.

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 Orbis to fight against avoidable blindness in developing nations in both 2017 and 2018.

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		2018 Data	2017 Data	Stock Exchange ESG Reporting Guide KPI
Emission	Carbon dioxide generated equivalent (CO_2) (Ton) (Indirect emission from electricity consumed)	**45**	51	KPI A1.1, A1.2
	Sulphur oxides emission (gram)	**300**	332	KPI A1.1, A1.2

Aspect A2: Use of resources

Performance indicator		2018 Data	2017 Data	Stock Exchange ESG Reporting Guide KPI
Energy	Electricity consumption (KWh)	**80,881**	94,757	KPI A2.1
Water	Water consumption (Cubic meters)	**603**	635	KPI A2.2
Paper	Number of A4 Paper consumption (piece)	**93,660**	92,566	KPI A2.5

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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 39 to 111, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2018.

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.

Impairment assessment of trade receivables

Refer to note 4.7(ii), note 5.1(c) and note 17 to the consolidated financial statements

As at 31 December 2018, the Group had trade receivables amounting to HK$93,077,000 before allowances as set out in note 17. The Group has applied HKFRS 9 Financial Instruments ("HKFRS 9") on 1 January 2018 and assessed impairment for its receivables based on expected credit losses model. Loss allowances for expected credit losses amounting to HK$6,842,000 have been made for the trade receivables as at 31 December 2018.

Assessing expected credit losses on trade receivables is a subjective area as it requires application of judgment and uses of estimates. Judgment is applied in assessing whether the credit risk of the receivables has increased significantly since initial recognition and whether the receivables are credit-impaired. To determine whether there is objective evidence of impairment, 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.

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:

- 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 settlement on a sample basis;

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

- Assessing the factors considered by the management for determining whether the credit risk of the receivables has increased significantly since initial recognition and 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, related safeguards.

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
Chiu Wing Cheung Ringo
Practising Certificate no. P04434

Hong Kong, 21 March 2019

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2018 HK$'000	2017 HK$'000
Revenue	6	**113,933**	161,626
Cost of sales	7	**(80,668)**	(116,534)
Gross profit		**33,265**	45,092
Other income	8	**190**	517
Other losses, net	8	**–**	(233)
Selling expenses	7	**(4,698)**	(6,104)
Administrative expenses	7		
– Legal and professional fee for listing preparation		**–**	(11,498)
– Others		**(33,120)**	(33,743)
Operating loss		**(4,363)**	(5,969)
Finance income	11	**257**	39
Finance costs	11	**(1,072)**	(761)
Loss before income tax		**(5,178)**	(6,691)
Income tax credit/(expense)	12	**152**	(1,805)
Loss for the year		**(5,026)**	(8,496)
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(669)**	1,227
Total comprehensive income		**(5,695)**	(7,269)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(4,951)**	(8,645)
Non-controlling interests		**(75)**	149
		(5,026)	(8,496)
Total comprehensive income attributable to:			
Equity holders of the Company		**(5,603)**	(7,422)
Non-controlling interests		**(92)**	153
		(5,695)	(7,269)
Loss per share			
– Basic and diluted (expressed in HK cents per share)	13	**(0.83)**	(1.67)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Prepaid land premium	15(a)	**5,356**	5,566
Property, plant and equipment	15(b)	**22,303**	11,346
Deposits	17	**961**	1,716
Deferred income tax assets	24	**1,118**	102
		29,738	18,730
Current assets			
Inventories	16	**28,763**	24,642
Trade and other receivables	17	**97,313**	74,275
Tax recoverable		**466**	4,066
Pledged bank deposits	18(a)	**–**	2,536
Cash and cash equivalents	18(b)	**33,916**	70,101
		160,458	175,620
Current liabilities			
Trade and other payables	20(a)	**37,543**	37,689
Contract liabilities	20(b)	**899**	–
Dividend payable	21	**7,980**	7,980
Amounts due to directors	22	**6,132**	1,663
Bank borrowings	23(a)	**17,000**	14,000
Finance lease liabilities	23(b)	**1,551**	1,666
Current income tax liabilities		**74**	854
		71,179	63,852
Net current assets		**89,279**	111,768
Total assets less current liabilities		**119,017**	130,498
Non-current liabilities			
Finance lease liabilities	23(b)	**3,042**	4,592
Deferred income tax liabilities	24	**1,572**	1,161
Other provision		**320**	167
		4,934	5,920
Net assets		**114,083**	124,578

	Notes	As at 31 December 2018 HK$'000	 2017 HK$'000
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	25	**6,000**	6,000
Reserves	26	**106,635**	117,038
		112,635	123,038
Non-controlling interests		**1,448**	1,540
Total equity		**114,083**	124,578

The consolidated financial statements on pages 39 to 111 were approved by the Board of Directors on 21 March 2019 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Po
Executive Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital HK$'000	**Reserves** HK$'000 (note 26)	**Share premium** HK$'000 (note 26)	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2017	–	79,128	9,500	88,628	2,857	91,485
Comprehensive income:						
(Loss)/profit for the year	–	(8,645)	–	(8,645)	149	(8,496)
Other comprehensive income:						
Currency translation differences	–	1,223	–	1,223	4	1,227
Total comprehensive income for the year	–	(7,422)	–	(7,422)	153	(7,269)
Transactions with owners:						
Proceeds from shares issued	6,000	–	64,500	70,500	–	70,500
Shares issuance cost	–	–	(10,668)	(10,668)	–	(10,668)
Dividends declared to the then equity holders of the Company (note 28)	–	(18,000)	–	(18,000)	–	(18,000)
Dividends declared to non-controlling interests (note 28)	–	–	–	–	(1,470)	(1,470)
At 31 December 2017	6,000	53,706	63,332	123,038	1,540	124,578
At 1 January 2018	**6,000**	**53,706**	**63,332**	**123,038**	**1,540**	**124,578**
Comprehensive income:						
Loss for the year	**–**	**(4,951)**	**–**	**(4,951)**	**(75)**	**(5,026)**
Other comprehensive income:						
Currency translation differences	**–**	**(652)**	**–**	**(652)**	**(17)**	**(669)**
Total comprehensive income for the year	**–**	**(5,603)**	**–**	**(5,603)**	**(92)**	**(5,695)**
Transactions with owners:						
Dividends declared to the equity holders of the Company (note 28)	**–**	**(4,800)**	**–**	**(4,800)**	**–**	**(4,800)**
At 31 December 2018	**6,000**	**43,303**	**63,332**	**112,635**	**1,448**	**114,083**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash used in operations	27(a)	**(29,026)**	(16,005)
Interest received		**257**	35
Income tax recovered/(paid)		**2,394**	(3,632)
Net cash used in operating activities		**(26,375)**	(19,602)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,073)**	(2,177)
Proceeds from disposal of property, plant and equipment	27(b)	**–**	3
Proceeds from sale of assets held for sale	19	**–**	6,621
Deposit paid for acquiring property, plant and equipment		**(513)**	(1,268)
Net cash (used in)/generated from investing activities		**(12,586)**	3,179
Cash flows from financing activities			
Proceeds from borrowings		**3,000**	–
Repayments of borrowings		**–**	(6,000)
Capital element of finance lease payments		**(1,665)**	(234)
Decrease in pledged bank deposits		**2,536**	–
Proceeds from finance lease obligations		**–**	6,320
Proceeds from issuance of ordinary shares		**–**	70,500
Legal and professional fee paid for listing preparation		**–**	(8,302)
Interest paid		**(1,072)**	(761)
Dividends paid		**(4,800)**	(18,000)
Advance from a director		**5,000**	–
Repayment to a director		**–**	(2,225)
Net cash generated from financing activities		**2,999**	41,298
(Decrease)/increase in cash and cash equivalents		**(35,962)**	24,875
Cash and cash equivalents at beginning of year		**70,101**	44,357
Currency translation differences		**(223)**	869
Cash and cash equivalents at end of year	18(b)	**33,916**	70,101

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 "Share Offer").

The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, 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 all applicable 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 the GEM of the Stock Exchange.

These financial statements have been prepared under the historical cost basis.

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 2018

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 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

HKFRS 9 – Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The Group's financial assets as at 1 January 2018 composed of trade and other receivables, pledged bank deposits and cash and cash equivalents, which were previously classified as loans and receivables and measured at amortised cost under HKAS 39. These financial assets meet the SPPI criterion and it is the Group's business model to hold these financial assets to collect their contractual cash flows. Accordingly, they are classified as financial assets at amortised cost and will continue to be subsequently measured at amortised cost upon the adoption of HKFRS 9.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Trade and other receivables	Loans and receivables	Amortised cost	74,275	74,275
Pledged bank deposits	Loans and receivables	Amortised cost	2,536	2,536
Cash and cash equivalents	Loans and receivables	Amortised cost	70,101	70,101

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECL") model". HKFRS 9 requires the Group to recognise ECL for trade and other receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the reporting date: or (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

ECL are based on the difference between the contractual cash flows due 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 has elected to measure loss allowances for trade receivables using HKFRS 9 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.

For other financial assets measured at amortised cost, the ECL are based on the 12-month ECL. The 12-month ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the loss allowances will be based on the lifetime ECL. 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 and 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. The Group considers a financial asset to be in default 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 365 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.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECL which recognises lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for trade receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under ECL model is insignificant. The loss allowances decreased for HK$4,518,000 under HKFRS 9 for trade receivables during the year ended 31 December 2018. Further details of the provision matrix are disclosed in note 35(a)(ii).

Other financial assets at amortised cost of the Group including other receivables, pledged bank deposits and cash and cash equivalents. No additional impairment for these financial assets as at 1 January 2018 and during the year ended 31 December 2018 is recognised as the amount of additional impairment measured under ECL model is insignificant.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9. If an investment in a debt investment had low credit risk at the date of initial application, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Timing of revenue recognition

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group's contracts with customers for the sales of construction machinery and spare parts generally include one performance obligation, which is satisfied at a point of time when goods are delivered to and accepted by customers. The adoption of HKFRS 15 does not have a significant impact on the timing and amounts of revenue recognised by the Group from sale of construction machinery and spare parts.

(ii) Presentation and disclosure requirements

As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosures of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 6 for the disclosure on disaggregated revenue.

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

(ii) Presentation and disclosure requirements (Continued)

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. 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.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

– Trade deposits received of HK$64,000 that were previously included in trade and other payables have been reclassified as contract liabilities.

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018			
	Without adoption of HKFRS 15 HK$'000	Reclassifications under HKFRS 15 HK$'000	Effects of adoption of HKFRS 15 HK$'000	As reported HK$'000
Consolidated statement of financial position (extracted)				
Trade and other payables	38,442	(899)	–	37,543
Contract liabilities	–	899	–	899
Consolidated statement of cash flow (extracted)				
Changes in working capital:				
Trade and other payables	5,229	–	(835)	4,394
Contract liabilities	–	–	835	835

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 (Continued)

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

The following new/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. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations; HKAS 12 Income Taxes; and HKAS 23 Borrowing Costs[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2020

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. Those new or revised HKFRSs that may have a material impact on the Group's financial statements are set out below.

HKFRS 16 Leases ("HKFRS 16")

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

3. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

HKFRS 16 Leases (Continued)

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach with the cumulative effect of initial application recognised on 1 January 2019 and will not restate comparative amounts for the year prior to first adoption. The lease liabilities of leases previously classified as operating leases will be recognised on the date of initial application at the present value of the remaining lease payments, discounting using the Group's incremental borrowing rate at the date of initial application. The right-of-use assets will be measured on the date of initial application at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$7,258,000 as disclosed in note 30(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group expects to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In the consolidated statement of comprehensive income, as the leases will be capitalised in future, operating lease expenses will no longer be recorded for these leases while depreciation and interest expense will increase due to the depreciation charge on the right-of-use asset and the interest expense on the lease liability. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

Except for the above, other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

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 applies the acquisition method to account for business combinations. 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.

Foreign exchange gains or losses that relate to borrowings and cash and cash equivalents are presented in consolidated statement of comprehensive income within "administrative expenses".

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.

Motor vehicles classified as finance lease commences depreciation from the time when the assets become available for its intended use. 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%
Motor vehicles under finance leases	25% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	25%
Leasehold improvements	20% or over the lease term, whichever is shorter
Freehold land	Not depreciated
Leasehold land and buildings	2.5% or over the lease term

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 4.6).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in consolidated statement of comprehensive income.

4.5 Prepaid land premium

Prepaid land premium is recorded at cost less subsequent accumulated amortisation and accumulated impairment losses, if any. Prepaid land premium is amortised using the straight-line method over their lease team.

4.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.7 Financial Instruments (accounting policies applied from 1 January 2018)

(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 entirely when determining whether their cash flows are solely payment of principal and interest.

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 rate 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(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 has elected to measure loss allowances for trade receivables using HKFRS 9 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)

4.7 Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

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 365 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.

(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 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 4.16).

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Financial Instruments (accounting policies applied from 1 January 2018) (Continued)

(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 4.7(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of 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 liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.8 Financial Instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, pledged bank deposits and cash and cash equivalents in the consolidated statement of financial position (note 4.10 and note 4.11).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(ii) Offsetting financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforce right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(iii) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 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.

4.10 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 4.7 and note 4.8 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

4.11 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.

4.12 Assets held for sale

Non-current assets are reclassified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probably. They are stated at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in consolidated statement of comprehensive income as part of a valuation gain or loss in "other (losses)/gains, net".

4.13 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.

4.14 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)

4.15 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.

4.16 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, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

4.17 Current and deferred income 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)

4.17 Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

Deferred income 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 income 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income 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 income 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 income 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 income 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)

4.18 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.

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

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 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.

4.20 Revenue recognition

Accounting policies applied from 1 January 2018

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Revenue recognition (Continued)

Accounting policies applied from 1 January 2018 (Continued)

The Group recognised revenue as 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 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.

Accounting policies applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Sales of goods revenue is recognised when the Group has transferred to the customer the significant risks and rewards of ownership of the goods, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectibility of the related receivables is reasonably assured. Where customers are given the goods return options, the amount of options outstanding and the Group's accumulated experience with the customers in exercising such options are used to estimate and provide for return.

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

Freight income, commission income and repair and maintenance services income are recognised when services are rendered.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 Contract costs, contract assets and contract liabilities (accounting policies applied from 1 January 2018)

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 4.20.

Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 4.20) 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 4.7(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 4.20). 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)

4.22 Leases

(i) Operating lease – as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) Operating lease – as a lessor

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset.

Lease income on operating leases is recognised in the consolidated statement of comprehensive income over the term of the lease on a straight-line basis.

(iii) Finance lease – as a lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4.23 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.24 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.

(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.

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.

(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.

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	
	2018	2017
	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	**111,298**	158,071
– Repair and maintenance services income	**2,087**	3,287
Timing of revenue recognition – Transferred over time	**–**	–
	113,385	161,358
Revenue from other sources		
– Machinery rental income	**548**	268
	113,933	161,626

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. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities for the tunnelling and foundation business segments reported to the chief operating decision maker, accordingly, no operating segment assets and liabilities are presented.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2018 (2017: 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 2018 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	94,332	19,601	113,933
Cost of sales	(65,754)	(14,914)	(80,668)
Segment results	28,578	4,687	33,265
Gross profit %	30.30%	23.91%	29.20%
Other income			190
Selling expenses			(4,698)
Administrative expenses			(33,120)
Operating loss			(4,363)
Finance income			257
Finance costs			(1,072)
Loss before income tax			(5,178)
Income tax credit			152
Loss for the year			(5,026)

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 2017 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	144,652	16,974	161,626
Cost of sales	(102,469)	(14,065)	(116,534)
Segment results	42,183	2,909	45,092
Gross profit %	29.16%	17.14%	27.90%
Other income			517
Other losses			(233)
Selling expenses			(6,104)
Administrative expenses			(45,241)
Operating loss			(5,969)
Finance income			39
Finance costs			(761)
Loss before income tax			(6,691)
Income tax expense			(1,805)
Loss for the year			(8,496)

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**33,142**	42,236
The PRC	**62,583**	89,321
Singapore and other Asia–Pacific countries	**14,112**	30,069
Others	**4,096**	–
	113,933	161,626

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) The total amounts of non-current assets, other than financial instruments and deferred income tax assets of the Group as at 31 December 2018 are located in the following regions:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**7,335**	8,270
The PRC	**388**	254
Singapore	**7,956**	8,388
Australia	**11,980**	–
	27,659	16,912

(e) Certain customers contributed more than 10% of the total sales of the Group during the year ended 31 December 2018. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Customer A	**27,478**	26,597
Customer B	**17,437**	49,101
Customer C	**17,161**	24,644
Customer D	**14,321**	7,166

7 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Cost of inventories sold	**80,262**	116,194
Employee benefit expenses (note 9)	**20,233**	21,834
Depreciation (note 15(b))	**1,602**	1,401
Amortisation (note 15(a))	**104**	102
Freight charge	**2,361**	2,815
Legal and professional fee for listing preparation	**–**	11,498
Auditors' remuneration		
– Audit services	**639**	1,260
– Non-audit services	**53**	143
Operating lease charges on land and buildings	**3,521**	3,368
Exchange losses/(gains)	**3,757**	(3,863)
(Reversal of provision)/provision for impairment loss on trade receivables (note 17)	**(4,116)**	2,005
Entertainment expenses	**1,349**	1,924
Travelling expense	**2,226**	1,781
Motor vehicle expenses	**854**	930
Others	**5,641**	6,487
Total cost of sales, selling expenses and administrative expenses	**118,486**	167,879

8 OTHER INCOME AND OTHER LOSSES, NET

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Other income		
Inspection charges	**135**	476
Others	**55**	41
	190	517
Other losses, net		
Loss from disposal of property, plant and equipment	**–**	164
Loss from disposal of assets held for sale (note 19)	**–**	69
	–	233

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Salaries, wages and other benefits	**19,236**	20,829
Pension costs – defined contribution plans	**997**	1,005
	20,233	21,834

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 2018

	Fees	Salaries	Other benefits (iv)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Ng Lai Ming (i)	–	965	–	18	983
Ng Lai Tong (ii)	–	924	1,024	18	1,966
Ng Lai Po (ii)	–	975	–	18	993
Cheung King (ii)	–	937	108	18	1,063
Independent non-executive directors:					
Tai Wai Kwok (iii)	150	–	–	–	150
Lo Kok Keung (iii)	150	–	–	–	150
Lau Chi Leung (iii)	150	–	–	–	150
	450	3,801	1,132	72	5,455

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

(a) Directors' emoluments (Continued)

For the year ended 31 December 2017

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits (iv) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:						
Ng Lai Ming (i)	154	936	–	–	18	1,108
Ng Lai Tong (ii)	–	897	–	1,459	18	2,374
Ng Lai Po (ii)	–	884	202	–	18	1,104
Cheung King (ii)	–	910	–	204	18	1,132
Independent non-executive directors:						
Tai Wai Kwok (iii)	67	–	–	–	–	67
Lo Kok Keung (iii)	67	–	–	–	–	67
Lau Chi Leung (iii)	67	–	–	–	–	67
	355	3,627	202	1,663	72	5,919

Notes:

(i) Mr. Ng Lai Ming was appointed as executive director and the chief executive officer ("CEO") of the Company on 24 September 2015.

(ii) Mr. Ng Lai Tong, Mr. Ng Lai Po, and Mr. Cheung King were appointed as executive directors of the Company on 6 January 2017.

(iii) Mr. Tai Wai Kwok, Ir. Lo Kok Keung, and Mr. Lau Chi Leung were appointed as independent non-executive directors of the Company on 19 June 2017.

(iv) 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 (2017: Nil).

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

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 4 directors (2017: 4 directors) for the year ended 31 December 2018, whose remuneration are reflected in the analysis presented in note 10(a) above.

The remuneration paid or payable to the remaining 1 individual (2017:1) are as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Salaries, wages and other benefits	**1,065**	1,079
Pension costs – defined contribution plan	**78**	104
	1,143	1,183

The remuneration fell within the following bands:

	Number of individual Year ended 31 December	
	2018	2017
Remuneration band		
HK$1,000,001 to HK$1,500,000	**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 (2017: Nil).

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

(c) Senior Management's Remuneration

The remuneration paid or payable to senior management for the year ended 31 December 2018 and 2017 fell within the following bands:

	Number of individual Year ended 31 December **2018**	 2017
Remuneration bands		
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	1
	4	5

11 FINANCE INCOME AND COSTS

	Year ended 31 December **2018** **HK$'000**	 2017 HK$'000
Finance income on:		
– Bank deposits	**257**	39
Finance costs on:		
– Bank borrowings	**818**	707
– Finance lease liabilities	**247**	54
– Advance from a director	**7**	–
	1,072	761

12 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**(38)**	252
– Mainland China corporate income tax	**458**	1,321
– Singapore corporate income tax	**(13)**	1
– Australia corporate income tax	**15**	–
Deferred income tax (note 24)	**(574)**	231
Income tax (credit)/expense	**(152)**	1,805

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2018 (2017: 16.5%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China for the year ended 31 December 2018 (2017: 25%). Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group's operations in Singapore for the year ended 31 December 2018 (2017: 17%). Australia corporate income tax has been provided for at the rate of 30% on the estimated assessable profits for the Group's operations in Australia for the year ended 31 December 2018.

12 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Loss before income tax	**(5,178)**	(6,691)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(483)**	(777)
Income not subject to tax	**(1,121)**	(206)
Expenses not deductible for tax purposes	**465**	2,774
Tax losses for which no deferred income tax asset was recognised	**669**	–
Utilisation of previously unrecognised tax losses	**(15)**	(190)
Provision for withholding tax on undistributed earnings of a subsidiary	**493**	243
(Over)/under provision in prior year	**(160)**	29
Tax concession	**–**	(68)
Income tax (credit)/expense	**(152)**	1,805

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. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue of ordinary shares which took place on 21 July 2017.

	Year ended 31 December	
	2018	2017
Loss attributable to equity holders of the Company (HK$'000)	**(4,951)**	(8,645)
Weighted average number of ordinary shares in issue (thousands)	**600,000**	517,397
Basic loss per share (expressed in HK cents)	**(0.83)**	(1.67)

(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 2018:

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 2018	2017
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 PREPAID LAND PREMIUM AND PROPERTY, PLANT AND EQUIPMENT

(a) Prepaid land premium

The Group's prepaid land premium represents prepaid operating lease payments for the use of land relating to a property owned by the Group located in Singapore and their net book amounts are analysed as follows:

	2018	2017
	HK$'000	HK$'000
Net book amount at 1 January	**5,566**	5,195
Amortisation of prepaid land premium	**(104)**	(102)
Exchange difference	**(106)**	473
Net book amount at 31 December	**5,356**	5,566

All amortisation expenses have been recorded in administrative expenses.

15 PREPAID LAND PREMIUM AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) 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
At 1 January 2017						
Cost	2,501	10,438	822	1,068	3,844	18,673
Accumulated depreciation	(110)	(3,191)	(467)	(839)	(3,592)	(8,199)
Net book amount	2,391	7,247	355	229	252	10,474
Year ended 31 December 2017						
Opening net book amount	2,391	7,247	355	229	252	10,474
Additions	–	1,194	874	83	26	2,177
Disposal	–	–	(167)	–	–	(167)
Depreciation	(47)	(905)	(142)	(136)	(171)	(1,401)
Exchange difference	217	25	–	8	13	263
Closing net book amount	2,561	7,561	920	184	120	11,346
At 31 December 2017						
Cost	2,730	11,680	1,414	1,180	3,869	20,873
Accumulated depreciation	(169)	(4,119)	(494)	(996)	(3,749)	(9,527)
Net book amount	2,561	7,561	920	184	120	11,346
Year ended 31 December 2018						
Opening net book amount	**2,561**	**7,561**	**920**	**184**	**120**	**11,346**
Additions	**12,857**	**9**	**–**	**258**	**217**	**13,341**
Depreciation	**(213)**	**(962)**	**(205)**	**(122)**	**(100)**	**(1,602)**
Exchange difference	**(761)**	**(9)**	**–**	**(3)**	**(9)**	**(782)**
Closing net book amount	**14,444**	**6,599**	**715**	**317**	**228**	**22,303**
At 31 December 2018						
Cost	**14,814**	**11,667**	**1,413**	**1,135**	**4,059**	**33,088**
Accumulated depreciation	**(370)**	**(5,068)**	**(698)**	**(818)**	**(3,831)**	**(10,785)**
Net book amount	**14,444**	**6,599**	**715**	**317**	**228**	**22,303**

15 PREPAID LAND PREMIUM AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Property, plant and equipment (Continued)

All depreciation expenses for the years ended 31 December 2018 and 2017 have been recorded in administrative expenses.

As at 31 December 2018, certain machinery and equipment with carrying amounts of HK$5,578,000 were used to secure for certain of the Group's borrowings (2017: HK$6,283,000). For details, please refer to note 23(b).

During the year, the Group has acquired a freehold land and buildings with costs of HK$12,857,000 for own use as warehouse and office in Australia.

As at 31 December 2017, a motor vehicle with nil net carrying amount is held under finance lease. The Group leased the motor vehicle under non-cancellable finance lease agreement. The capital value of the motor vehicle at the inception of the lease amounted to HK$546,000. The lease terms was 4.5 years and came to an end during the year 31 December 2018.

16 INVENTORIES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Merchandise	**28,763**	24,642

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$80,262,000 for the year ended 31 December 2018 (2017: HK$116,194,000).

As at 31 December 2018, certain inventories amounted to HK$1,996,000 were used to secure for certain of the Group's borrowings (2017: HK$1,996,000). For details, please refer to note 23(b).

17 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Trade receivables	93,077	77,676
Less: loss allowance	(6,842)	(11,360)
Trade receivables – net	86,235	66,316
Bills receivables	2,961	6,276
Prepayments	502	397
Trade deposits paid	6,186	6
Deposits paid	1,404	2,480
Other receivables	986	516
	98,274	75,991
Less: Non-current portion deposits	(961)	(1,716)
	97,313	74,275

The credit terms granted by the Group generally ranged up to 270 days (2017: 180 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
0 to 30 days	17,405	21,851
31 to 60 days	6,603	9,549
61 to 90 days	5,975	5,339
91 to 180 days	15,803	8,053
181 to 365 days	10,285	4,947
Over 1 year	37,006	27,937
Trade receivables, gross	93,077	77,676
Less: loss allowance	(6,842)	(11,360)
Trade receivables, net	86,235	66,316

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2018, trade receivables of HK$62,205,000, were past due but not impaired (2017: HK$33,110,000). The ageing analysis of these trade receivables based on due date, net is as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Past due but not impaired:		
– Less than 3 months	**21,610**	12,951
– 3 to 6 months	**6,593**	2,648
– 6 months to 1 year	**11,571**	3,026
– More than 1 year	**22,431**	14,485
	62,205	33,110

Long aged receivables that were past due but not impaired relate to customers who have no recent history of default and based on past experience, settlement record and recent correspondence with the customers, the directors expect the overdue amounts to be recoverable.

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

	2018	2017
	HK$'000	HK$'000
Balance at 1 January	**11,360**	9,289
Impairment losses charged to profit or loss	**–**	2,005
Impairment losses reversed	**(4,116)**	–
Written off during the year as uncollectible	**(35)**	(629)
Exchange difference	**(367)**	695
Balance at 31 December	**6,842**	11,360

The Group recognised impairment loss on trade receivables for the years ended 31 December 2018 and 2017 respectively based on the accounting policies stated in note 4.7(ii) and note 4.8(iii). 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).

The carrying amounts of bills receivables approximate their fair values due to their short maturity. As at 31 December 2018, all the bills receivables represent bank acceptance notes issued by third parties with average maturity of within 189 days (2017: within 179 days), which are denominated in Renminbi.

18 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Pledged bank deposits

As at 31 December 2017, fixed deposits of HK$2,536,000 were denominated in HK$ and are pledged to a bank for securing certain general banking facilities granted to the Group (note 23(c)). No fixed bank deposits were pledged as at 31 December 2018.

(b) Cash and cash equivalents

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Short-term bank deposits with original maturities within three months	**14,000**	20,000
Cash at banks and on hand	**19,916**	50,101
	33,916	70,101
Maximum exposure to credit risk	**33,904**	70,086

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Renminbi	**2,168**	943
Euro	**3,742**	13,479
HK dollar	**23,730**	51,095
Singapore dollar	**613**	2,305
United States dollar	**3,316**	1,718
Other currencies	**347**	561
	33,916	70,101

As at 31 December 2018, cash and cash equivalents of approximately HK$2,089,000 (2017: HK$838,000) 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.

19 ASSETS HELD FOR SALE

	2018 HK$'000	2017 HK$'000
Balance at 1 January	–	6,690
Disposed during the year	–	(6,690)
Balance at 31 December	–	–

On 30 November 2016, the Group entered into provisional agreements for sales and purchases with independent third parties pursuant to which the Group disposed of these assets held for sale to the independent third parties, at a total cash consideration of HK$6,702,000, net of commission and professional fees of HK$81,000.

The disposals were completed on 28 February 2017. Loss from disposal of assets held for sale of HK$69,000 were recognised under "other income and other losses, net" (note 8) in the consolidated statement of comprehensive income.

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2018 HK$'000	2017 HK$'000
Trade payables	33,973	32,225
Accrued expenses and other payables	3,570	5,400
Trade deposit received	–	64
	37,543	37,689

The carrying amounts of trade and other payables approximate their fair values as at 31 December 2018 and 2017.

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	
	2018	2017
	HK$'000	HK$'000
0 to 30 days	**4,462**	5,153
31 to 60 days	**7,081**	2,665
61 to 90 days	**3,977**	5,367
91 to 120 days	**5,567**	4,813
Over 120 days	**12,886**	14,227
	33,973	32,225

(b) Contract liabilities

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

	31 December 2018	1 January 2018 (note)	31 December 2017
	HK$'000	HK$'000	HK$'000
Contract liabilities related to trading in spare parts	**899**	64	–

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities (Continued)

Movements in contract liabilities

	2018 HK$'000
Balance at 1 January	**64**
– 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	**(64)**
– 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	**899**
Balance at 31 December	**899**

As at 31 December 2018, the contract liabilities of HK$899,000 were expected to be recognised as income within one year.

21 DIVIDEND PAYABLE

The amount is payable to a non-controlling shareholder of a company now comprising the Group, 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$. Its carrying amount at 31 December 2018 and 2017 approximates its fair value.

22 AMOUNTS DUE TO DIRECTORS

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Amounts due to:		
– Mr. Ng Lai Tong	**1,024**	1,459
– Mr. Cheung King	**108**	204
Advance from:		
– Mr. Ng Lai Ming	**5,000**	–
	6,132	1,663

The amounts due to Mr. Ng Lai Tong and Mr. Cheung King are unsecured, interest-free and repayable on demand. Their carrying amounts at 31 December 2018 and 2017 approximate their fair values and are denominated in HK$.

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. The carrying amount at 31 December 2018 approximates its fair value and is denominated in HK$.

23 BORROWINGS

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Non-current		
Finance lease liabilities (b)	**3,042**	4,592
	3,042	4,592
Current		
Bank borrowings (a)	**17,000**	14,000
Finance lease liabilities (b)	**1,551**	1,666
	18,551	15,666
Total	**21,593**	20,258

23 BORROWINGS (CONTINUED)

(a) Bank borrowings

The carrying amounts of the bank borrowings approximate their fair values as at year end, and are denominated in the HK$.

(b) Finance lease liabilities

The finance lease liabilities were repayable as follows:

	Minimum lease payments As at 31 December	
	2018	2017
	HK$'000	HK$'000
No later than 1 year	**1,736**	1,933
Later than 1 year and no later than 5 years	**3,182**	4,900
	4,918	6,833
Future finance charges on finance leases	**(325)**	(575)
Present value of finance lease liabilities	**4,593**	6,258
The present value of finance lease liabilities is as follows:		
No later than 1 year	**1,551**	1,666
Later than 1 year and no later than 5 years	**3,042**	4,592
	4,593	6,258

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

As at 31 December 2018, certain finance leases are secured by certain machinery and equipment with carrying amounts of HK$5,578,000 (2017: HK$6,283,000) and inventories amounted to HK$1,996,000 (2017: HK$1,996,000).

23 BORROWINGS (CONTINUED)

(c) Banking facilities

The Group has obtained total banking facilities from banks of approximately HK$30,000,000 (2017: HK$38,000,000), of which HK$13,000,000 (2017: HK$24,000,000) has not been utilised.

The banking facilities are secured by the followings:

(i) the Group's bank deposits of approximately HK$2,536,000 as at 31 December 2017; and

(ii) corporate guarantees provided by the Company, M&L Engineering & Materials Limited and East Focus Engineering Services Limited.

(d) The effective interest rates of the borrowings at the year end are as follows:

	As at 31 December	
	2018	2017
Floating rate		
Bank borrowings	**5.0%**	4.0%
Finance lease liabilities	**4.8%**	4.5%

24 DEFERRED INCOME TAX LIABILITIES/(ASSETS)

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Deferred income tax assets:		
– To be recovered after more than 12 months	**(1,118)**	(102)
Deferred income tax liabilities:		
– To be settled after more than 12 months	**1,572**	1,161
Deferred income tax liabilities, net	**454**	1,059

24 DEFERRED INCOME TAX LIABILITIES/(ASSETS) (CONTINUED)

The net movement on the deferred income tax account is as follows:

	HK$'000
At 1 January 2017	819
Charged to profit or loss	231
Exchange difference	9
At 31 December 2017	**1,059**
Credited to profit or loss	**(574)**
Exchange difference	**(31)**
At 31 December 2018	**454**

The movement in deferred income tax assets and liabilities during the years ended 31 December 2017 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses HK$'000	**Unrealised profit** HK$'000	**Total** HK$'000
Deferred income tax assets			
At 1 January 2017	–	40	40
Credited to profit or loss	37	25	62
At 31 December 2017	**37**	**65**	**102**
Credited to profit or loss	**894**	**122**	**1,016**
At 31 December 2018	**931**	**187**	**1,118**

24 DEFERRED INCOME TAX LIABILITIES/(ASSETS) (CONTINUED)

	Accelerated Depreciation allowances HK$'000	Withholding tax HK$'000	Total HK$'000
Deferred income tax liabilities			
At 1 January 2017	859	–	859
Charged to profit or loss	50	243	293
Exchange difference	–	9	9
At 31 December 2017	**909**	**252**	**1,161**
(Credited)/charged to profit or loss	**(51)**	**493**	**442**
Exchange difference	**–**	**(31)**	**(31)**
At 31 December 2018	**858**	**714**	**1,572**

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	Share capital HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2017	38,000,000	380
Increase in authorised share capital	962,000,000	9,620
At 31 December 2017 and 2018	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2017	10,000	–
Issuance of shares pursuant to the capitalisation issue on 21 July 2017	449,990,000	4,500
Issuance of shares under the Share Offer	150,000,000	1,500
At 31 December 2017 and 2018	600,000,000	6,000

26 RESERVES AND SHARE PREMIUM

	Capital reserve HK$'000 (note (a))	Share premium HK$'000 (note (b))	Translation reserve HK$'000	Statutory reserve HK$'000 (note (c))	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2017	15,642	9,500	(934)	436	63,984	88,628
Comprehensive income:						
Loss for the year	–	–	–	–	(8,645)	(8,645)
Currency translation difference	–	–	1,223	–	–	1,223
Transactions with owners:						
Transfer to statutory reserve	–	–	–	260	(260)	–
Shares issued pursuant to the capitalisation issue	–	(4,500)	–	–	–	(4,500)
Proceeds from shares issued under the Share Offer	–	69,000	–	–	–	69,000
Shares issuance costs	–	(10,668)	–	–	–	(10,668)
Dividends declared to the then equity holders of the Company (note 28)	–	–	–	–	(18,000)	(18,000)
Balance at 31 December 2017	15,642	63,332	289	696	37,079	117,038
Balance at 1 January 2018	**15,642**	**63,332**	**289**	**696**	**37,079**	**117,038**
Comprehensive income:						
Loss for the year	**–**	**–**	**–**	**–**	**(4,951)**	**(4,951)**
Currency translation difference	**–**	**–**	**(652)**	**–**	**–**	**(652)**
Transactions with owners:						
Transfer to statutory reserve	**–**	**–**	**–**	**528**	**(528)**	**–**
Dividends declared to the equity holders of the Company (note 28)	**–**	**–**	**–**	**–**	**(4,800)**	**(4,800)**
Balance at 31 December 2018	**15,642**	**63,332**	**(363)**	**1,224**	**26,800**	**106,635**

26 RESERVES AND SHARE PREMIUM (CONTINUED)

Notes:

(a) Capital reserve of HK$15,642,000 as at 31 December 2018 and 2017 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.

(b) On 26 January 2016, share premium of HK$9,500,000 was recognised upon issuance and allotment of shares to the pre-IPO investor.

On 21 July 2017, prior to the share premium account of the Company being credited with the proceeds from the Share Offer, the Company capitalised an amount of HK$4,499,900 by charging to the share premium account of the Company and that the said sum be applied in paying up in full for 449,990,000 shares. Such shares were allotted and issued, credited as fully paid to Mr. Ng Lai Ming, Mr. Ng Lai Tong, Mr. Cheung King, Mr. Ng Lai Po and the pre-IPO investor respectively, based on their respective number of shares. In connection with Company listing on GEM of the Stock Exchange on 21 July 2017, 150,000,000 shares were issued pursuant to the Share Offer at price of HK$0.47 per share for a total consideration of HK$70,500,000, with issuance costs amounted to approximately HK$10,668,000 being charged to the share premium account of the Company. Net share premium of approximately HK$53,832,000 was credited to equity after deducting the impacted results from above.

(c) 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	
	2018	2017
	HK$'000	HK$'000
Loss before income tax	**(5,178)**	(6,691)
Adjustments for:		
Finance costs	**1,072**	761
Finance income	**(257)**	(39)
Depreciation	**1,602**	1,401
Amortisation	**104**	102
(Reversal of provision)/provision for impairment loss on trade receivables	**(4,116)**	2,005
Loss on disposal of property, plant and equipment	**–**	164
Loss on disposal of assets held for sale	**–**	69
Cash used in operation before change in working capital	**(6,773)**	(2,228)
Changes in working capital		
Inventories	**(4,340)**	5,225
Trade and other receivables	**(22,764)**	1,217
Trade and other payables	**4,394**	(18,026)
Contract liabilities	**835**	–
Balances with directors	**(531)**	(1,881)
Other provision	**153**	(312)
Net cash used in operations	**(29,026)**	(16,005)

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Net book amount (note 15(b))	**–**	167
Loss on disposal of property, plant and equipment	**–**	(164)
Proceeds from disposal of property, plant and equipment	**–**	3

27 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

	Others assets	Liabilities from financing activities				
	Pledged deposit HK$'000	Bank borrowings due within one year HK$'000	Finance lease due within one year HK$'000	Finance lease due after one year HK$'000	Amount due to a director HK$'000	Total HK$'000
Net balance as at 1 January 2018	2,536	(14,000)	(1,666)	(4,592)	–	(17,722)
Net cash flows	(2,536)	(3,000)	115	1,550	(5,000)	(8,871)
Net balance as at 31 December 2018	–	(17,000)	(1,551)	(3,042)	(5,000)	(26,593)

28 DIVIDENDS

Interim dividend of HK$18,000,000 and HK$1,470,000 were declared to the then equity holder of the Company and non-controlling interests respectively in 2017. The portion attributable to the then equity holders of the Company was fully settled in 2017.

The final dividend for the year ended 31 December 2017 of HK0.8 cents per share, amounting to total dividend of HK$4,800,000, has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 11 June 2018.

Other than the above, the Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

29 CONTINGENT LIABILITIES

As at 31 December 2018 and 2017, the Group and the Company had no contingent liabilities.

30 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2018 HK$'000	2017 HK$'000
Land and property	**–**	11,408
Machinery and equipment	**1,196**	–
	1,196	11,408

30 COMMITMENTS (CONTINUED)

(b) Operating lease commitments – as lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
No later than one year	**1,949**	3,509
Later than one year and no later than five years	**5,309**	7,121
	7,258	10,630

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	
	2018	2017
	HK$'000	HK$'000
Interest expense paid to a director (note 22)	**7**	–

(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	
	2018	2017
	HK$'000	HK$'000
Salaries, wages and other benefits	**8,409**	9,897
Contributions to defined contribution retirement plans	**186**	230
	8,595	10,127

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 AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		**69,314**	69,314
Deferred tax asset		**219**	–
		69,533	69,314
Current assets			
Prepayments and other receivables		**79**	–
Amounts due from subsidiaries		**49,455**	37,252
Cash and cash equivalents		**17,625**	35,090
		67,159	72,342
Current liability			
Accrued expenses		**684**	644
Net current assets		**66,475**	71,698
Net assets		**136,008**	141,012
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital		**6,000**	6,000
Reserves	(a)	**130,008**	135,012
Total equity		**136,008**	141,012

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2019 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Po
Executive Director

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (Continued)

Note (a) Reserve movement of the Company

	Share premium and other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2017	75,282	–	75,282
Total comprehensive income			
Profit for the year	–	23,898	23,898
Transactions with owner			
Shares issued under the Share Offer	69,000	–	69,000
Shares issued pursuant to the capitalisation issue	(4,500)	–	(4,500)
Share issuance costs	(10,668)	–	(10,668)
Dividends approved in the current year (note 28)	–	(18,000)	(18,000)
Balance at 31 December 2017 and 1 January 2018	**129,114**	**5,898**	**135,012**
Total comprehensive income			
Loss for the year	**–**	**(204)**	**(204)**
Transactions with owner			
Dividends approved in the current year (note 28)	**–**	**(4,800)**	**(4,800)**
Balance at 31 December 2018	**129,114**	**894**	**130,008**

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	
	2018	2017
	HK$'000	HK$'000
Financial assets:		
Financial assets at amortised cost:		
– Trade and other receivables	**90,605**	–
– Pledged bank deposits	**–**	–
– Cash and cash equivalents	**33,916**	–
Loans and receivables:		
– Trade and other receivables	**–**	74,129
– Pledged bank deposits	**–**	2,536
– Cash and cash equivalents	**–**	70,101
	124,521	146,766
Financial liabilities:		
Financial liabilities at amortised cost:		
– Trade and other payables	**37,509**	37,625
– Amounts due to directors	**6,132**	1,663
– Bank borrowings	**17,000**	14,000
– Finance lease liabilities	**4,593**	6,258
– Dividend payable	**7,980**	7,980
	73,214	67,526

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 from Hong Kong, the PRC and Singapore, and its major suppliers are from 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") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities 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 2018, 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$509,000 lower/higher (2017: pre-tax loss would have been approximately HK$186,000 higher/lower), 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 2018, 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$3,052,000 higher/lower (2017: pre-tax loss would have been approximately HK$2,531,000 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.

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, cash and cash equivalents and pledged deposits. 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 three 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 2018:

	Expected loss rate	**Gross carrying amount** (HK$'000)	**Loss allowance** (HK$'000)
Current (not past due)	0.21%	24,081	51
1-30 days past due	0.48%	11,495	55
31-60 days past due	0.67%	4,785	32
61-180 days past due	0.77%	12,103	93
181-365 days past due	2.06%	11,814	243
Over 1 year past due	22.11%	28,799	6,368
		93,077	6,842

35 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

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 and fair value interest rate risk

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

At 31 December 2018, if interest rate on bank borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$142,000 higher/lower (2017: post-tax loss would have been approximately HK$116,900 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2018, if interest rate on finance lease liabilities had been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$38,400 higher/lower (2017: post-tax loss would have been approximately HK$52,300 higher/lower), mainly as a result of higher/lower interest expense on floating rate borrowings.

(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.

35 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

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 HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2018					
– Bank borrowings	**17,148**	**–**	**–**	**–**	**17,148**
– Finance lease liabilities	**–**	**1,736**	**1,736**	**1,446**	**4,918**
– Amounts due to directors	**6,132**	**–**	**–**	**–**	**6,132**
– Trade and other payables	**–**	**37,507**	**–**	**–**	**37,507**
– Dividend payable	**–**	**7,980**	**–**	**–**	**7,980**
	23,280	**47,223**	**1,736**	**1,446**	**73,685**
As at 31 December 2017					
– Bank borrowings	14,111	–	–	–	14,111
– Finance lease liabilities	–	1,933	1,729	3,171	6,833
– Amounts due to directors	1,663	–	–	–	1,663
– Trade and other payables	–	37,625	–	–	37,625
– Dividend payable	–	7,980	–	–	7,980
	15,774	47,538	1,729	3,171	68,212

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, finance lease liabilities and advance from Mr. Ng Lai Ming.

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Total debts	**26,593**	20,258
Total assets	**190,196**	194,350
Debt-to-asset ratio	**13.98%**	10.42%

(c) Fair value estimation

The carrying amounts of the Group's current financial assets, including trade and other receivables, pledged bank deposits and cash and cash equivalents, and current financial liabilities, including trade and other payables, dividend payable, amounts due to directors, bank borrowings and finance 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 finance 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 four financial years, as extracted from this annual report and prior year financial statements, is set out below.

	Year ended 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**113,933**	161,626	247,348	310,098
Gross profit	**33,265**	45,092	73,270	74,352
(Loss)/profit before income tax	**(5,178)**	(6,691)	27,028	34,825
Income tax credit/(expense)	**152**	(1,805)	(4,972)	(7,494)
(Loss)/profit for the year	**(5,026)**	(8,496)	22,056	27,331
(Loss)/profit for the year attributable to equity holders of the Company	**(4,951)**	(8,645)	21,150	26,436

	As at 31 December			
	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**29,738**	18,730	15,997	15,732
Current assets	**160,458**	175,620	160,663	209,831
Total assets	**190,196**	194,350	176,660	225,563
Non-current liabilities	**4,934**	5,920	1,397	5,947
Current liabilities	**71,179**	63,852	83,778	147,460
Total liabilities	**76,113**	69,772	85,175	153,407
Non-controlling interests	**1,448**	1,540	2,857	2,277