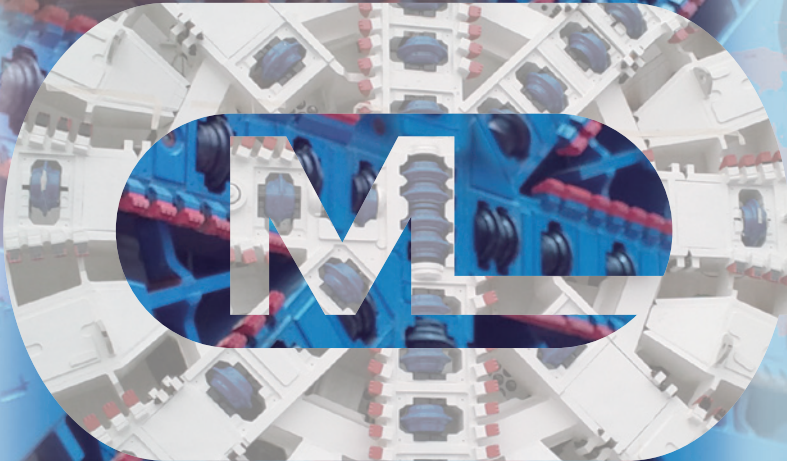




# M&L HOLDINGS GROUP LIMITED 明樑控股集團有限公司

Incorporated in the Cayman Islands with limited liability  
Stock Code: 8152



# 2020

INTERIM REPORT

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

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

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

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



## Interim Results

The board of Directors (the "Board") of M&L Holdings Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2020, together with the comparative figures for the corresponding periods in 2019.

### Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2020

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	4	<b>22,279</b>	47,530	<b>31,613</b>	70,253
Cost of sales	5	<b>(16,975)</b>	(34,303)	<b>(23,190)</b>	(50,045)
<b>Gross profit</b>		<b>5,304</b>	13,227	<b>8,423</b>	20,208
Other income/(expenses), net		<b>305</b>	(22)	<b>395</b>	65
Other gains/(losses), net		<b>42</b>	(230)	<b>63</b>	(230)
Exchange gains/(losses)		<b>2,497</b>	(1,913)	<b>(1,720)</b>	18
Selling expenses	5	<b>(887)</b>	(674)	<b>(1,883)</b>	(1,886)
Administrative expenses	5	<b>(7,092)</b>	(8,162)	<b>(14,922)</b>	(16,569)
<b>Operating profit/(loss)</b>		<b>169</b>	2,226	<b>(9,644)</b>	1,606
Finance income		<b>61</b>	60	<b>142</b>	112
Finance costs		<b>(546)</b>	(481)	<b>(1,052)</b>	(776)
<b>(Loss)/profit before income tax</b>		<b>(316)</b>	1,805	<b>(10,554)</b>	942
Income tax credit/(expense)	6	<b>70</b>	(583)	<b>1,033</b>	(627)
<b>(Loss)/profit for the period</b>		<b>(246)</b>	1,222	<b>(9,521)</b>	315
<b>Other comprehensive income</b>					
<i>Item that may be reclassified to profit or loss:</i>					
Currency translation differences		<b>31</b>	(292)	<b>(502)</b>	68
<b>Total comprehensive income</b>		<b>(215)</b>	930	<b>(10,023)</b>	383

## Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2020

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>(Loss)/profit for the period attributable to:</b>					
Equity holders of the Company		(176)	1,138	(9,244)	257
Non-controlling interests		(70)	84	(277)	58
		(246)	1,222	(9,521)	315
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		(146)	856	(9,741)	326
Non-controlling interests		(69)	74	(282)	57
		(215)	930	(10,023)	383
<b>(Loss)/earnings per share</b>					
— Basic and diluted (expressed in HK cents per share)	7	(0.03)	0.19	(1.54)	0.04

## Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8(a)	17,775	18,557
Right-of-use assets	8(b)	12,821	13,921
Deposits		448	448
Other asset at fair value through profit or loss		4,787	4,744
Deferred income tax assets		2,924	1,955
		<b>38,755</b>	39,625
<b>Current assets</b>			
Inventories		36,619	34,496
Trade and other receivables	9	97,259	113,033
Tax recoverable		451	480
Cash and cash equivalents		26,546	25,109
		<b>160,875</b>	173,118
<b>Current liabilities</b>			
Trade and other payables	10	51,509	53,579
Contract liabilities		336	–
Dividend payable	11	7,980	7,980
Amounts due to directors	12	5,701	5,701
Bank borrowings	13	24,000	24,000
Lease liabilities		3,127	2,932
Current income tax liabilities		162	162
		<b>92,815</b>	94,354
<b>Net current assets</b>		<b>68,060</b>	78,764
<b>Total assets less current liabilities</b>		<b>106,815</b>	118,389

## Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
<b>Non-current liabilities</b>			
Lease liabilities		2,602	4,038
Deferred income tax liabilities		1,354	1,424
Other provision		250	295
		<b>4,206</b>	5,757
<b>Net assets</b>			
		<b>102,609</b>	112,632
<b>CAPITAL AND RESERVES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	6,000	6,000
Reserves		95,441	105,182
		<b>101,441</b>	111,182
<b>Non-controlling interests</b>		<b>1,168</b>	1,450
<b>Total equity</b>		<b>102,609</b>	112,632

## Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2020

	Attributable to equity holders of the Company					
	Share capital HK\$'000	Reserves HK\$'000 (Note 15)	Share premium HK\$'000 (Note 15)	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2020 (audited)</b>	<b>6,000</b>	<b>41,850</b>	<b>63,332</b>	<b>111,182</b>	<b>1,450</b>	<b>112,632</b>
<b>Comprehensive income:</b>						
Loss for the period	–	(9,244)	–	(9,244)	(277)	(9,521)
<b>Other comprehensive income:</b>						
Currency translation differences	–	(497)	–	(497)	(5)	(502)
Total comprehensive income for the period	–	(9,741)	–	(9,741)	(282)	(10,023)
<b>At 30 June 2020 (unaudited)</b>	<b>6,000</b>	<b>32,109</b>	<b>63,332</b>	<b>101,441</b>	<b>1,168</b>	<b>102,609</b>
<b>At 1 January 2019 (audited)</b>	<b>6,000</b>	<b>43,303</b>	<b>63,332</b>	<b>112,635</b>	<b>1,448</b>	<b>114,083</b>
<b>Comprehensive income:</b>						
Profit for the period	–	257	–	257	58	315
<b>Other comprehensive income:</b>						
Currency translation differences	–	69	–	69	(1)	68
Total comprehensive income for the period	–	326	–	326	57	383
<b>At 30 June 2019 (unaudited)</b>	<b>6,000</b>	<b>43,629</b>	<b>63,332</b>	<b>112,961</b>	<b>1,505</b>	<b>114,466</b>

## Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	4,228	(653)
Interest received	142	112
Income tax paid	–	(132)
Net cash generated from/(used in) operating activities	4,370	(673)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(289)	(1,871)
Payments for acquiring the other asset at fair value through profit or loss	–	(5,019)
Proceeds from disposal of property, plant and equipment	20	89
Deposit paid for acquiring property, plant and equipment	–	(165)
Net cash used in investing activities	(269)	(6,966)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	–	8,000
Repayment of principal portion of the lease liability	(1,541)	(1,377)
Interest paid	(963)	(658)
Net cash (used in)/generated from financing activities	(2,504)	5,965
<b>Increase/(decrease) in cash and cash equivalents</b>	1,597	(1,674)
Cash and cash equivalents at beginning of the period	25,109	33,916
Currency translation differences	(160)	(1)
<b>Cash and cash equivalents at end of period</b>	26,546	32,241



## Notes to the Condensed Consolidated Interim Financial Information

### 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 24 September 2015 as an exempted company with limited liability. The shares of the Company were listed on GEM of the Stock Exchange on 21 July 2017 (the "Share Offer").

The address of its registered office is 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 is principally engaged in trading and lease of construction machinery and spare parts.

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

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

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 has not been audited but has been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial information was approved for issue by the Board on 7 August 2020.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019. It has been prepared under the historical cost basis, except for other asset at fair value through profit or loss which is measured at fair value.

#### Significant accounting policies

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those described in the annual financial statements for the year ended 31 December 2019, except for the adoption of new or amended Hong Kong Financial Reporting Standards ("HKFRSs") which have become effective for accounting periods beginning on or after 1 January 2020. In addition, the Group has early adopted COVID-19-Related Rent Concessions (Amendment to HKFRS 16) ahead of its effective date and applied the amendment from 1 January 2020. The Directors consider that the application of these new or amended HKASs and HKFRSs in the current period has no material effect on the amounts reported in this condensed consolidated interim financial information.

## Notes to the Condensed Consolidated Interim Financial Information

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 December 2019.

### 4 REVENUE AND SEGMENT INFORMATION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
	<b>Revenue from contracts with customers within the scope of HKFRS 15</b>			
Timing of revenue recognition				
— At a point in time				
— Sales of goods	21,775	47,052	30,582	67,877
— Repair and maintenance services income	504	178	1,041	1,536
	22,279	47,230	31,623	69,413
<b>Revenue from other sources</b>				
— Machinery rental income	—	300	(10)	840
	22,279	47,530	31,613	70,253

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

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

## Notes to the Condensed Consolidated Interim Financial Information

### 4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the three months and six months ended 30 June 2020 and 2019. The accounting policies of the reportable segments are the same as the Group's accounting policies.

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

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	29,425	2,188	31,613
Cost of sales	(22,081)	(1,109)	(23,190)
Segment results	7,344	1,079	8,423
Gross profit %	24.96%	49.31%	26.64%
Other income			395
Other gains			63
Exchange losses			(1,720)
Selling expenses			(1,883)
Administrative expenses			(14,922)
<b>Operating loss</b>			<b>(9,644)</b>
Finance income			142
Finance costs			(1,052)
<b>Loss before income tax</b>			<b>(10,554)</b>
Income tax credit			1,033
<b>Loss for the period</b>			<b>(9,521)</b>

## Notes to the Condensed Consolidated Interim Financial Information

### 4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (b) The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2019 (unaudited) is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue			
(all from external customers)	65,993	4,260	70,253
Cost of sales	(47,873)	(2,172)	(50,045)
Segment results	18,120	2,088	20,208
Gross profit %	27.46%	49.01%	28.76%
Other income			65
Other losses, net			(230)
Exchange gains			18
Selling expenses			(1,886)
Administrative expenses			(16,569)
<b>Operating profit</b>			1,606
Finance income			112
Finance costs			(776)
<b>Profit before income tax</b>			942
Income tax expense			(627)
<b>Profit for the period</b>			315

## Notes to the Condensed Consolidated Interim Financial Information

### 4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	4,589	2,218	7,004	5,730
The PRC	8,122	30,896	12,847	39,639
Singapore and other Asia- Pacific countries	8,111	9,664	10,070	14,009
Others	1,457	4,752	1,692	10,875
	<b>22,279</b>	47,530	<b>31,613</b>	70,253

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Hong Kong	13,563	14,727
The PRC	597	318
Singapore	7,484	7,774
Australia	13,739	14,403
	<b>35,383</b>	37,222

## Notes to the Condensed Consolidated Interim Financial Information

## 5 EXPENSES BY NATURE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold	16,680	33,647	22,829	49,012
Employee benefit expenses	4,172	4,488	8,698	9,416
Depreciation				
Owned property, plant and equipment	329	224	636	468
Right-of-use assets under the following categories:				
— Ownership interests in leasehold land for own use	25	26	50	52
— Other properties leased for own use	374	345	713	715
— Machinery and equipment	176	176	352	352
Short-term lease expenses	269	336	621	672
Freight charge	455	468	1,064	1,389
Legal and professional fee	18	359	351	647
Auditors' remuneration				
— Audit services	142	137	285	275
— Non-audit services	9	9	18	18
Provision for/(reversal of provision for) impairment loss on trade receivables	572	(646)	572	(646)
Amounts written off as uncollectable	–	992	–	992
Entertainment expenses	37	155	199	715
Travelling expenses	129	495	357	867
Motor vehicle expenses	181	207	452	397
Others	1,386	1,721	2,798	3,159
Total cost of sales, selling expenses and administrative expenses	24,954	43,139	39,995	68,500

## Notes to the Condensed Consolidated Interim Financial Information

## 6 INCOME TAX CREDIT/(EXPENSE)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current taxation				
— Hong Kong profits tax	—	—	—	—
— Mainland China corporate income tax	(23)	(146)	(23)	(346)
— Singapore corporate income tax	—	—	—	—
— Australia corporate income tax	2	(18)	—	(33)
Deferred income tax	91	(419)	1,056	(248)
Income tax credit/(expense)	70	(583)	1,033	(627)

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 three months and six months ended 30 June 2020 and 2019 except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%

Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China for the three months and six months ended 30 June 2020 and 2019. 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 three months and six months ended 30 June 2020 and 2019. Australia corporate income tax has been provided for at the rate of 27.5%–30% on the estimated assessable profits for the Group's operations in Australia for the three months and six months ended 30 June 2020 and 2019.

## Notes to the Condensed Consolidated Interim Financial Information

### 7 (LOSS)/EARNINGS PER SHARE

#### (a) Basic

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020	2019	2020	2019
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(176)	1,138	(9,244)	257
Weighted average number of ordinary shares in issue (thousands)	600,000	600,000	600,000	600,000
Basic (loss)/earnings per share (expressed in HK cents)	(0.03)	0.19	(1.54)	0.04

#### (b) Diluted

Diluted (loss)/earnings per share presented is the same as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares outstanding as at period end.



## Notes to the Condensed Consolidated Interim Financial Information

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

#### (a) Property, plant and equipment

	Unaudited 30 June 2020 HK\$'000	Unaudited 30 June 2019 HK\$'000
Opening net book amount as at 1 January	18,557	22,303
Initial adoption of HKFRS 16 Leases	–	(5,578)
Restated opening net book amount	18,557	16,725
Additions	289	1,871
Disposals	–	–
Depreciation	(636)	(468)
Exchange difference	(435)	(61)
Closing net book amount as at 30 June	17,775	18,067

All depreciation expenses have been recorded in administrative expenses.

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

	Unaudited 30 June 2020 HK\$'000	Unaudited 30 June 2019 HK\$'000
Opening net book amount as at 1 January	13,921	–
Initial adoption of HKFRS 16 Leases	–	16,120
Restated opening net book amount	13,921	16,120
Additions	212	–
Disposals	–	–
Depreciation	(1,115)	(1,119)
Exchange difference	(197)	38
Closing net book amount as at 30 June	12,821	15,039

All depreciation expenses have been recorded in administrative expenses.

## Notes to the Condensed Consolidated Interim Financial Information

## 9 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade receivables	98,879	105,753
Less: loss allowance	(6,353)	(5,880)
Trade receivables — net	92,526	99,873
Bills receivables	2,225	10,871
Prepayments	383	306
Trade deposits paid	8	180
Deposits paid	733	735
Other receivables	1,832	1,516
	97,707	113,481
Less: Non-current portion deposits	(448)	(448)
	97,259	113,033

## Notes to the Condensed Consolidated Interim Financial Information

### 9 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
0 to 30 days	10,872	16,311
31 to 60 days	11,067	6,439
61 to 90 days	3,530	2,950
91 to 180 days	6,072	18,611
181 to 365 days	17,460	8,961
1 to 2 years	22,502	26,668
2 to 3 years	12,558	10,747
Over 3 years	14,818	15,066
Trade receivables, gross	98,879	105,753
Less: loss allowance	(6,353)	(5,880)
Trade receivables, net	92,526	99,873

### 10 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade payables	47,800	46,825
Accrued expenses and other payables	3,709	6,754
	51,509	53,579

The carrying amounts of trade and other payables approximate their fair values as at 30 June 2020 and 31 December 2019.

## Notes to the Condensed Consolidated Interim Financial Information

### 10 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
0-30 days	6,600	3,444
31-60 days	2,936	1,261
61-90 days	689	6,505
91-120 days	7,585	10,486
Over 120 days	29,990	25,129
	<b>47,800</b>	<b>46,825</b>

### 11 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 Hong Kong dollars. Its carrying amount at 30 June 2020 and 31 December 2019 approximates its fair value.

### 12 AMOUNTS DUE TO DIRECTORS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
<b>Amounts due to:</b>		
— Mr. Ng Lai Tong	468	468
— Mr. Cheung King	233	233
<b>Advance from:</b>		
— Mr. Ng Lai Ming	5,000	5,000
	<b>5,701</b>	<b>5,701</b>

The amounts due to Mr. Ng Lai Tong and Mr. Cheung King are unsecured, interest-free and repayable on demand. Their carrying amounts at 30 June 2020 and 31 December 2019 approximate their fair values and are denominated in Hong Kong dollars.

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 30 June 2020 and 31 December 2019 approximates its fair value and is denominated in Hong Kong dollars.

## Notes to the Condensed Consolidated Interim Financial Information

### 13 BANK BORROWINGS

The carrying amounts of the bank borrowings approximate their fair values as at 30 June 2020 and 31 December 2019, and are denominated in the Hong Kong dollars. The interests are charged on floating rate basis.

The Group has obtained total banking facilities from banks of approximately HK\$30,000,000 as at 30 June 2020 (31 December 2019: HK\$30,000,000), of which HK\$6,000,000 (31 December 2019: HK\$6,000,000) has not been utilised.

The banking facilities are secured by the followings:

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

### 14 SHARE CAPITAL

The Company's share capital as at 30 June 2020 and 31 December 2019 was as follows:

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

## Notes to the Condensed Consolidated Interim Financial Information

## 15 RESERVES AND SHARE PREMIUM

	Capital reserve HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
				Note		
<b>Balance at 1 January 2020</b>	15,642	63,332	(482)	1,224	25,466	105,182
<b>Comprehensive income:</b>						
Loss for the period	-	-	-	-	(9,244)	(9,244)
Currency translation difference	-	-	(497)	-	-	(497)
<b>Balance at 30 June 2020 (unaudited)</b>	15,642	63,332	(979)	1,224	16,222	95,441
<b>Balance at 1 January 2019</b>	15,642	63,332	(363)	1,224	26,800	106,635
<b>Comprehensive income:</b>						
Profit for the period	-	-	-	-	257	257
Currency translation difference	-	-	69	-	-	69
<b>Transactions with owners:</b>						
Transfer to statutory reserve	-	-	-	66	(66)	-
<b>Balance at 30 June 2019 (unaudited)</b>	15,642	63,332	(294)	1,290	26,991	106,961

Note:

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. PRC companies are required to appropriate 10% of statutory net profits to statutory reserves, upon distribution of their 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.

## 16 DIVIDENDS

The Board does not declare an interim dividend for the six months ended 30 June 2020 (2019: nil).

## Notes to the Condensed Consolidated Interim Financial Information

### 17 RELATED PARTY TRANSACTIONS

#### (a) Significant related party transactions

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense paid to a Director	31	32	62	63

#### (b) Key management compensation

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits	1,388	1,526	2,814	3,105
Contributions to defined contribution retirement plans	39	43	79	88
	1,427	1,569	2,893	3,193

## Management Discussion and Analysis

### BUSINESS REVIEW

#### Background, recent development and outlook

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

#### *Hong Kong market*

During the six months ended 30 June 2020 (the "Period"), the business and economic condition in Hong Kong were persistently affected by the outbreak of Coronavirus Disease 2019 (the "COVID-19 Pandemic"). The business activities in Hong Kong were restricted and running at a low level.

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

#### *PRC market*

The Group's business in the PRC market was related to the supply of specialised cutting tools and parts mainly for the tunnelling construction sites as well as the tunnelling equipment manufacturers. After a series of precautionary and quarantine control measures had been implemented across the Peoples Republic of China (the "PRC"), the PRC operation resumed gradually since March 2020. The market prospect for tunnelling business in China is positive.

#### *Singapore and other Asia-Pacific countries*

The Group has utilised Singapore as a regional hub to seek opportunities for expansion into Malaysia and other Southeast Asia countries. Moreover, the Group had completed the set-up of the workshop and maintenance services centre in Melbourne, Australia, which helps expanding our business into other Pacific countries. The COVID-19 Pandemic spread rapidly in Singapore, Malaysia, Australia and other Asia-Pacific countries during the Period. The projects in Australia are progressing and the market condition in this region is still positive. Whereas in Singapore, a stringent set of preventative measures (the "Circuit Breaker") was applied from 7 April to 1 June 2020. Under the Circuit Breaker, all of the construction works in Singapore, as well as Malaysia, were closed down and resulted in minimal demands for our products and services from the customers. The market prospect in this region is unclear, and the management considers that more time would be needed for the markets to be recovered.



## Management Discussion and Analysis

### *Other countries*

We are also seeking actively for expansion opportunities in the global markets and have established a steady flow of revenue from our newly explored markets e.g. countries in Europe and Americas. During the Period, the COVID-19 Pandemic had spread across countries in Europe and Americas, and the demands for our products from customers in these new markets were restricted.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by approximately HK\$38.7 million, or 55.0%, from approximately HK\$70.3 million for the six months ended 30 June 2019 to approximately HK\$31.6 million for the six months ended 30 June 2020. The decrease was primarily attributable to the decrease in revenue recognized for our tunnelling segment by approximately HK\$36.6 million, or 55.5%, from approximately HK\$66.0 million for the six months ended 30 June 2019 to approximately HK\$29.4 million for the six months ended 30 June 2020. From the perspective of geographic locations of our customers, revenue derived from customers based in Hong Kong, increased from approximately HK\$5.7 million to approximately HK\$7.0 million, while revenue derived from customers based in the PRC, Singapore and other Asia-Pacific countries decreased by HK\$26.8 million and HK\$3.9 million to approximately HK\$12.8 million and HK\$10.1 million from the corresponding period in 2019, respectively.

### Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. Our cost of sales decreased by approximately HK\$26.8 million, or 53.6%, from approximately HK\$50.0 million for the six months ended 30 June 2019 to approximately HK\$23.2 million for the six months ended 30 June 2020. Such movement was primarily attributable to the decrease in cost of inventory sold associated with our decrease in revenue.

## Management Discussion and Analysis

### Gross profit

Our gross profit decreased by approximately HK\$11.8 million, or 58.4%, from approximately HK\$20.2 million for the six months ended 30 June 2019 to approximately HK\$8.4 million for the six months ended 30 June 2020. Our gross profit margin slightly decreased from approximately 28.8% for the six months ended 30 June 2019 to approximately 26.6% for the six months ended 30 June 2020. The decrease in gross profit margin was largely due to the difference in the mix of customers and products supplied by us during the respective periods.

### Other income and other gains

The other income and other gains, primarily consisted of (i) inspection charges and (ii) changes in fair value of other asset at fair value through profit or loss. Our net other income was approximately HK\$0.5 million for the six months ended 30 June 2020, while it was a net loss of HK\$0.2 million for the six months ended 30 June 2019.

### Exchange gains/(losses)

The exchange losses for the six months ended 30 June 2020 was approximately HK\$1.7 million, while it was an exchange gain of approximately HK\$18,000 for the six months ended 30 June 2019. The exchange losses for the six months ended 30 June 2020 were mainly due to the depreciation of Renminbi.

### Selling expenses

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. The freight charges were declined in line with the drop in revenue, but off-set by the increase in on-site supervision fee, as required by some customers during the Period, as compared to the same period in 2019. Selling expenses remained stable at approximately HK\$1.9 million for the six months ended 30 June 2020.

### Administrative expenses

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, depreciation, (reversal of provision)/provision for impairment loss on trade receivables and other administrative expenses. Due to the travel restriction caused by the COVID-19 Pandemic, there was a reduction in business travelling and entertainment expenses during the Period as compared to the same period in 2019. Administrative expenses decreased by approximately HK\$1.7 million or 10.2% from approximately HK\$16.6 million for the six months ended 30 June 2019 to approximately HK\$14.9 million for the six months ended 30 June 2020.

## Management Discussion and Analysis

### Finance income and finance costs

The net amount of finance costs increased by approximately HK\$0.2 million from approximately HK\$0.7 million for the six months ended 30 June 2019 to HK\$0.9 million for the six months ended 30 June 2020. The finance costs are mainly related to the bank borrowings and the lease liabilities.

### Income tax credit/(expense)

The income tax credit for the six months ended 30 June 2020 was approximately HK\$1.0 million, while the income tax expense for the six months ended 30 June 2019 was approximately HK\$0.6 million.

### (Loss)/profit attributable to equity holders of our Company

We recorded a loss attributable to equity holders of our Company for the six months ended 30 June 2020 of approximately HK\$9.2 million, while it was a profit attributable to equity holders of our Company of approximately HK\$0.3 million for the six months ended 30 June 2019.

### Liquidity, financial resources and capital structure

	<b>Unaudited 30 June 2020 HK\$'000</b>	Audited 31 December 2019 HK\$'000
Current assets	<b>160,875</b>	173,118
Current liabilities	<b>92,815</b>	94,354
Current ratio	<b>1.73</b>	1.83

During the six months ended 30 June 2020, the Group financed its operations by its internal resources and banking facilities. As at 30 June 2020, the Group had net current assets of approximately HK\$68.1 million (31 December 2019: HK\$78.8 million), including cash and cash equivalents of approximately HK\$26.5 million (31 December 2019: HK\$25.1 million). The Group's current ratio as at 30 June 2020 was 1.73 times (31 December 2019: 1.83 times).

As at 30 June 2020, the Group had a total available banking facilities of approximately HK\$30.0 million, of which approximately HK\$24.0 million was utilised and approximately HK\$6.0 million was unutilised and available for use.

There has been no change in capital structure of the Company during the six months ended 30 June 2020. As at 30 June 2020, the equity attributable to equity holders of the Company amounted to approximately HK\$101.4 million (31 December 2019: approximately HK\$111.2 million).

## Management Discussion and Analysis

### Gearing ratio

As at 30 June 2020, the net gearing ratio was 8.1% (31 December 2019: 9.8%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totalling HK\$8.2 million (31 December 2019: HK\$10.9 million) as a percentage of equity attributable to equity holders of the Company of HK\$101.4 million (31 December 2019: HK\$111.2 million).

### FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the six months ended 30 June 2020, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro, Renminbi and Australian dollars (the "Major Foreign Currencies").

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

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

### CAPITAL COMMITMENT

As at 30 June 2020, the Group had no capital commitment.

## Management Discussion and Analysis

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

### SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the six months ended 30 June 2020.

### CHARGES ON ASSETS

As at 30 June 2020, certain machinery and equipment under right-of-use assets and inventories with carrying value of approximately HK\$6,518,000 (31 December 2019: HK\$6,869,000) were pledged to secure for the finance of certain lease liabilities of approximately HK\$2,239,000 (31 December 2019: HK\$3,042,000). In addition, a life insurance policy of Mr. Ng Lai Ming with an insured sum of US\$1,582,862 has been assigned as security for certain banking facilities.

### CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

### INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2020.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 48 staff (31 December 2019: 49). The total staff costs of the Group (including Directors' emoluments, salaries to staff, sales commission, provident fund contributions and other staff benefits) for the six months ended 30 June 2020 was approximately HK\$8.7 million (for the six months ended 30 June 2019: HK\$9.4 million). The Group determines the salaries of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

## Management Discussion and Analysis

### USE OF PROCEEDS

The net proceeds from the Share Offer was approximately HK\$40.2 million, which was different from the estimated net proceeds of HK\$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). The difference of HK\$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. As disclosed in the announcement of the Company dated 21 December 2018, 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 the PRC. The utilisation of net proceeds raised by the Group from the Share Offer up to 30 June 2020 is as below.

	Estimated	Adjusted	Up to 30 June 2020	
	use of net proceeds HK\$'million	use of net proceeds HK\$'million	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	0.4	2.6
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	2.7	–
General working capital	3.9	4.0	4.0	–
	39.0	40.2	21.3	18.9

## Management Discussion and Analysis

As further disclosed in the announcement of the Company dated 28 July 2020, the Board has resolved to have a second change in the unutilised net proceeds (the "Second Change in UOP"). Details of the Second Change in UOP up to 28 July 2020 are set out as follows:

	Estimated use of net proceeds as set out in the Prospectus		Adjusted use of net proceeds		Change in use of unutilised net proceeds as per the Second Change in UOP		Expected Completion Date
	HK\$ million	HK\$ million	Up to 28 July 2020		HK\$ million		
			utilised	unutilised			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	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	-	16.3		On or before 31 December 2022 (note 1)
To expand repair and maintenance services in the PRC for tunnelling business	5.5	3.0	0.4	2.6	-		
To expand repair and maintenance services in Australia for tunnelling business	-	2.7	2.7	-	-		On or before 31 December 2022 (note 2)
To set up 4 to 5 sets of mobile repair and maintenance units in the PRC for tunnelling business	-	-	-	-	1.1		(note 2)
To renew the wear-off facilities and machineries of the repair and maintenance centres of the Group in Hong Kong and Singapore	-	-	-	-	1.5		On or before 31 December 2022 (note 2)
General working capital	3.9	4.0	4.0	-	-		
	39.0	40.2	21.3	18.9	18.9		

## Management Discussion and Analysis

Notes:

1. The planned usage and timeline of the unutilised net proceeds of HK\$16.3 million are as follows:
  - a) HK\$9.0 million for acquisition of two sets of reverse circulation drilling ("RCD") rig, manufacture of the steel structure by subcontractor and complete the assembly of the set of RCD rig in our Hong Kong warehouse, which will be made available for leasing and/or trading upon completion. We expect to complete the first set on or before 31 December 2021 and the second set on or before 31 December 2022.
  - b) HK\$7.3 million for acquisition of three sets of vibrodriver from PTC or similar construction machineries, which will be made available for leasing and/or trading upon completion. We expect to complete the first set on or before 31 December 2020, the second set on or before 31 December 2021, and the third set on or before 31 December 2022.
2. The planned usage and timeline of the unutilised net proceeds of HK\$2.6 million are as follows:
  - a) HK\$1.1 million for setting up 4 to 5 sets of mobile repair and maintenance units for deploying to customers construction sites in the PRC on or before 31 December 2022; and
  - b) HK\$1.5 million for renewal of wear-off facilities and machineries of the two repair and maintenance centres of the Group in Hong Kong and Singapore on or before 31 December 2022.

The unutilised net proceeds as at 30 June 2020 and 28 July 2020 have been placed with licensed banks in Hong Kong.

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



## Management Discussion and Analysis

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

As at 30 June 2020, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### Long positions in shares of the Company

Director	Nature of interest	Number of shares	Percentage of the Company's issued shares capital
Mr. Ng Lai Ming (note 2)	Interest in a controlled corporation (note 1)	364,095,000	60.68%
Mr. 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:

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

#### Directors' interests in an associated corporation of the Company

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

## Management Discussion and Analysis

Save as disclosed above, as at 30 June 2020, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 2020, 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%

Notes:

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

## Management Discussion and Analysis

Saved as disclosed above, as at 30 June 2020, no other person had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein.

### SHARE OPTION SCHEME

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

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

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Model Code”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards set out in Model Code during the six months ended 30 June 2020 and up to the date of this report.

### CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules and had complied with the CG Code during the six months ended 30 June 2020 and up to the date of this report, except for the deviation stipulated below.

## Management Discussion and Analysis

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

### COMPETING INTERESTS

None of the Directors, substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which compete with the business of the Group during the six months ended 30 June 2020 and up to and including the date of this report.

### AUDIT COMMITTEE

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

By order of the Board

**M&L Holdings Group Limited**

**Ng Lai Ming**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 7 August 2020

*As at the date of this report, the executive Directors are Mr. Ng Lai Ming, Mr. Ng Lai Tong, Mr. Cheung King and Mr. Ng Lai Po and the independent non-executive Directors are Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung.*