M&L HOLDINGS GROUP LIMITED
明樑控股集團有限公司

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

2021
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. Ng Lai Po

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Mr. Lee Baldwin

AUTHORISED REPRESENTATIVES

Mr. Ng Lai Ming
Mr. Lee Baldwin

COMPLIANCE OFFICER

Mr. Ng Lai Po

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21st Floor, Empress Plaza
17-19 Chatham Road South
Tsimshatsui, Kowloon, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

BDO Limited

PRINCIPAL BANKERS

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

STOCK CODE

8152

COMPANY WEBSITE

www.mleng.com

Chairman's Statement

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 2021.

The coronavirus ("COVID-19") outbreak since early 2020 has had a significant impact on people and economies around the world, shutting down many ongoing projects and keeping business at the lowest level in history. The widespread and repeated blockade imposed not only restricted business activities and weakened revenue, the prolonged duration of the pandemic savaged consumer confidence and economic outlook.

In 2021, commercial activities in Hong Kong showed sign of recovery as COVID-19 situation gradually came under control and the Legislative Council resumed infrastructure and other governmental development projects. As the lead time for launch of large scale projects which involved tunnel-boring works is generally longer, the Group expects recovery in the near time will mainly be driven by the foundation business segment and drill and blast projects. Overall, the Group will stay watchful for project opportunities associated with the "Railway Development Strategy" under the Transport and Housing Bureau and the urban development across northern new territories as announced in the Chief Executive's latest policy address. With long-term development targets already in the agenda, we anticipate a surge in business activities in the medium term once the recent omicron-variant COVID-19 frenzy locally is subsided.

On the other hand, the performance of our operations in China and Singapore and other Asia-Pacific countries is yet to recovery from the effect of the pandemic outbreak. Travel restrictions in place greatly affected business development opportunities. Aside from certain projects of our customers being delayed and purchasing decisions become prudent due to COVID-19 and the accompanied economic uncertainties, we observed that customers and potential customers in the China market have become more inclined to procure products from local suppliers out of practical convenience and price consideration. While the Group still sees the PRC and Asia-Pacific region as key market for growth, we have already extended our reach into other overseas markets in Europe and America with an aim to diversify its customer base for long term healthy development.

Looking ahead, due to the economic uncertainty brought about by the unprecedented COVID-19 pandemic, 2022 is still a year full of challenges. However, the Group has already acted to take on the new business norms and the Board remains cautious and optimistic to respond to both challenges and opportunities in global, regional and domestic markets.

I would like 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 continuous support through both good and bad times.

Yours truly,

Ng Lai Ming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 23 March 2022

BUSINESS REVIEW

Background, recent development and outlook

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

Hong Kong market

During the year ended 31 December 2021 (the "Year"), the Coronavirus Disease 2019 (the "COVID-19") outbreak was gradually coming under control and the Legislation Council resumed approving infrastructure projects, business and economic condition in Hong Kong has shown sign of recovery. Despite there was no major projects which launched with tunnel boring machines and consumption of disc cutters in Hong Kong recently, the Group recorded favourable sales results in both its tunnelling business (mainly from drill and blast projects) and foundation business segments for the Year, contributing a majority portion of revenue growth.

We will closely monitor business opportunities associated with the "Railway Development Strategy" published by the Transport and Housing Bureau and the Northern Metropolitan development strategy promulgated in the Chief Executive's policy address, as well as private sector projects in Hong Kong.

PRC market

The Group's business in the PRC market was related to the supply of specialised cutting tools and parts mainly for the tunnelling construction sites as well as the tunnelling equipment manufacturers. Certain projects of the Group's customers and potential customers have been delayed and their purchasing decisions become prudent and more price-conscious since the COVID-19 outbreak. Travel restrictions in place for pandemic prevention also rendered it difficult to pitch for potential projects. Furthermore, having considered the historic revenue settlement pattern of its PRC operations, the Group will take a more conservative approach on negotiation of settlement terms in order to safeguard itself from liquidity and credit risk exposure during the present time of economic uncertainties. All aforesaid factors led to revenue from the PRC market staying at low level. Nevertheless, the PRC remained a vast market with great demand for construction and engineering products and service and the Group will stay alert for potential business opportunities in the post COVID-19 period.

Singapore and other Asia-Pacific countries

The Group's operation setup in Singapore is a regional hub to serve and seek for business opportunities locally and also in Malaysia and other Southeast Asia countries. Moreover, the Group maintains a comprehensive sales, production and maintenance services centre in Melbourne, Australia targeting the southern pacific market. Construction activities in these regions were yet to be recovered since the COVID-19 outbreak; demand from our customers remained at low level and sales pitch and negotiation was greatly hindered by travel restrictions. The market prospect in this region is unclear and the management considers that more time would be needed for the markets to be recovered.

Other countries

We are also seeking actively for expansion opportunities in the global markets and have established a steady flow of revenue from our newly explored markets in Europe and North America. Business expansion in overseas markets fell short of expectation since construction activities worldwide are being affected by the COVID-19 outbreak. The Group will closely monitor potential business opportunities available in these markets as the pandemic in Europe and North America is gradually coming under control, and economic and commercial activities in these regions are showing sign of recovery.

FINANCIAL REVIEW

Revenue

Revenue increase by approximately HK$15.0 million or 21.2% to HK$86.0 million for the year ended 31 December 2021 ("Year" or "FY21"), as compared to approximately HK$70.9 million for the year ended 31 December 2020 ("Previous Year"). The increase in revenue was mainly due to the combined effect of (i) revenue derived from Hong Kong increased by HK$39.7 million or approximately 213.0%, as there was improvement in both the tunneling business segment (chiefly from drill and blast projects) and foundation segment during the Year; and (ii) a drop in revenue from the PRC and the Singapore and other Asia-Pacific markets by approximately HK$21.3 million and HK$7.8 million (or 61.3% and 54.9%) respectively, as demand in such area was yet to recover from the impact of the COVID-19 outbreak and also tender and negotiation for new contracts was restricted by travel blockade. Further details of revenue analysis by business segment and geographic location are presented under note 6 to the consolidated financial statements.

Cost of sales

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

Gross profit

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

Other income

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

Management Discussion and Analysis

Selling expenses

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

Administrative expenses

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, depreciation and amortisation and other administrative expenses. Administrative expenses remained relatively stable, except for a slight drop in Directors' remuneration as a result of reduction in the number of Directors since October 2020.

Exchange gains

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

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

While there is presently no indication of possible default on any of the Group's receivable balances, the management acknowledges there is general risk of default associated with receivables balances and has adopted a systematic approach in assessing the overall risk of default, which resulted in a provision made against the Group's receivable balances as at 31 December 2021.

Finance costs

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

Income tax (expense)/credit

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

Loss attributable to equity holders of our Company

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

Liquidity, financial resources and capital structure

	31 December 2021 HK$'000	31 December 2020 HK$'000
Current assets	**156,839**	167,606
Current liabilities	**83,732**	91,894
Current ratio	**1.87**	1.82

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

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

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

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

Gearing ratio

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

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2021, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro, Renminbi and Australian dollars (the "Major Foreign Currencies").

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

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

CAPITAL COMMITMENT

As at 31 December 2021, the Group had no capital commitment.

USE OF PROCEEDS

The net proceeds from the share offer (the "Share Offer") of the Company's shares that listed on GEM of the Stock Exchange on 21 July 2017 was approximately HK$40.2 million, which was different from the estimated net proceeds of HK$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). The difference of HK$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. As further disclosed in the announcements of the Company dated 21 December 2018, 28 July 2020 and 23 March 2022, the Board has resolved to change the usage of the unutilised net proceeds. The utilisation of net proceeds raised by the Group from the Share Offer up to 31 December 2021 was as below.

	Estimated use of net proceeds as set out in the Prospectus	**Adjusted use of net proceeds**	**Up to 31 December 2021**		**Expected Completion Date**
		(note 1)	utilised	unutilised	
	HK$'million	HK$'million	HK$'million	HK$'million	
To further develop fabricated construction steel works and equipment business in the PRC	16.0	0.2	0.2	–	
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	22.0	14.0	8.0	On or before 31 December 2024 (note 2)
To expand repair and maintenance services in the PRC for tunnelling business	5.5	0.4	0.4	–	
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	2.7	–	
To set up 4 to 5 sets of mobile repair and maintenance units in the PRC for tunnelling business	–	–	–	–	
To renew the wear-off facilities and machineries of the repair and maintenance centres of the Group in Hong Kong and Singapore	–	1.5	–	1.5	On or before 31 December 2023 (note 3)
General working capital	3.9	13.4	4.0	9.4	On or before 31 December 2023
	39.0	40.2	21.3	18.9	

Notes:

1. The adjusted use of net proceeds are adjusted in the same proportion to the estimated use of net proceeds as shown in the Prospectus based on the actual amount received by the Company, and in the same manner as shown in our announcements dated 21 December 2018, 28 July 2020 and 23 March 2022.

2. The planned usage and timeline of the unutilised net proceeds of HK$8.0 million are as follows:

   a) HK$4.0 million for acquisition of one 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 on or before 31 December 2024.

   b) HK$4.0 million for acquisition of one or two sets of vibrodriver from PTC or similar construction machineries, which will be made available for leasing and/or trading upon completion. We expect to complete the first set on or before 31 December 2023 and the second set on or before 31 December 2024.

3. The planned usage and timeline of the unutilised net proceeds of HK$1.5 million for renewal of wear-off facilities and machineries of the two repair and maintenance centres of the Group in Hong Kong and Singapore on or before 31 December 2023.

The unutilised net proceeds as at 31 December 2021 have been placed with licensed banks in Hong Kong.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

CHARGES ON ASSETS

As at 31 December 2021, a life insurance policy to Mr. Ng Lai Ming with an insured sum of US$1,582,862 has been assigned as security for certain banking facilities.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees and remuneration policies

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

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

The total staff costs of the Group (including Directors' emoluments, salaries to staff, sales commission and other staff benefits included provident fund contributions and other staff benefits) for the year ended 31 December 2021 was approximately HK$15.1 million (2020: HK$16.8 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

Customers and suppliers

The Group is committed to providing high-quality products and services to its customers. We have extensive customer networks and relationships with market participants in various countries in Asia-Pacific, Europe, Americas and the PRC, and we are well-positioned to capture opportunities in the construction industry. We believe that customer satisfaction is the key to our long-term success.

The Group values mutually beneficial long-term relationships with its suppliers. Steady supply of high-quality products are crucial for us. The Group is committed to developing stable and sustainable partnership among its suppliers.

ENVIRONMENTAL POLICIES

The Group has established a set of management policies, mechanisms and measures on environmental protection to ensure the sustainable development and operation of the Group. The Group strives to enhance the efficiency in the usage of energy and resources and also complies with relevant environmental regulations in Hong Kong, the PRC, Singapore and Australia. For further details, please refer to the section headed "Environmental, Social and Governance Report".

PRINCIPAL RISK AND UNCERTAINTY

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

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

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

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

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

– We are exposed to our customers' credit risk.

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

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ng Lai Ming (吳麗明), aged 58, 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 30 years of experience in the construction and engineering industries in Hong Kong.

Mr. Ng Lai Tong (吳麗棠), aged 56, 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 29 years of experience in engineering and sales in the construction and manufacturing industries.

Mr. Ng Lai Po (吳麗寶), aged 54, is our executive Director and compliance officer. Mr. Ng is primarily responsible for the corporate governance of our Group. He joined our Group in October 2015 and was appointed as our Director on 6 January 2017. He is also the chairman of our corporate governance committee. Mr. Ng is the brother of Mr. Ng Lai Ming and Mr. Ng Lai Tong. Mr. Ng obtained his bachelor's degree in social sciences from the University of Hong Kong in December 1990. He has been a fellow of the Association of Chartered Certified Accountants since November 1999 and a member of the Hong Kong Institute of Certified Public Accountants since 2017. Mr. Ng has over 25 years of experience in financial and operation management in Hong Kong and the PRC, covering a variety of industries including property management, department store operation, petroleum, fast moving consumer goods, pharmaceutical, luxury and fashion products trading and retailing. Mr. Ng has been serving as an independent non-executive director of Elate Holdings Limited (previously named "South Sea Petroleum Holdings Limited"), a company listed on the Stock Exchange (stock code: 76) since December 2012.

Directors and Senior Management

Independent Non-executive Directors

Mr. Tai Wai Kwok (戴偉國), aged 52, 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 30 years of experience in auditing, accounting and financial related matters.

Ir Lo Kok Keung (盧覺強), aged 73, was appointed as our independent non-executive Director on 19 June 2017. Ir Lo is also the chairman of our remuneration committee and a member of our audit committee, nomination committee and corporate governance committee. Ir Lo obtained his higher certificate in mechanical engineering from the Hong Kong Technical College (former of the Hong Kong Polytechnic University) in July 1972. He has been a chartered engineer of the Institution of Mechanical Engineers since January 2002. Ir Lo has been a fellow of the Institution of Mechanical Engineers and the Institute of Marine Engineering, Science and Technology in the United Kingdom since January 2007 and July 2009, respectively. He has been a member of the Society of Automotive Engineers in the United States of America since October 1985. Ir Lo was admitted as a member of the Hong Kong Institution of Engineers in January 2000 and a registered professional engineer (mechanical) of the Engineers Registration Board in Hong Kong since 2001. Ir Lo was appointed as a member of the Appeal Board Panel under the Builders' Lifts and Tower Working Platforms (Safety) Ordinance from October 2003 to October 2006 and he has been repeatedly appointed by the Hong Kong Council for Accreditation of Academic & Vocational Qualifications as a specialist. Ir Lo has over 40 years of experience in teaching, running project laboratories, and assisting in experimental rigs design of research students and professors. Ir Lo has been serving as an expert witness in the Hong Kong courts of law since January 1994, providing expert witness testimony and evidence related to traffic accidents and mechanical defects. Ir Lo was recognized as expert witness by the court of law of Macau and given evidence related to traffic accident case in trial in May 2017. Ir Lo had been invited as a honourable speaker to give the seminar on Road Traffic Accident Reconstruction by the Legal and Judicial Training Centre of Macau Special Administrative Region in May 2018. This seminar provided for justices, prosecutors and senior police officers only. Ir Lo was also appointed by the Macau Government Special Administrative Region Transport Bureau, to act as instructor of the traffic accident reconstruction training course in January 2019 and he has been appointed as Instructor of the Traffic Accident Reconstruction Training Course in the LiPACE-Hong Kong Metropolitan University (previously known as Open University) since October 2020. Ir Lo has also been invited to teach the same course for the Fire Services Department's officer at managerial level in Fire Services Department.

Mr. Lau Chi Leung (劉志良), aged 72, was appointed as our independent non-executive Director on 19 June 2017. He is also the chairman of our nomination committee and a member of our audit committee, remuneration committee and corporate governance committee. Mr. Lau obtained his Bachelor of Arts degree in architectural studies from the University of Hong Kong in November 1973, Diploma in Architecture from Canterbury College of Art in the United Kingdom in July 1977 and Master's degree in project management from the University of Sydney in Australia in October 2004. Mr. Lau has been a member of the Hong Kong Institute of Architects for over 41 years and was awarded for his outstanding contribution towards the works of the Hong Kong Institute of Architects in March 2015. Mr. Lau is a Registered Architect under the Architects Registration Board, Hong Kong, an Authorized Person and a Registered Inspector under the Buildings Ordinance, Hong Kong. Mr. Lau has over 40 years of experience in the building construction and property development industry. Mr. Lau served as a member of the Contractors Registration Committee from January 2017 to December 2020, a member of the Construction Workers Registration Appeal Panel from January 2017 to December 2020 and is currently a member of the Appeal Tribunal Panel, Buildings Ordinance since December 2018.

Directors and Senior Management

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

SENIOR MANAGEMENT

Mr. Chew Chee Boon (Zhou Zhiwen) (周志文), aged 41, is our regional manager in Singapore. Mr. Chew joined our group in January 2013 as assistant regional manager and was promoted to regional manager of Singapore M&L in July 2014. He is primarily responsible for the regional business operation of our Group in Singapore. Mr. Chew obtained his diploma in electronic and computer engineering from Singapore Ngee Ann Polytechnic in August 2001, his bachelor's degree of science in computer systems engineering (computer science) from Nottingham Trent University in the United Kingdom in November 2007 through distance learning, his master's degree in international management from the University Schools of Management IAE France in March 2010 and his master's degree in Management from Université Grenoble Alpes (formerly known as Université de Grenoble 2) in April 2010, both in France.

COMPANY SECRETARY

Mr. Lee Baldwin is the company secretary of the Company, who is an external service provider. Mr. Ng Lai Ming, an executive Director and chairman of the board, is the Company's primary contact person with Mr. Lee.

The company secretary is responsible for coordinating the supply of information about the Group to the Directors.

COMPLIANCE OFFICER

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

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules and had complied with the CG Code throughout the year ended 31 December 2021 and up to the date of this report, except for the deviation stipulated below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

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 ethnicity parity and accordingly, the nomination committee will give favourable consideration to gender minority in the selection of candidates amongst those who are equally competent and possess the desired attributes to enhance gender balance of the Board over time.

In particular, the Company will dispense with a single-gender Board by year 2024 and endeavour to achieve greater gender diversity each subsequent year. The nomination committee will also review gender composition of the Group's senior management and general staff, by reference to industrial and demographic statistics etc., on an annual basis and determine the appropriate procedures to take to enhance gender balance in the workforce as required.

BOARD OF DIRECTORS

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

Executive Directors

Mr. Ng Lai Ming *(Chairman)*
Mr. Ng Lai Tong
Mr. Ng Lai Po

Independent non-executive Directors

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

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

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

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

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

The Board has the adopted procedures to ensure the views of independent directors can be duly communicated and properly reflected, which include the following:

— the company secretary will use its best endeavour to accommodate the availability of independent Directors to physically attend meetings of the Board and Board committees, which if not possible, channel of attendance by electronic means should be arranged in advance;

— if a Director, particularly an independent Director, is unable to attend meetings the company secretary will make alternatives available to the Director to express opinion in advance;

— documents and information on matters to be considered at meetings are to be circulated to independent Directors at least 3 days (or such other time as agreed) in advance;

— the company secretary will in the minutes of meetings record all the questions raised by and views expressed by the independent Directors, including any opposing views; and

— independent Directors can seek advice from third party professionals at the expense of the Company where they consider appropriate in order to ensure that informed opinion(s) is/are given to the Board.

BOARD COMMITTEES

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

The participation of members of the Board and the four Board committees and their attendance record of the relevant meetings in 2021, 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	6/6	–	1/1	1/1	–
Chairman of the Board					
Mr. Ng Lai Tong	6/6	–	–	–	–
Mr. Ng Lai Po	6/6	–	–	–	1/1
Chairman of Corporate Governance Committee					
Independent Non-executive Directors					
Mr. Tai Wai Kwok	6/6	4/4	1/1	1/1	1/1
Chairman of Audit Committee					
Ir Lo Kok Keung	4/6	2/4	1/1	1/1	1/1
Chairman of Remuneration Committee					
Mr. Lau Chi Leung	6/6	4/4	1/1	1/1	1/1
Chairman of Nomination Committee					

– The Director is not a member

Audit committee

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

In 2021, 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 2021 and make recommendations to the Board on salary revision to senior management and Directors for the year 2022.

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.

The Nomination Committee also provided advice to the Board on determining policy to enhance gender diversity in the composition of the Board and employees in general and will review the effectiveness of gender diversity policy on an annual basis.

Corporate Governance Committee

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

The audit committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The Company has not established a separate internal audit department. However, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. In 2021, 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 2021 covered control procedures for financial reporting and disclosure, human resources and payroll, cash and treasury management and taxation. 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 2021 is as below:

	HK$'000
Audit services provided to the Group	590
Non-audit services	89
	679

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 44 to 48 of this annual report.

COMPANY SECRETARY

Mr. Lee Baldwin is the company secretary of the Company, who is an external service provider. Mr. Ng Lai Ming, an executive Director and chairman of the board, is the Company's primary contact person with Mr. Lee.

The company secretary is responsible for coordinating the supply of information about the Group to the Directors.

All Directors have access to the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

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 2021. 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 2021.

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 2021 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 2021 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 2021 are set out in the consolidated statement of comprehensive income on page 49 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

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 Friday, 13 May 2022. The register of members of the Company will be closed from Tuesday, 10 May 2022 to Friday, 13 May 2022 (both days inclusive), during which period no transfer of shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Friday, 6 May 2022 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 116 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$5,800.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 December 2021 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 2021 are set out in note 26 and note 33 to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$93.3 million as at 31 December 2021.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

DIRECTORS

The Directors of the Company during the year ended 31 December 2021 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. 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, 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 2021 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 2021. 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 2021.

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 2021.

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 2021.

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

Long positions in shares of the Company

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

Notes:

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

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

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

So far as the Directors are aware, as at 31 December 2021, the interest and short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Stock Exchange and the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares of the Company

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

Notes:

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

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

(3) Ms. Ng Yuk Sheung is the spouse of Mr. Cheung King, therefore she is deemed to be interested in all the shares held by Mr. Cheung King under the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 76.3% (2020: 71.9%) and 49.4% (2020: 18.9%) of the Group's total revenue respectively.

During the year ended 31 December 2021, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 98.0% (2020: 95.5%) and 65.2% (2020: 69.7%) 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 2021 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 2021, the Group did not have any connected transactions which were subject to the reporting requirements prescribed in Chapter 20 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIVIDEND POLICY

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 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, 23 March 2022

INTRODUCTION

M&L Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is pleased to present this Environmental, Social and Governance ("ESG") Report. This report is prepared in accordance with the requirements set forth in the ESG Reporting Guide under Appendix 20 of the Listing Rules governing the GEM, it presents our major ESG policies, initiatives and performance of the Group for the year ended 31 December 2021 (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. The reporting scope for the current year is consistent with the previous year, our presentation covers the operation in Hong Kong, the PRC, Singapore and Australia.

STAKEHOLDERS ENGAGEMENT

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

The Group has established various channels to allow stakeholders to participate in the Company's operations, and to understand and monitor the Company's operating conditions, so as to promote the formation of a community of harmony and common interest between the Group and stakeholders and realize maximum comprehensive social interest. Stakeholders can participate in the Company's operations through the following channels:

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

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

MATERIALITY ASSESSMENT

Through the stakeholder engagement exercise, management reviews and industry analysis, the Group identified the most material ESG issues and prioritised its resources in managing these issues. This assessment helps to ensure that the Group's business objectives and development direction are coincided with the stakeholders' expectations and requirements. The Group found that the major concerns of our key stakeholders vary from the environmental and energy saving measures, compliance operation, information disclosure to privacy protection and community involvement.

Statement of the Board of Directors

The global health and economic crisis resulting from the COVID-19 pandemic has intensified investors and corporate stakeholders' concern about their interest regarding the ESG matters. The Board is responsible for overseeing the overall Group's sustainability efforts and regularly discusses, reviews and examines the Group's ESG management approach, strategy, risks, performance and progress. The Board fully discuss and identify the environmental, social and corporate governance risks and opportunities in the context of the external macro environment and the Company's development strategies, and take the management and improvement of key issues as the annual strategic task for sustainable development. By assessing and evaluating ESG related risks and reporting performance, the Board hold events to communicate closely with stakeholders, identify and evaluate important ESG issues, and discuss and address such issues. The Board confirms, to the best of its knowledge, this ESG report has stated the material topics relating to the Group's business and fairly presents its performance in each issue.

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. To seek sustainability of the environment and the community where it operates, the Group is increasingly prudent in controlling its emissions as well as the consumption of resources, and has strictly complied with relevant environmental laws and regulations in Hong Kong, PRC, Singapore and Australia during its daily operations, including but not limited to the:

- Air Pollution Control Ordinance of Hong Kong Special Administrative Region (空氣污染管制條例)
- Water Pollution Control Ordinance of Hong Kong Special Administrative Region (水污染管制條例)
- Waste Disposal Ordinance of Hong Kong Special Administrative Region (廢物處置條例)
- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)
- Law of the People's Republic of China on Conserving Energy (中華人民共和國節約能源法)
- Environmental Protection and Management Act of Singapore (環境保護與管理法)
- The Environment Protection and Biodiversity Conservation Act 1999 of Australia

The Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong, the PRC, Singapore and Australia (2020: Nil).

A1. Emissions

Given the nature of the Group's business, trading and leasing, the Group ensure that the daily operation do not have a significant impact on the environment and natural resources.

Direct emissions from vehicles

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

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

Region	Nitrogen oxide ("NOx") (Grams) 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**59,592**	31,663	+88%
The PRC	**8,811**	2,435	+262%
Singapore	**227**	109	+108%
Australia	**94**	773	−88%
Total	**68,724**	34,980	+96%

Region	Sulphur oxides ("SOx") (Grams) 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**189**	205	−8%
The PRC	**54**	47	+15%
Singapore	**5**	7	−29%
Australia	**2**	14	−86%
Total	**250**	273	−8%

Region	Particulate matter ("PM") (Grams) 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**4,350**	2,912	+49%
The PRC	**649**	179	+263%
Singapore	**17**	8	+113%
Australia	**7**	57	−88%
Total	**5,023**	3,156	+59%

Direct greenhouse gas ("GHG") emissions from vehicles

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

Region	Total GHG emissions (Kilograms) 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**33,514**	37,040	−10%
The PRC	**9,734**	8,670	+12%
Singapore	**921**	1,260	−27%
Australia	**439**	2,570	−83%
Total	**44,608**	49,540	−10%

During the reporting period, although the impact of the COVID-19 continued, compared with the previous year, some subsidiaries have resumed some business activities, resulting in the increase of nitrogen oxide ("NOx") and particulate matter ("PM"). The Group will keep monitoring on the emissions data in order to enhance the least usage of vehicles in the future.

Energy indirect emissions — Carbon emissions

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

Region	Carbon dioxide (CO_2) generated equivalent (Tonnes) 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**23**	24	−4%
The PRC	**5**	7	−29%
Singapore	**4**	3	+33%
Australia	**4**	6	−33%
Total	**36**	40	−10%

The Group has implemented relevant policies and measures on the environmental and energy saving aspects and encourage the employees to follow. In an overall perspective, the figure represents a reduction of indirect emission of approximately 10% compared to the emission rate of 2020. The Group has made great efforts in controlling its emissions and consumption of resources.

A2. *Our Use of Resources*

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

Use of electricity

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

Region	Electricity consumption in Kilowatt hours (kWh) 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**62,410**	48,020	+30%
The PRC	**7,460**	8,050	−7%
Singapore	**8,470**	8,190	+3%
Australia	**4,930**	7,300	−32%
Total	**83,270**	71,560	+16%

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).

Employees are reminded and encouraged to follow the energy saving measures. The Group will continuously assess the efficiency of resource utilization and evaluate the energy saving initiatives to uphold the core value of environmental protection.

Water usage

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

Region	Water Consumption in Cubic meters 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**222**	165	+35%
The PRC	**75**	63	+19%
Singapore	**54**	67	−19%
Australia	**10**	28	−64%
Total	**361**	323	+12%

Although the water usage is considered minimal, we encourage staff to turning off taps that are not in use/ setting up automatic water dispensers and using water efficient products.

Within the office area, the Group has devised a set of measures to minimise the water consumption level and are as follows:

1. Regular maintenance of the taps and pipes to prevent leakage

2. Trained employees on methods to conserve water in the office

3. Putting up posters in our offices to remind employees not to consume unnecessary resources.

Packaging materials and paper usage

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

Region	Number of A4 paper consumed 2021	2020	Percentage Increase (+) or Decrease (−)
Hong Kong	**52,500**	64,638	−19%
The PRC	**5,500**	13,000	−58%
Singapore	**3,556**	5,677	−37%
Australia	**—**	—	No Change
Total	**61,556**	83,315	−26%

Based on the nature of business, during the reporting period, the Group did not generate a large amount of hazardous waste, and the main non-hazardous waste generated from paper usage in office. 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.

The Group monitors and compares the emission data continuously in an annual basis for better controls on the energy and resources usage. For the overall business and operation, the Group continuously promotes the energy and resources saving measures to staff in order to meet the environmental target in the future.

A3. Environmental protection and natural resources

As we are primarily a trading company including ancillary services, given the nature of its business activities, 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. The Group strives to reduce any negative impact on the environment. The Group is committed to implementing control measures for energy consumption and office resources consumption. For promoting waste reduction at source, therefore the Group has always strived to reduce and handle the land waste. Our non-hazardous waste is dealt with appropriately and is disposed of in a proper manner by qualified waste disposal company in each business region.

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

A4. Climate Change

As climate change has even affected our production and living, concern and improvement of climate change is a global trend. As such, the Group has identified and assessed the impact of climate change to capture these opportunities and to monitor the risks. The Group has categorised climate related risk into physical and transition risks which are as follows:

Physical Risk

Acute physical risks, which arise from particular events, especially weather-related events such as storms, floods, fires or heatwaves that may damage production facilities and disrupt value chains. The Group has established contingency measures that encompasses a variety of weather related events to reduce the resilient risk.

Chronic physical risks, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity. These factors would also have an impact on the storage environment. The Group has adopted measures to ensure that the changes in weather related patterns have minimal impact on the storage environment.

Transition Risk

Policy and legal risk: Even though the business environment may be affected by policy changes, the Group's business operations are flexible and able to adapt to policy changes. Due to the Group's minimal carbon footprint, the impact of the potential policy and legal risk is relatively low. In this Reporting Period, the Group is not aware of any third party litigations on climate change.

Technology Risk: The gradual transition to a low carbon economy has accelerated and increased our focus on technology of specialised cutting tools and construction equipment. The Group will further consider the environmental protection factor when purchasing construction equipment in the future.

Market Risk: The Group's business has minimal exposure to market risk from climate change changes. However, the Group will continue to monitor market-related risks and take measures to reduce market-related risks when necessary.

Reputational risk: During the reporting period, the Group has taken measures to transform its business segments and incorporate environmental protection measures into business operations. This aims to align the group's environmental values with potential shifts in public sentiment about climate change.

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. The total workforce categorised by (i) gender, (ii) employment type, (iii) age group and (iv) geographical region are shown below:

Key Performance Indicator	Category	2021 Number of Employees
Gender	Male	29
	Female	15
Employment type	Full time	43
	Part time	1
Age group	Below 30	4
	Between 31 and 40	11
	Between 41 and 50	7
	Above 51	22
Geographical region	Hong Kong	27
	The PRC	11
	Singapore	4
	Australia	2

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.

Employee turnover

During the Reporting Period, the Group's overall employee turnover rate was approximately 45%. The employee turnover rate by (i) gender, (ii) age group (iii) geographical region are presented in the table below:

Percentage of Turnover rate	Categories	2021
Gender	Male	**28%**
	Female	**13%**
Age Group	Below 30	**125%**
	Between 31 and 40	**18%**
	Between 41 and 50	**14%**
	Above 51	**9%**
Geographical region	Hong Kong	**22%**
	The PRC	**18%**
	Singapore	**25%**
	Australia	**50%**

B2. Health and Safety

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

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

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

There were no non-compliance cases noted in relation to health and safety laws and regulations during the Reporting Period. There were no work-related fatalities and the Group did not record any lost days during its manufacturing process due to work injury.

B3. Development and Training

The Group is providing a harmonious and people-oriented working environment. The Group considerably cares employees' career development and We understood that training is always an important way to improve the overall quality and provide comprehensive development of the employees. The group provides adequate development and training for our employees to ensure that they maintain a high level of competency to keep our competitive advantages by updating the current trends and techniques. We have established a series of induction trainings to all newly-hired employees so as to let them acknowledge the Group's working environment, working procedures and other safety working standards. Our warehouse and workshop staff also receives trainings to enable them to acquire necessary skills and knowledge on health and safety related procedures before their duties are assigned. We also encourage employees to take part in external trainings to acquire necessary technical skills and enhance team spirit. The percentage of total employee who take part in training is 18%.

		2021	
Category	**Key Performance Indicators**	**Percentage**	**Average training hours per employee**
Gender Category	Male	**75%**	**1.1**
	Female	**25%**	**0.6**
Employment category	Senior management	**88%**	**5.0**
	Middle management	**12%**	**0.3**
	Frontline and other employees	**—**	**—**

B4. Labour Standards

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

During the Reporting Period, the Group complied with the applicable laws and regulations, including but not limited to the following:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (中華人民共和國勞動法)；
- Insurance Law of the People's Republic of China (中華人民共和國社會保險法);
- Employment Act of Singapore; and
- Fair Work Act 2009 of Australia

No violation regarding the age of employment and labor dispute has occurred between the Group and employees.

B5. Supply Chain Management

Our largest supplier is Palmieri from Italy with high reputation and credibility which has appointed us as its sole and exclusive agent for certain products and locations. Other than Palmieri, most of the products we purchased are branded products based on the demand of our customers under the agreed contracts and/or purchase orders. We do regular site visits to suppliers to ensure the quality of products and quality control procedures fulfilled our Group's requirements and the expectation of our customers. Continuously, we will incorporate sustainability considerations into our sourcing practices including procurement of other office equipment and communicate with suppliers on their environmental and social responsibilities to identify opportunities to improve their current environmental and social practices. As of 31 December 2021, the Group had 19 suppliers in total where Asia-Pacific, Europe, Hong Kong, the PRC, had 3, 5, 4 and 7 suppliers respectively.

B6. Product Responsibility

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

Integrated Engineering Solutions

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

Quality assurance

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

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

For our tailor-made products, internal control manual has been used as guideline throughout the production process to ensure the specification of the end products meet the requirements before delivery to our customers. We also offer incidental repair and maintenance services to our customers to enhance our aftersales service capabilities under the integrated engineering solutions. During the Reporting Period, none of our products were recalled for safety and health reasons and the Group did not receive any related complaints for the products and services.

Intellectual Property

The Group's senior management is responsible for safeguarding the intellectual properties. Contracts between the Group, employees and relevant parties contain a confidentiality clause to prevent the disclosure of sensitive information. A whistle-blowing platform is in place for employees report any incident of sensitive information disclosure.

Consumer Data Protection

Data protection measures are set up by the senior management to protect and monitor all data with regards to customers, suppliers and other relevant parties. During the Reporting Period, The Group is unaware of any unauthorized access, accidental, usage or amendments of these data.

B7. Anti-Corruption

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

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

Our Group will continuously provide full support to employees to raise their concerns in good faith and the aforementioned issue will be dealt with by management in a professional and appropriate manner. During the Reporting Period, the Group was not aware of any misconduct or breach of rules and regulation related to fraud, corruption or related matters. During the Reporting Period, the Group did not provide training of Anti- Corruption to employee.

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 The Lighthouse Club Hong Kong Benevolent Fund to provide medical funding support to the patients and to deliver financial support to current or former construction workers and their families from 2020.

We should strive to build a modern enterprise with customer satisfaction, social satisfaction and employee satisfaction. 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		2021 Data	2020 Data	Stock Exchange ESG Reporting Guide KPI
Emissions	Nitrogen oxide emission (Gram)	**68,724**	34,980	KPI A1.1
	Sulphur oxides emission (Gram)	**250**	273	KPI A1.1
	Particulate matter emission (Gram)	**5,023**	3,156	KPI A1.1
	Total GHG emissions generated equivalent (CO_2) (Kg) (Direct emission from vehicle usage)	**44,608**	49,540	KPI A1.2
	Carbon dioxide generated equivalent (CO_2) (Ton) (Indirect emission from electricity consumed)	**36**	40	KPI A1.2

Aspect A2: Use of resources

Performance indicator		2021 Data	2020 Data	Stock Exchange ESG Reporting Guide KPI
Energy	Electricity consumption (Kwh)	**83,270**	71,560	KPI A2.1
Water	Water consumption (Cubic meters)	**361**	323	KPI A2.2
Paper	Number of A4 Paper consumption (Piece)	**61,556**	83,315	KPI A2.5

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of M&L Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 115, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment of trade receivables

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

As at 31 December 2021, the Group had trade receivables amounting to HK$95,333,000 before allowances as set out in note 18. The Group has assessed impairment for its trade receivables based on expected credit losses model under HKFRS 9 Financial Instruments ("HKFRS 9"). Loss allowances for expected credit losses amounting to HK$5,964,000 have been made for the trade receivables as at 31 December 2021.

Assessing expected credit losses on trade receivables is a subjective area as it requires application of judgment and uses of estimates. To determine whether impairment provision is required, management considers a wide range of factors such as the creditworthiness and the past collection history of each customer, adjusted for factors that are specific to the customers. Management is also required to consider forward looking information with reference to market and economic conditions that may affect the ability of customers to settle trade receivables.

We have identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the consolidated financial statement and that 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:

- Understanding and evaluating management's key internal control in respect of the valuation of trade receivables which include credit control procedures and estimate of expected credit loss under the Group's policy;

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

- Assessing the appropriateness of management's estimate of loss allowance by examining the information provided by management to derive such estimates, including testing the historical payment records and historical loss rates; assessing 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; and developing our expectation on the estimate;

- Obtaining a list of trade receivables which were long overdue and assessing the recoverability of these outstanding receivables through discussion with management and with reference to supporting information provided by management, such as financial background and historical payment trend of these customers; and

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 23 March 2022

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2021 HK$'000	 2020 HK$'000
Revenue	6	**85,991**	70,944
Cost of sales		**(64,916)**	(49,413)
Gross profit		**21,075**	21,531
Other income		**983**	2,121
Selling expenses		**(3,215)**	(5,647)
Administrative expenses		**(26,486)**	(27,358)
Other gains and losses			
Exchange gain		**1,256**	4,173
(Provision)/Reversal of provision for impairment of trade receivables	18	**(787)**	1,118
Others	8	**88**	107
Operating loss		**(7,086)**	(3,955)
Finance income	11	**22**	185
Finance costs	11	**(2,166)**	(2,682)
Loss before income tax		**(9,230)**	(6,452)
Income tax (expense)/credit	12	**(31)**	935
Loss for the year		**(9,261)**	(5,517)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	15(c)		
— Increase in fair value		**6,097**	—
— Income tax effect		**(1,485)**	—
		4,612	—
Item that may be reclassified to profit or loss:			
Currency translation differences		**317**	635
Other comprehensive income for the year		**4,929**	635
Total comprehensive income for the year		**(4,332)**	(4,882)
Loss for the year attributable to:			
Equity holders of the Company		**(9,059)**	(5,379)
Non-controlling interests		**(202)**	(138)
		(9,261)	(5,517)
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**(4,142)**	(4,774)
Non-controlling interests		**(190)**	(108)
		(4,332)	(4,882)
		HK cents	HK cents
Loss per share			
– Basic and diluted	13	**(1.51)**	(0.90)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(a)	**26,374**	19,012
Right-of-use assets	15(b)	**7,438**	10,024
Deposits	18	**353**	13
Other assets at fair value through profit or loss	16	**5,076**	4,831
Deferred tax assets	24	**2,699**	3,631
		41,940	37,511
Current assets			
Inventories	17	**34,755**	41,273
Trade and other receivables	18	**95,713**	104,879
Tax recoverable		**402**	392
Cash and cash equivalents	19	**25,969**	21,062
		156,839	167,606
Current liabilities			
Trade and other payables	20(a)	**39,313**	50,844
Contract liabilities	20(b)	**2,567**	1,444
Dividend payable	21	**7,397**	7,677
Amounts due to directors	22	**4,976**	5,674
Bank borrowings	23(a)	**28,437**	23,667
Lease liabilities	23(b)	**1,042**	1,956
Current tax liabilities		**—**	632
		83,732	91,894
Net current assets		**73,107**	75,712
Total assets less current liabilities		**115,047**	113,223
Non-current liabilities			
Bank borrowings	23(a)	**7,896**	3,333
Lease liabilities	23(b)	**1,103**	107
Deferred tax liabilities	24	**2,338**	1,726
Other provision		**292**	307
		11,629	5,473
Net assets		**103,418**	107,750

		As at 31 December	
		2021	2020
	Notes	**HK$'000**	HK$'000
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	25	**6,000**	6,000
Reserves	26	**96,266**	100,408
		102,266	106,408
Non-controlling interests		**1,152**	1,342
Total equity		**103,418**	107,750

The consolidated financial statements on pages 49 to 115 were approved and authorised for issue by the Board of Directors on 23 March 2022 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Tong
Executive Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
	Share capital HK$'000	Share premium HK$'000 (note 26)	Revaluation reserve HK$'000 (note 26)	Other reserves HK$'000 (note 26)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	6,000	63,332	–	41,850	111,182	1,450	112,632
Loss for the year	–	–	–	(5,379)	(5,379)	(138)	(5,517)
Other comprehensive income:							
Currency translation differences	–	–	–	605	605	30	635
Total comprehensive income for the year	–	–	–	(4,774)	(4,774)	(108)	(4,882)
At 31 December 2020	6,000	63,332	–	37,076	106,408	1,342	107,750
At 1 January 2021	**6,000**	**63,332**	**–**	**37,076**	**106,408**	**1,342**	**107,750**
Loss for the year	**–**	**–**	**–**	**(9,059)**	**(9,059)**	**(202)**	**(9,261)**
Other comprehensive income:							
Fair value adjustment on revaluation of land and building, net of tax effect	**–**	**–**	**4,612**	**–**	**4,612**	**–**	**4,612**
Currency translation differences	**–**	**–**	**–**	**305**	**305**	**12**	**317**
Total comprehensive income for the year	**–**	**–**	**4,612**	**(8,754)**	**(4,142)**	**(190)**	**(4,332)**
At 31 December 2021	**6,000**	**63,332**	**4,612**	**28,322**	**102,266**	**1,152**	**103,418**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2021 HK$'000	2020 HK$'000 (Restated)
Cash flows from operating activities			
Net cash generated from/(used in) operations	27(a)	**2,751**	(1,257)
Interest received		**22**	185
Interest paid		**(2,164)**	(2,729)
Income tax (paid)/recovered		**(646)**	113
Net cash used in operating activities		**(37)**	(3,688)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(586)**	(566)
Payments for acquiring other assets at fair value through profit or loss		**(157)**	–
Payment of transaction costs on new lease contract		**(44)**	–
Proceeds from disposal of property, plant and equipment		**–**	20
Net cash used in investing activities		**(787)**	(546)
Cash flows from financing activities	27(b)		
Proceeds from bank borrowings		**33,000**	4,000
Repayment of bank borrowings		**(23,667)**	(1,000)
Repayment of principal element of lease liabilities		**(2,644)**	(2,967)
Repayment to a director		**(900)**	(100)
Net cash generated from/(used in) financing activities		**5,789**	(67)
Net increase/(decrease) in cash and cash equivalents		**4,965**	(4,301)
Cash and cash equivalents at beginning of year		**21,062**	25,109
Currency translation differences		**(58)**	254
Cash and cash equivalents at end of year	19	**25,969**	21,062

1. GENERAL INFORMATION

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

The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 21st Floor, Empress Plaza, 17–19 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost basis except for certain properties and other assets at fair value through profit or loss which are measured at fair value.

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

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. 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.

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

After the adoption of revaluation model, those property interests are measured at their revalued amounts, being fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any (notes 4.4 and 4.19).

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

(b) Restatement of the consolidated statement of cash flows

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

3. ADOPTION OF NEW OR REVISED HKFRSs

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

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2021:

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Subsidiaries

(i) Consolidation

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Subsidiaries (Continued)

(ii) Separate financial statements

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

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

4.2 Segment reporting

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

4.3 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Foreign currency translation (Continued)

(iii) Group companies

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

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

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

– all resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in translation reserve.

4.4 Property, plant and equipment

Buildings comprise mainly offices and workshops. Except for freehold land, which is not depreciated, all property, plant and equipment is stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any.

Land and buildings are stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from using the fair values at the end of the reporting period. Increases in value arising from revaluation are recognised in other comprehensive income and accumulated in equity under revaluation reserve. Decreases in value arising from revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the revaluation reserve. An annual transfer from revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued amount of an asset and the depreciation based on the asset's original cost.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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 profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is recognised so as to write off the cost net of expected residual value or valuation over their estimated useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

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

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

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

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

The Group measures land and buildings at revalued amount which requires fair value measurement. For financial reporting purposes, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement is observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Impairment of non-financial assets

Property, plant and equipment and right-of-use assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Property, plant and equipment and right-of-use assets that suffered an impairment are reviewed for indication of reversal of the impairment at each reporting date. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of those assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of those assets, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4.6 Financial Instruments

(i) Financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

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

– Amortised cost

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

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

(ii) Impairment loss on financial assets

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

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

The Group measures loss allowances for trade receivables using simplified approach and has calculated ECL based on lifetime ECL. The ECL on these assets are assessed individually for debtors which are assessed to be credit-impaired and collectively for other debtors using 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 except for trade receivables has increased significantly if it is more than 30 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

The Group considers a financial asset except for trade receivables to be credit-impaired when: (1) the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Having regard to the industry practice as well as the background and behavior of the customers, the Group assumes that the credit risk on trade receivable has increased significantly if it is more than 90 days past due. In addition, the Group considers that a trade receivable to be credit-impaired when: (1) the customer 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 trade receivable is more than four year past due for customers located in the mainland China which are mainly state-owned enterprises, or one year past due for customers in other locations. The Group has rebutted the presumptions on significant increase in credit risk when financial assets are more than 30 days past due and that financial assets are credit-impaired when they are more than 90 days past due based on the past settlement records of the customers and the industry practice.

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

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

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

(vii) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Inventories

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

4.8 Trade and other receivables

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

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

4.9 Cash and cash equivalents

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

4.10 Share capital

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

4.11 Trade and other payables

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

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (note 4.6).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method (note 4.6).

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

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

4.13 Borrowing costs

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

4.14 Current and deferred tax

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

(i) Current income tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Current and deferred tax (Continued)

(ii) Deferred tax

Inside basis differences

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

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

Outside basis differences

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

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

(iii) Offsetting

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Employee benefits

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

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Employee benefits (Continued)

(iii) Bonus plans

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

4.16 Provisions

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

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

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

4.17 Revenue recognition

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Revenue recognition (Continued)

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

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

The Group recognised revenue at the following basis:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Contract costs, contract assets and contract liabilities

Contract costs

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

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

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

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

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

Contract assets and contract liabilities

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Leases

Accounting as a lessee

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

Right-of-use asset

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

For right-of-use asset that meets the definition of a leasehold land and buildings held for own use (see note 4.4), they are carried at revalued amount.

Lease liability

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Leases (Continued)

Lease liability (Continued)

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

Accounting as a lessor

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

4.20 Other assets

Other assets represent payments for life insurance policies (note 16). Other asset are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

4.21 Dividend distribution

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

4.22 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.22 Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

4.23 Government grants

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

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5.1 Key sources of estimation uncertainty

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

(a) Allowance for inventories

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

(b) Estimates of current and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation. The Group recognised income tax 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 or when such estimate is changed.

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

(c) Loss allowances of trade receivables

The measurement of impairment losses under HKFRS 9 for trade receivables requires significant judgment and estimation. Trade receivables are reviewed periodically to assess for impairment. The Group estimates loss allowances for expected credit losses based on historical loss experience and the current and forecast economic conditions for customers with similar credit risk ageing of the receivables and customer credit worthiness. If the financial conditions of customers were to deteriorate, actual write off would be higher than expected. The methodology and assumptions used are reviewed regularly to reduce any difference between the loss estimates and actual amounts.

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

5.1 Key sources of estimation uncertainty (Continued)

(c) Loss allowances of trade receivables (Continued)

Loss allowance for expected credit losses provided for the trade receivables amounted to HK$5,964,000 as at 31 December 2021. Details of the key assumptions and inputs used are set out in note 35(a)(ii).

(d) Impairment of property, plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets. Management assessed that as at 31 December 2021, there were indications of impairment in respect of these assets. Accordingly, management performed impairment testing for these assets by comparing their carrying amounts with their recoverable amounts following the accounting policy for impairment of non-financial assets (note 4.5). Property, plant and equipment and right-of-use assets are tested for impairment at cash-generating unit ("CGU") level. The Group identifies separately identifiable CGU based on geographical location of its operations. The CGU that was exposed to impairment concern is the business unit operated in Hong Kong and China (the "Greater China unit"). The recoverable amount of the Greater China unit is determined using value-in-use calculations. Based on the value-in-use calculations of the Greater China unit as at 31 December 2021, impairment provision is not required for property, plant and equipment and right-of-use assets of the Greater China unit.

The value-in-use calculations comprise cash flow projection based on the 2-year financial budget approved by the Directors. The cash flow projection incorporates a number of key estimates and assumptions about future events, including future sales growth, future gross profit attained and effectiveness of cost control measures. Therefore, the determination of recoverable amount of the Greater China unit is subject to uncertainty and such recoverable amount might materially differ from the actual results. In making these key estimates and judgments, the Directors take into consideration assumptions that are mainly based on market conditions existed at the end of the reporting period. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. The value-in-use calculations also require the management to exercise judgement to determine an appropriate discount rate for the cash flow projection. Future changes in the events and conditions underlying the estimates and judgement would affect the estimation of recoverable amount and may result in adjustment to their carrying amounts.

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

5.1 Key sources of estimation uncertainty (Continued)

(e) Fair value of land and buildings and leasehold land

As disclosed in note 15, the fair values of the land and buildings and leasehold land as at 31 December 2021 were estimated by the directors with reference to property valuations conducted by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might differ significantly from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The carrying amounts of the Group's land and buildings and leasehold land as at 31 December 2021 were HK$19,450,000 and HK$5,411,000 respectively. Details of the fair value measurement of these properties are set out in note 15.

5.2 Critical judgment in applying accounting policies

(a) Classification of interests in leasehold land and buildings held for own use

In accordance with HKAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties under tenancy agreements (note 15(b)) are two separate groupings of assets which differ significantly in their nature and use.

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others.

Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with notes 4.4, 4.19 and 15(c). Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

6. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2021	2020
	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	**76,700**	68,379
– Repair and maintenance services income	**7,824**	2,565
	84,524	70,944
Revenue from other sources		
– Machinery rental income	**1,467**	–
	85,991	70,944

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

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

Foundation – Supply of fabricated construction steel works and equipment

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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

(a) The segment information provided to the executive Directors for the reportable segments for the year ended 31 December 2021 is as follows:

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

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 2020 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	64,684	6,260	70,944
Cost of sales	(44,585)	(4,828)	(49,413)
Segment results	20,099	1,432	21,531
Gross profit %	31.07%	22.88%	30.35%
Other income			2,121
Selling expenses			(5,647)
Administrative expenses			(27,358)
Other gains and losses			
Exchange gain			4,173
Reversal of provision for impairment of trade receivables			1,118
Others			107
Operating loss			(3,955)
Finance income			185
Finance costs			(2,682)
Loss before income tax			(6,452)
Income tax credit			935
Loss for the year			(5,517)

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

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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

7. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Cost of inventories sold	**61,355**	48,139
Employee benefit expenses (note 9)	**15,140**	16,847
Depreciation*		
Owned property, plant and equipment (note 15(a))	**1,626**	1,445
Right-of-use assets under the following categories (note 15(b)):		
– Ownership interests in leasehold land for own use	**104**	101
– Other properties leased for own use	**1,332**	1,396
– Machinery and equipment	**586**	705
Short-term leases expenses	**1,092**	1,197
Auditor's remuneration		
– Audit services	**590**	570
– Non-audit services	**89**	78

* Recorded as administrative expenses

8. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

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

Note:

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

(i) an amount of HK$20,000 obtained from Construstion Business Support Scheme under the Construction Industrial Council Relief Fund (2020: HK$1,391,000 from Employment Support Scheme ("ESS")) launched by the government of Hong Kong; and

(ii) an aggregate amount of HK$313,000 received from the governments of Singapore and Australia mainly to help businesses keep employees and support businesses to tackle the impact of COVID-19 pandemic (2020: HK$639,000 including goverment granted by the government of the PRC, Singapore and Australia).

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

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Salaries, wages and other benefits	**14,305**	16,206
Pension costs – defined contribution plans*	**835**	641
	15,140	16,847

* No contribution is available for reducing the Group's existing level of contribution in the future.

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 2021

	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000 (note (ii))	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Ng Lai Ming	–	938	–	18	956
Ng Lai Tong	–	912	202	18	1,132
Ng Lai Po	150	–	–	–	150
Independent non-executive directors:					
Tai Wai Kwok	150	–	–	–	150
Lo Kok Keung	150	–	–	–	150
Lau Chi Leung	150	–	–	–	150
	600	1,850	202	36	2,688

For the year ended 31 December 2020

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

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

(a) Directors' emoluments (Continued)

Notes:

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

(ii) Other benefits represented sales commission earned.

During the year, no amount was paid or payable by the Group to the directors set out above as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 2 directors (2020: 4 directors), whose remuneration are reflected in the analysis presented in note 10(a) above.

The remuneration paid or payable to the remaining 3 highest paid individual (2020: 1) are as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Salaries, wages and other benefits	**1,608**	698
Pension costs – defined contribution plan	**144**	–
	1,752	698

The remuneration fell within the following band:

	Number of individual	
	Year ended 31 December	
	2021	2020
Remuneration band		
Nil to HK$1,000,000	**3**	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 (2020: Nil).

(c) Senior management's remuneration

The remuneration paid or payable to senior management for the year ended 31 December 2021 and 2020 fell within the following band:

	Number of individual	
	Year ended 31 December	
	2021	2020
Remuneration band		
Nil to HK$1,000,000	**2**	3

11. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Finance income on:		
– Bank deposits	**22**	185
Finance costs on:		
– Bank borrowings	**920**	1,010
– Trade payables	**755**	800
– Lease liabilities	**106**	245
– Discounting charges on bills receivables	**266**	502
– Advance from a director	**119**	125
	2,166	2,682

12. INCOME TAX EXPENSE/(CREDIT)

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

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

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

Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China. Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group's operations in Singapore. Australia corporate income tax has been provided for at the rate of 26.0% (2020: 27.5%) on the estimated assessable profits for the Group's operations in Australia.

12. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Loss before income tax	**(9,230)**	(6,452)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**(1,897)**	(960)
Income not subject to tax	**(212)**	(630)
Expenses not deductible for tax purposes	**179**	46
Tax losses for which no deferred tax asset was recognised	**1,741**	756
Provision for withholding tax on undistributed earnings of a subsidiary	**–**	278
Under/(Over)-provision in respect of prior years	**7**	(162)
Others	**213**	(263)
Income tax expense/(credit)	**31**	(935)

13. LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2021	2020
Loss attributable to equity holders of the Company (HK$'000)	**(9,059)**	(5,379)
Weighted average number of ordinary shares in issue (thousands)	**600,000**	600,000
Basic loss per share (expressed in HK cents)	**(1.51)**	(0.90)

(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 2021:

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 2021	2020
Directly held by the Company:					
M&L Pacific Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
M&L Far East Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
East Focus International Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	US$1	**100%**	100%
Indirectly held by the Company:					
M&L China Engineering & Materials Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$10,000	**96.45%**	96.45%
M&L Engineering & Materials Limited	Hong Kong, limited liability company	Trading and hiring of construction machinery and spare parts in Hong Kong	HK$15,000,000	**95.33%**	95.33%
M&L Engineering Machinery (Shenzhen) Limited	The PRC, limited liability company	Trading and hiring of construction machinery and spare parts in the PRC	RMB3,500,000	**96.45%**	96.45%
East Focus Engineering Services Limited	Hong Kong, limited liability company	Trading and hiring of construction machinery and spare parts in Hong Kong	HK$100,000	**100%**	100%
M&L Engineering & Materials PTE Limited	Singapore, limited liability company	Trading and hiring of construction machinery and spare parts in Singapore	SG$50,000	**100%**	100%
M&L South Pacific Group Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$100,000	**100%**	100%
M&L Australia Engineering Pty Limited	Australia, limited liability company	Trading of construction machinery and spare parts in Australia	AUD10,000	**100%**	100%
M&L Oceania Management Pty Limited	Australia, limited liability company	Property investment in Australia	AUD50,000	**100%**	100%

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

(a) Property, plant and equipment

	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
COST OR VALUATION						
As at 1 January 2020	14,696	6,379	2,414	1,201	4,164	28,854
Additions	–	421	–	54	91	566
Disposal/written off	–	–	–	–	(75)	(75)
Exchange difference	1,164	197	95	21	58	1,535
As at 31 December 2020	**15,860**	**6,997**	**2,509**	**1,276**	**4,238**	**30,880**
Additions	**–**	**–**	**515**	**71**	**–**	**586**
Transfer from right-of-use assets (note (b))	**–**	**5,578**	**–**	**–**	**–**	**5,578**
Disposal/Written off	**–**	**–**	**(811)**	**(4)**	**–**	**(815)**
Surplus on revaluation (note (c))	**4,440**	**–**	**–**	**–**	**–**	**4,440**
Exchange difference	**(850)**	**(96)**	**(56)**	**(4)**	**(8)**	**(1,014)**
As at 31 December 2021	**19,450**	**12,479**	**2,157**	**1,339**	**4,230**	**39,655**
As at 31 December 2021 comprising						
At cost	**–**	**12,479**	**2,157**	**1,339**	**4,230**	**20,205**
At valuation	**19,450**	**–**	**–**	**–**	**–**	**19,450**
	19,450	**12,479**	**2,157**	**1,339**	**4,230**	**39,655**
ACCUMULATED DEPRECIATION						
As at 1 January 2020	667	3,899	955	961	3,815	10,297
Provided for the year	295	388	503	124	135	1,445
Eliminated on disposal/written off	–	–	–	–	(75)	(75)
Exchange difference	70	50	29	16	36	201
As at 31 December 2020	**1,032**	**4,337**	**1,487**	**1,101**	**3,911**	**11,868**
Provided for the year	**315**	**508**	**559**	**95**	**149**	**1,626**
Transfer from right-of-use assets (note (b))	**–**	**1,996**	**–**	**–**	**–**	**1,996**
Eliminated on disposal/written off	**–**	**–**	**(811)**	**(4)**	**–**	**(815)**
Eliminated on revaluation (note (c))	**(1,325)**	**–**	**–**	**–**	**–**	**(1,325)**
Exchange difference	**(22)**	**(21)**	**(20)**	**(1)**	**(5)**	**(69)**
As at 31 December 2021	**–**	**6,820**	**1,215**	**1,191**	**4,055**	**13,281**
CARRYING VALUE						
As at 31 December 2021	**19,450**	**5,659**	**942**	**148**	**175**	**26,374**
As at 31 December 2020	14,828	2,660	1,022	175	327	19,012

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

(b) Right-of-use assets

	Ownership interests in leasehold land for own use HK$'000	Other properties leased for own use HK$'000	Machinery and equipment HK$'000	Total HK$'000
COST OR VALUATION				
As at 1 January 2020	5,398	5,180	5,578	16,156
Commencement of lease	–	217	–	217
Effect on lease modication	–	(2,092)	–	(2,092)
Exchange difference	79	15	–	94
As at 31 December 2020	**5,477**	**3,320**	**5,578**	**14,375**
Commencement of lease	**–**	**2,767**	**–**	**2,767**
Transfer to property, plant and equipment (note (a))	**–**	**–**	**(5,578)**	**(5,578)**
Expiration of lease	**–**	**(3,089)**	**–**	**(3,089)**
Surplus on revaluation (note (c))	**21**	**–**	**–**	**21**
Exchange difference	**(87)**	**5**	**–**	**(82)**
As at 31 December 2021	**5,411**	**3,003**	**–**	**8,414**
As at 31 December 2021 comprising				
At cost	**–**	**3,003**	**–**	**3,003**
At valuation	**5,411**	**–**	**–**	**5,411**
	5,411	**3,003**	**–**	**8,414**
ACCUMULATED DEPRECIATION				
As at 1 January 2020	103	1,427	705	2,235
Provided for the year	101	1,396	705	2,202
Effect on lease modication	–	(96)	–	(96)
Exchange difference	6	4	–	10
As at 31 December 2020	**210**	**2,731**	**1,410**	**4,351**
Provided for the year	**104**	**1,332**	**586**	**2,022**
Transfer to property, plant and equipment (note (a))	**–**	**–**	**(1,996)**	**(1,996)**
Expiration of lease	**–**	**(3,089)**	**–**	**(3,089)**
Eliminated on revaluation (note (c))	**(311)**	**–**	**–**	**(311)**
Exchange difference	**(3)**	**2**	**–**	**(1)**
As at 31 December 2021	**–**	**976**	**–**	**976**
CARRYING VALUE				
As at 31 December 2021	**5,411**	**2,027**	**–**	**7,438**
As at 31 December 2020	5,267	589	4,168	10,024

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

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

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

The Group holds an industrial building for its operation in Singapore. Lump sum payments were made upfront to acquire the leasehold land where the industrial building is situated with initial lease periods of 60 years, and no ongoing payment is required under the terms of the land lease, other than payment based on rateable values set by the local government authorities. These payments vary from time to time and are payable to the local government authorities.

The Group has leased a number of properties for office use. The periodic rental under these lease are fixed over the lease term. The leases of these properties generally have lease terms of 3 years.

The Group acquired certain machineries under finance lease arrangements for use in its operation. The lease has lease terms of 4 years which ended on 31 October 2021. The corresponding machineries have been transferred to property, plant and equipment as the Group's own assets.

(c) Revaluation of land and buildings including leasehold land

As mentioned in note 2, land and buildings including leasehold land included in right-of-use assets which represent the Group's office premises, warehouse and factory located in Australia and Singapore were previously accounted for at cost model but measured at valuation with effect from 31 December 2021. On the date of change, the Group recorded the increase in fair value of these land and buildings of HK$6,097,000 and the resultant income tax effect of HK$1,485,000 in revaluation reserve in equity.

The fair values of these land and buildings as at 31 December 2021 were assessed by the Directors with reference to the property valuations conducted by independent professional valuers. The fair value of the Group's land and building situated in Australia as at 31 December 2021 was determined by Melbourne Property Valuers whereas the fair value of the Group's interest in the building and leasehold land situated in Singapore as 31 December 2021 was determined by GSK Global Pte Limited. Both Melbourne Property Valuers and GSK Global Pte Limited are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's land and buildings and leasehold land have been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The fair values of the Group's land and buildings and leasehold land situated in Australia and Singapore as at 31 December 2021 are categorised as Level 3 recurring fair value measurement which uses significant unobservable inputs in arriving at fair value. There were no transfers into or out of Level 3 during the year.

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

(c) Revaluation of land and buildings including leasehold land (Continued)

Details about the valuation inputs for land and buildings are as follows:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial-Office/ Warehouse	Australia	Direct Comparison Approach	Unit price with adjustment on quality and characteristics of properties	AUD1,042 to AUD1,821 per sq.m.	The higher the unit rate, the higher the fair value
Industrial-Office/ Warehouse	Singapore	Direct Comparison Approach	Unit price with adjustment on quality and characteristics of properties	SGD389 to SGD447 per sq.ft.	The higher the unit rate, the higher the fair value

The fair value measurement as at 31 December 2021 is based on the highest and best use of the properties, which does not differ from their actual use.

Under the direct comparison approach, the fair value is assessed by reference market comparable transaction available in the relevant market.

If the land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$18,764,000 (2020: HK$20,095,000).

16. OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Other assets at fair value through profit or loss — Life insurances for Mr. Ng Lai Ming	**5,076**	4,831

A non-wholly owned subsidiary of the Company, in the capacity of policy holder and beneficiary, has entered into two life insurance policies with two independent insurance companies, for Mr. Ng Lai Ming, the chief executive officer of the Company. One of the policies requires an one-off upfront payment of the total policy premium and the other policy requires payment of the premium by five annual instalments. For both policies, the policy holder may request partial or full surrender of the policy at any time and receive cash back based on the value at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated interest earned and minus insurance premium charged, or by the guaranteed cash value, annual dividend and applicable terminal dividend. If such surrender is required at any time during the respective surrender period, a pre-determined surrender charge would be imposed.

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

The Group presently has no intention to terminate the policies nor withdraw cash prior to the lapse of the surrender period and the expected life of the policies remained unchange from the initial recognition.

The life insurance policies are denominated in United States dollar ("US$") and HK$ and one of the policies has been assigned as security for the Group's banking facilities (note 23(c)).

Particulars of the policies are as follows:

Insured sum	**Premium payments**	**Guaranteed interest/ annual guaranteed cash value**	
US$1,582,862 (equivalent to approximately HK$12,425,000)	One-off upfront payment of US$639,386 (equivalent to approximately HK$5,019,000)	First five years: 3.90% per annum	Sixth year and after: 2.25% per annum
HK$800,000 (note)	Five annual instalments of HK$160,000 each	First 20 years: ranged from nil to HK$800,000	After 20 years: HK$800,000 or above

Note: subject to paid up of premium

The values of above life insurance policies are measured at fair value determined with reference to the respective account value provided by the insurance companies, which is a Level 3 measurement under HKFRS 13. Significant inputs to valuation include the expected return and the internal rate of return of the underlying investments. During the year ended 31 December 2021, there were no transfers into or out of Level 3 (2020: Nil). The change in fair value of the insurance policies were recognised in profit or loss under "other gains and losses — others".

17. INVENTORIES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Merchandise	**34,755**	41,273

18. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Trade receivables	**95,333**	104,086
Less: loss allowance	**(5,964)**	(5,078)
Trade receivables – net	**89,369**	99,008
Bills receivables	**1,456**	1,754
Prepayments	**256**	265
Deposits paid	**3,326**	1,619
Other receivables	**1,659**	2,246
	96,066	104,892
Less: Non-current portion deposits	**(353)**	(13)
	95,713	104,879

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

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

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Further details of the Group's credit policy and credit risk arising from trade receivables and the loss allowances made are set out in note 35(a)(ii).

Bills receivables represent bank acceptance notes issued by third parties with average maturity of within 240 days (2020: within 240 days), which are denominated in Renminbi.

19. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021 HK$'000	2020 HK$'000
Short-term bank deposits with original maturities within three months	**15,000**	15,000
Cash at banks and on hand	**10,969**	6,062
	25,969	21,062

19. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Renminbi ("RMB")	**976**	1,078
Euro ("EUR")	**541**	110
HK dollar	**20,080**	16,939
Singapore dollar	**967**	742
United States dollar	**2,149**	296
Australian dollar ("AUD")	**1,256**	1,897
	25,969	21,062

As at 31 December 2021, cash and cash equivalents of approximately HK$947,000 (2020: HK$1,048,000) are denominated in Renminbi and deposited with banks in Mainland China. Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of Mainland China is subject to the rules and regulations of exchange control promulgated by the government of the PRC.

20. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

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

Included in trade payables as at 31 December 2021 is an amount of HK$10,640,000 (2020: HK$17,675,000) which is interest bearing at 4% per annum.

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	
	2021	2020
	HK$'000	HK$'000
0 to 30 days	**5,020**	7,234
31 to 60 days	**5,774**	1,307
61 to 90 days	**426**	6,925
91 to 120 days	**2,768**	2,315
Over 120 days	**22,138**	28,502
	36,126	46,283

(b) Contract liabilities

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Contract liabilities related to trading in spare parts	**2,567**	1,444

Movements on contract liabilities are as follows:

	2021	2020
	HK$'000	HK$'000
As at 1 January	**1,444**	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,444)**	–
Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts	**2,567**	1,444
As at 31 December	**2,567**	1,444

21. DIVIDEND PAYABLE

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

The amount is unsecured, interest-free, repayable on demand and denominated in HK$.

22. AMOUNTS DUE TO DIRECTORS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Amounts due to:		
– Mr. Ng Lai Tong	**976**	774
Advance from:		
– Mr. Ng Lai Ming	**4,000**	4,900
	4,976	5,674

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

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

23. BORROWINGS

The breakdown of borrowings are as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Bank borrowings (note (a))	**36,333**	27,000
Lease liabilities (note (b))	**2,145**	2,063
	38,478	29,063

23. BORROWINGS (CONTINUED)

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Non-current liabilities		
Bank borrowings	**7,896**	3,333
Lease liabilities	**1,103**	107
	8,999	3,440
Current liabilities		
Bank borrowings	**28,437**	23,667
Lease liabilities	**1,042**	1,956
	29,479	25,623
Total	**38,478**	29,063

(a) Bank borrowings

The carrying amount of the bank borrowings are denominated in the HK$.

At the end of reporting period, bank borrowings were scheduled to repay as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
On demand or within 1 year	**28,437**	23,667
Later than 1 year but not exceeding 2 years	**2,847**	2,000
Later than 2 years but not exceeding 5 years	**5,049**	1,333
	36,333	27,000

23. BORROWINGS (CONTINUED)

(b) Lease liabilities

The movements of lease liabilities are as follows:

	Other properties leased for own use HK$'000	Machinery and equipment HK$'000	Total HK$'000
As at 1 January 2020	3,928	3,042	6,970
Finance cost	136	109	245
Lease payments	(1,477)	(1,735)	(3,212)
Additions	217	–	217
Effect of lease modification	(2,167)	–	(2,167)
Exchange difference	10	–	10
As at 31 December 2020	647	1,416	2,063
As at 1 January 2021	**647**	**1,416**	**2,063**
Finance cost	**75**	**31**	**106**
Lease payments	**(1,303)**	**(1,447)**	**(2,750)**
Additions	**2,723**	**–**	**2,723**
Exchange difference	**3**	**–**	**3**
As at 31 December 2021	**2,145**	**–**	**2,145**

23. BORROWINGS (CONTINUED)

(b) Lease liabilities (Continued)

The lease liabilities were repayable as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 December 2021			
No later than 1 year	**1,091**	**(49)**	**1,042**
Later than 1 year but not later than 2 years	**1,036**	**(17)**	**1,019**
Later than 2 years but not later than 5 years	**84**	**–**	**84**
	2,211	**(66)**	**2,145**

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 December 2020			
No later than 1 year	1,993	(37)	1,956
Later than 1 year but not later than 2 years	81	(2)	79
Later than 2 years but not later than 5 years	28	–	28
	2,102	(39)	2,063

(c) Banking facilities

The Group has obtained total banking facilities from banks of approximately HK$41,300,000 (2020: HK$34,000,000), of which HK$5,000,000 (2020: HK$7,000,000) has not been utilised.

The banking facilities are secured by the following:

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

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

(iii) personal guarantees provided by the executive Directors.

23. BORROWINGS (CONTINUED)

(d) Interest rate

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

	As at 31 December 2021	2020
Floating rate		
Bank borrowings	**3.4%**	3.1%
Lease liabilities	**–**	4.3%

24. DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the years ended 31 December 2020 and 2021 are as follows:

	Tax losses HK$'000	Unrealised profit HK$'000	Accelerated depreciation allowances HK$'000	Withholding tax HK$'000	Revaluation of land and buildings HK$'000	Total HK$'000
As at 1 January 2020	1,793	162	(725)	(699)	–	531
Credit/(Charge) to profit or loss (note 12)	1,397	207	44	(278)	–	1,370
Exchange difference	72	–	(3)	(65)	–	4
As at 31 December 2020	**3,262**	**369**	**(684)**	**(1,042)**	**–**	**1,905**
Credit/(Charge) to profit or loss (note 12)	**(5)**	**(65)**	**46**	**–**	**–**	**(24)**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**(1,485)**	**(1,485)**
Exchange difference	**(49)**	**–**	**2**	**(26)**	**38**	**(35)**
As at 31 December 2021	**3,208**	**304**	**(636)**	**(1,068)**	**(1,447)**	**361**

24. DEFERRED TAXATION (CONTINUED)

Represented by

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Deferred tax assets	**2,699**	3,631
Deferred tax liabilities	**(2,338)**	(1,726)
	361	1,905

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.

As at 31 December 2021, the Group had unused tax losses of HK$29,891,000 available for offset against the future profits, in which HK$17,693,000 were recognised as deferred tax assets. Deferred tax assets have been provided in respect of the tax losses amounting to HK$12,198,000 due to the unpredictability of future profit streams of the relevant subsidiaries. The aforementioned tax losses are subject to the final assessment of the local tax authorities and have no expiry date.

25. SHARE CAPITAL

	Number of ordinary shares	**Carrying amount**
		HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	600,000,000	6,000

26. SHARE PREMIUM AND OTHER RESERVES

	Share premium HK$'000	Capital reserve HK$'000 (note (a))	Revaluation reserve HK$'000 (note (c))	Translation reserve HK$'000 (note (d))	Statutory reserve HK$'000 (note (b))	Retained earnings HK$'000	Total HK$'000
As at 1 January 2020	63,332	15,642	–	(482)	1,224	25,466	105,182
Loss for the year	–	–	–	–	–	(5,379)	(5,379)
Currency translation difference	–	–	–	605	–	–	605
Transactions with owners:							
Transfer to statutory reserve	–	–	–	–	298	(298)	–
As at 31 December 2020	63,332	15,642	–	123	1,522	19,789	100,408
As at 1 January 2021	**63,332**	**15,642**	**–**	**123**	**1,522**	**19,789**	**100,408**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(9,059)**	**(9,059)**
Fair value adjustment on revaluation of land and buildings, net of tax effect	**–**	**–**	**4,612**	**–**	**–**	**–**	**4,612**
Currency translation difference	**–**	**–**	**–**	**305**	**–**	**–**	**305**
As at 31 December 2021	**63,332**	**15,642**	**4,612**	**428**	**1,522**	**10,730**	**96,266**

Notes:

(a) Capital reserve of HK$15,642,000 as at 31 December 2021 and 2020 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) 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.

(c) Balance represents gains or losses arising on the revaluation of properties. The balance on this reserve is wholly non-distributable.

(d) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy in note 4.3.

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from/used in operation

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
		(Restated)
Loss before income tax	**(9,230)**	(6,452)
Adjustments for:		
Finance costs	**2,166**	2,682
Finance income	**(22)**	(185)
Depreciation	**3,648**	3,647
Provision/(Reversal of provision) for impairment of trade receivables	**787**	(1,118)
Gain on disposal of property, plant and equipment	**–**	(20)
Effect on lease modification	**–**	(171)
Forfeiture of unclaimed dividend	**(280)**	(303)
Change in fair value of other assets at fair value through profit or loss	**(88)**	(87)
Cash used in operation before changes in working capital	**(3,019)**	(2,007)
Changes in working capital		
Inventories	**6,148**	(5,612)
Trade and other receivables	**10,046**	15,926
Trade and other payables	**(11,734)**	(11,093)
Contract liabilities	**1,123**	1,444
Balances with directors	**202**	73
Other provision	**(15)**	12
Net cash generated from/(used in) operations	**2,751**	(1,257)

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

(b) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities		
	Bank borrowings HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000
As at 1 January 2021	**(27,000)**	**(2,063)**	**(4,900)**
Changes from financing cash flows:			
Proceeds from borrowings	(33,000)	–	–
Repayment of borrowings	23,667	–	900
Payment of principal element of lease liabilities	–	2,644	–
Total changes from financing cash flows	(9,333)	2,644	900
Other changes:			
Exchange adjustments	–	(3)	–
Commencement of lease	–	(2,723)	–
Total other changes	–	(2,726)	–
As at 31 December 2021	**(36,333)**	**(2,145)**	**(4,000)**

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

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

	Liabilities from financing activities		
	Bank borrowings HK$'000	Lease liabilities HK$'000	Amount due to a director HK$'000
As at 1 January 2020	(24,000)	(6,970)	(5,000)
Changes from financing cash flows:			
Proceeds from borrowings	(4,000)	–	–
Repayment of borrowings	1,000	–	100
Payment of principal element of lease liabilities	–	2,967	–
Total changes from financing cash flows	(3,000)	2,967	100
Other changes:			
Exchange adjustments	–	(10)	–
Recognition of lease liabilities	–	(217)	–
Effect of lease modification	–	2,167	–
Total other changes	–	1,940	–
As at 31 December 2020	(27,000)	(2,063)	(4,900)

28. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

29. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2021 and 2020.

30. COMMITMENTS

The Group had no significant capital commitment as at 31 December 2021 and 2020.

31. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Interest expense paid to a director (note 22)	**119**	125

(b) Key management compensation

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Salaries, wages and other benefits	**3,255**	5,831
Contributions to defined contribution retirement plans	**117**	171
	3,372	6,002

32. ULTIMATE HOLDING COMPANY

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

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**40,714**	45,412
Deferred tax asset	**304**	304
	41,018	45,716
Current assets		
Prepayments and other receivables	**63**	6
Amounts due from subsidiaries	**43,495**	46,611
Cash and cash equivalents	**15,137**	15,136
	58,695	61,753
Current liabilities		
Accrued expenses	**381**	487
Net current assets	**58,314**	61,266
Net assets	**99,332**	106,982
CAPITAL AND RESERVES		
Share capital	**6,000**	6,000
Reserves (note)	**93,332**	100,982
Total equity	**99,332**	106,982

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2022 and were signed on its behalf by:

Ng Lai Ming	**Ng Lai Tong**
Executive Director	*Executive Director*

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

Note:

Reserve movements of the Company are as follows:

	Share premium and other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 31 December 2019 and 1 January 2020	129,114	(22,990)	106,124
Loss for the year	–	(5,142)	(5,142)
As at 31 December 2020	**129,114**	**(28,132)**	**100,982**
Loss for the year	**–**	**(7,650)**	**(7,650)**
As at 31 December 2021	**129,114**	**(35,782)**	**93,332**

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	
	2021	2020
	HK$'000	HK$'000
Financial assets:		
Financial assets at amortised cost:		
– Trade and other receivables	**91,720**	102,261
– Cash and cash equivalents	**25,969**	21,062
	117,689	123,323
Financial liabilities:		
Financial liabilities at amortised cost:		
– Trade and other payables	**39,135**	50,148
– Amounts due to directors	**4,976**	5,674
– Bank borrowings	**36,333**	27,000
– Lease liabilities	**2,145**	2,063
– Dividend payable	**7,397**	7,677
	89,986	92,562

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

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

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

At 31 December 2021, had HK$ been strengthened/weakened by 5% against the EUR with all other variables held constant, pre-tax loss for the year would have been lower/higher by approximately HK$566,000 (2020: pre-tax loss would have been lower/higher by approximately HK$1,284,000), 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 2021, had HK$ been strengthened/weakened by 5% against the RMB with all other variables held constant, pre-tax loss for the year would have been higher/lower by approximately HK$3,013,000 (2020: pre-tax loss would have been higher/lower by approximately HK$3,799,000), mainly as a result of foreign exchange losses/gains on translation of RMB denominated trade receivables and payables and cash and cash equivalents.

At 31 December 2021, had HK$ been strengthened/weakened by 5% against the AUD with all other variables held constant, pre-tax loss for the year would have been higher/lower by approximately HK97,000 (2020: pre-tax loss would have been higher/lower by approximately HK$143,000), mainly as a result of foreign exchange losses/gains on translation of AUD denominated trade receivables and payables and cash and cash equivalents.

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

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

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

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

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

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, and performs impairment assessment under ECL model on trade receivables. Except for the debtors which are assessed to be credit-impaired and thus are assessed for impairment individually, trade receivables are grouped under a provision matrix by reference to historical data on default experience of the debtors over the past four years. 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 2021

	Gross carrying amount HK$'000	Individual assessed loss allowance HK$'000	Balance under collective assessement HK$'000	Expected loss rate	Collective assessed loss allowance HK$'000	Total loss allowance HK$'000
Current (not past due)	14,669	—	14,669	0.03%	5	5
1–30 days past due	12,892	—	12,892	0.18%	23	23
31–180 days past due	4,204	—	4,204	0.36%	15	15
181–365 days past due	12,377	—	12,377	0.61%	76	76
1–2 years past due	14,595	—	14,595	0.97%	141	141
2–3 years past due	15,123	—	15,123	2.55%	386	386
3–4 years past due	14,798	—	14,798	4.79%	709	709
Over 4 years past due	6,675	2,148	4,527	54.36%	2,461	4,609
	95,333	2,148	93,185		3,816	5,964

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

As at 31 December 2020

	Gross carrying amount HK$'000	Individual assessed loss allowance HK$'000	Balance under collective assessement HK$'000	Expected loss rate	Collective assessed loss allowance HK$'000	Total loss allowance HK$'000
Current (not past due)	32,235	—	32,235	0.02%	7	7
1–30 days past due	2,689	—	2,689	0.04%	1	1
31–180 days past due	5,719	—	5,719	0.21%	12	12
181–365 days past due	12,588	—	12,588	0.46%	58	58
1–2 years past due	21,670	—	21,670	1.43%	310	310
2–3 years past due	18,404	—	18,404	1.71%	315	315
3–4 years past due	3,719	—	3,719	1.86%	69	69
Over 4 years past due	7,062	3,329	3,733	26.17%	977	4,306
	104,086	3,329	100,757		1,749	5,078

In respect of other debt financial assets, the directors of the Company make periodic assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL. For the year ended 31 December 2021 and 2020, the Group assessed the ECL for other debt financial assets were insignificant and thus no loss allowance was recognised.

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

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

(iii) Cash flow interest rate risk

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

At 31 December 2021, had the interest rate on bank borrowings been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been higher/lower by approximately HK$303,000 (2020: HK$225,000) higher/lower, mainly as a result of higher/lower interest expense on the floating rate bank borrowings.

At 31 December 2020, had the interest rate on lease liabilities been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been approximately higher/lower by HK$12,000, mainly as a result of higher/lower interest expense on the floating rate lease liabilities. The lease liabilities were fully settled as at 31 December 2021.

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

	On demand 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 2021					
– Bank borrowings	**25,000**	**3,888**	**3,170**	**5,468**	**37,526**
– Lease liabilities	**–**	**1,091**	**1,036**	**84**	**2,211**
– Amounts due to directors	**976**	**4,025**	**–**	**–**	**5,001**
– Trade and other payables	**100**	**39,160**	**–**	**–**	**39,260**
– Dividend payable	**7,397**	**–**	**–**	**–**	**7,397**
	33,473	**48,164**	**4,206**	**5,552**	**91,395**
As at 31 December 2020					
– Bank borrowings	23,000	774	2,066	1,347	27,187
– Lease liabilities	–	1,993	81	28	2,102
– Amounts due to directors	774	4,931	–	–	5,705
– Trade and other payables	98	50,227	–	–	50,325
– Dividend payable	7,677	–	–	–	7,677
	31,549	57,925	2,147	1,375	92,996

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The following table summarises the maturity analysis of bank borrowings which contain repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Bank borrowings	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	Total contractual undiscounted cash flow
As at 31 December 2021	**25,185**	**–**	**–**	**25,185**
As at 31 December 2020	23,184	–	–	23,184

(b) Capital risk management

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

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

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Total debts	**42,478**	33,963
Total assets	**198,779**	205,117
Debt-to-asset ratio	**21.37%**	16.56%

(c) Fair value estimation

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

Financial Summary

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

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**85,991**	70,944	141,190	113,933	161,626
Gross profit	**21,075**	21,531	40,231	33,265	45,092
Loss before income tax	**(9,230)**	(6,452)	(2,125)	(5,178)	(6,691)
Income tax (expense)/credit	**(31)**	935	801	152	(1,805)
Loss for the year	**(9,261)**	(5,517)	(1,324)	(5,026)	(8,496)
Loss for the year attributable to equity holders of the Company	**(9,059)**	(5,379)	(1,334)	(4,951)	(8,645)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**41,940**	37,511	39,625	29,738	18,730
Current assets	**156,839**	167,606	173,118	160,458	175,620
Total assets	**198,779**	205,117	212,743	190,196	194,350
Non-current liabilities	**11,629**	5,473	5,757	4,934	5,920
Current liabilities	**83,732**	91,894	94,354	71,179	63,852
Total liabilities	**95,361**	97,367	100,111	76,113	69,772
Non-controlling interests	**1,152**	1,342	1,450	1,448	1,540