



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



2022

INTERIM REPORT

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

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

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

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



Interim Results

The board of Directors (the "Board") of M&L Holdings Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2022, together with the comparative figures for the corresponding periods in 2021.

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2022

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	4	17,764	14,846	29,400	36,982
Cost of sales		(12,420)	(10,213)	(20,024)	(26,742)
Gross profit		5,344	4,633	9,376	10,240
Other income		242	285	251	510
Selling expenses		(545)	(485)	(979)	(2,971)
Administrative expenses		(6,340)	(6,591)	(12,610)	(13,640)
Other gains and losses					
Exchange (loss)/gain		(4,694)	270	(3,165)	395
Provision for impairment of trade receivables		(391)	(321)	(838)	(603)
Others		23	22	44	43
Operating loss		(6,361)	(2,187)	(7,921)	(6,026)
Finance income		12	4	20	12
Finance costs		(457)	(492)	(927)	(963)
Loss before income tax		(6,806)	(2,675)	(8,828)	(6,977)
Income tax credit/(expense)	6	83	(166)	131	(121)
Loss for the period		(6,723)	(2,841)	(8,697)	(7,098)
Other comprehensive income for the period					
<i>Item that may be reclassified to profit or loss:</i>					
Currency translation differences		(536)	257	(487)	73
Total comprehensive income for the period		(7,259)	(2,584)	(9,184)	(7,025)

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2022

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Loss for the period attributable to:					
Equity holders of the Company		(6,594)	(2,735)	(8,483)	(6,804)
Non-controlling interests		(129)	(106)	(214)	(294)
		(6,723)	(2,841)	(8,697)	(7,098)
Total comprehensive income for the period attributable to:					
Equity holders of the Company		(7,112)	(2,485)	(8,955)	(6,735)
Non-controlling interests		(147)	(99)	(229)	(290)
		(7,259)	(2,584)	(9,184)	(7,025)
Loss per share					
— Basic and diluted (expressed in HK cents per share)	7	(1.10)	(0.46)	(1.41)	(1.13)

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8(a)	24,494	26,374
Right-of-use assets	8(b)	6,755	7,438
Deposits		353	353
Other assets at fair value through profit or loss		5,120	5,076
Deferred tax assets		2,804	2,699
		39,526	41,940
Current assets			
Inventories		32,994	34,755
Trade and other receivables	9	79,276	95,713
Tax recoverable		385	402
Cash and cash equivalents		23,330	25,969
		135,985	156,839
Current liabilities			
Trade and other payables	10	28,437	39,313
Contract liabilities		1,677	2,567
Dividend payable	11	7,397	7,397
Amounts due to directors	12	4,976	4,976
Bank borrowings	13	28,475	28,437
Lease liabilities		1,043	1,042
		72,005	83,732
Net current assets		63,980	73,107
Total assets less current liabilities		103,506	115,047

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Non-current liabilities			
Bank borrowings	13	6,149	7,896
Lease liabilities		583	1,103
Deferred tax liabilities		2,248	2,338
Other provision		292	292
		9,272	11,629
Net assets		94,234	103,418
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	14	6,000	6,000
Reserves		87,311	96,266
		93,311	102,266
Non-controlling interests		923	1,152
Total equity		94,234	103,418

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2022

	Attributable to equity holders of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Other Reserves HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
		(Note 15)	(Note 15)	(Note 15)			
At 1 January 2022 (audited)	6,000	63,332	4,612	28,322	102,266	1,152	103,418
Loss for the period	—	—	—	(8,483)	(8,483)	(214)	(8,697)
Other comprehensive income:							
Currency translation differences	—	—	—	(472)	(472)	(15)	(487)
Total comprehensive income for the period	—	—	—	(8,955)	(8,955)	(229)	(9,184)
At 30 June 2022 (unaudited)	6,000	63,332	4,612	19,367	93,311	923	94,234
At 1 January 2021 (audited)	6,000	63,332	—	37,076	106,408	1,342	107,750
Loss for the period	—	—	—	(6,804)	(6,804)	(294)	(7,098)
Other comprehensive income:							
Currency translation differences	—	—	—	69	69	4	73
Total comprehensive income for the period	—	—	—	(6,735)	(6,735)	(290)	(7,025)
At 30 June 2021 (unaudited)	6,000	63,332	—	30,341	99,673	1,052	100,725

Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000 (Restated)
Cash flows from operating activities		
Net cash generated from operations	692	9,895
Interest received	20	12
Interest paid	(927)	(963)
Income tax paid	—	(646)
Net cash (used in)/generated from operating activities	(215)	8,298
Cash flows from investing activities		
Purchase of property, plant and equipment	(38)	(413)
Payment of transaction costs on new lease contract	—	(44)
Net cash used in investing activities	(38)	(457)
Cash flows from financing activities		
Proceeds from bank borrowings	11,000	11,000
Repayment of bank borrowings	(12,709)	(8,000)
Repayment of principal element of lease liabilities	(516)	(1,563)
Repayment to a director	—	(100)
Net cash (used in)/generated from financing activities	(2,225)	1,337
Net (decrease)/increase in cash and cash equivalents	(2,478)	9,178
Cash and cash equivalents at beginning of the period	25,969	21,062
Currency translation differences	(161)	(52)
Cash and cash equivalents at end of period	23,330	30,188

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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

The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 21st Floor, Empress Plaza, 17-19 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. The Group is principally engaged in trading and lease of construction machinery and spare parts.

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

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

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 has not been audited but has been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial information was approved for issue by the Board on 12 August 2022.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021. It has 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.

Significant accounting policies

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those described in the annual financial statements for the year ended 31 December 2021, except for the adoption of new or amended Hong Kong Financial Reporting Standards ("HKFRSs") which have become effective for accounting periods beginning on or after 1 January 2022. The Directors consider that the application of these new or amended HKASs and HKFRSs in the current period has no material effect on the amounts reported in this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the annual financial statements for the year ended 31 December 2021.

4 REVENUE AND SEGMENT INFORMATION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	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	16,456	13,242	27,328	34,607
— Repair and maintenance services income	1,044	1,489	1,594	2,100
	17,500	14,731	28,922	36,707
Revenue from other sources				
— Machinery rental income	264	115	478	275
	17,764	14,846	29,400	36,982

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

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the three months and six months ended 30 June 2022 and 2021. The accounting policies of the reportable segments are the same as the Group's accounting policies.

- (a) The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2022 (unaudited) is as follows:

	Tunnelling HK\$'000	Foundation HK\$'000	Total HK\$'000
Segment revenue (all from external customers)	24,650	4,750	29,400
Cost of sales	(16,673)	(3,351)	(20,024)
Segment results	7,977	1,399	9,376
Gross profit %	32.36%	29.45%	31.89%
Other income			251
Selling expenses			(979)
Administrative expenses			(12,610)
Other gains and losses			
Exchange loss			(3,165)
Provision for impairment of trade receivables			(838)
Others			44
Operating loss			(7,921)
Finance income			20
Finance costs			(927)
Loss before income tax			(8,828)
Income tax credit			131
Loss for the period			(8,697)

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	13,523	5,161	21,644	16,032
The PRC	4,022	4,905	7,369	7,822
Singapore and other Asia- Pacific countries	219	1,624	387	5,535
Others	—	3,156	—	7,593
	17,764	14,846	29,400	36,982

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Hong Kong	10,753	11,663
The PRC	183	298
Singapore	7,696	7,979
Australia	17,737	18,948
	36,369	38,888

Notes to the Condensed Consolidated Interim Financial Information

5 EXPENSES BY NATURE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold	12,244	9,527	19,599	26,030
Employee benefit expenses	3,938	4,165	7,702	8,354
Depreciation*				
Owned property, plant and equipment	519	387	1,011	839
Right-of-use assets under the following categories:				
— Ownership interests in leasehold land for own use	27	26	55	52
— Other properties leased for own use	250	352	500	832
— Machinery and equipment	—	176	—	353
Short-term lease expenses	302	267	605	540
Auditors' remuneration				
— Audit services	149	142	300	287
— Non-audit services	16	9	23	18

* Recorded as administrative expenses

Notes to the Condensed Consolidated Interim Financial Information

6 INCOME TAX CREDIT/(EXPENSES)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Current taxation for the period				
— Mainland China corporate income tax	—	(45)	—	(45)
Deferred income tax	83	(121)	131	(76)
Income tax credit/(expenses)	83	(166)	131	(121)

The Group has no income tax 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 25.0% 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 17.0% on the estimated assessable profit for the Group's operations in Singapore. Australia corporate income tax has been provided for at the rate of 25.0% (2021: 26.0%) on the estimated assessable profits for the Group's operations in Australia.

Notes to the Condensed Consolidated Interim Financial Information

7 LOSS PER SHARE

(a) Basic

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
Loss attributable to equity holders of the Company (HK\$'000)	(6,594)	(2,735)	(8,483)	(6,804)
Weighted average number of ordinary shares in issue (thousands)	600,000	600,000	600,000	600,000
Basic loss per share (expressed in HK cents)	(1.10)	(0.46)	(1.41)	(1.13)

(b) Diluted

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

Notes to the Condensed Consolidated Interim Financial Information

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

(a) Property, plant and equipment

	Unaudited 2022 HK\$'000	Unaudited 2021 HK\$'000
Opening net book amount as at 1 January	26,374	19,012
Additions	38	413
Disposals	—	—
Depreciation	(1,011)	(839)
Exchange difference	(907)	(347)
Closing net book amount as at 30 June	24,494	18,239

All depreciation expenses have been recorded in administrative expenses.

(b) Right-of-use assets

	Unaudited 2022 HK\$'000	Unaudited 2021 HK\$'000
Opening net book amount as at 1 January	7,438	10,024
Commencement of lease	—	2,767
Depreciation	(555)	(1,237)
Exchange difference	(128)	(76)
Closing net book amount as at 30 June	6,755	11,478

All depreciation expenses have been recorded in administrative expenses.

Notes to the Condensed Consolidated Interim Financial Information

9 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade receivables	79,718	95,333
Less: loss allowance	(6,549)	(5,964)
Trade receivables — net	73,169	89,369
Bills receivables	1,845	1,456
Prepayments	1,465	256
Deposits paid	1,731	3,326
Other receivables	1,419	1,659
Less: Non-current portion deposits	79,629 (353)	96,066 (353)
	79,276	95,713

Notes to the Condensed Consolidated Interim Financial Information

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
0 to 30 days	4,643	8,096
31 to 60 days	3,351	7,220
61 to 90 days	4,269	2,372
91 to 180 days	3,084	4,295
181 to 365 days	7,250	12,123
1 to 2 years	16,329	16,053
2 to 3 years	12,948	13,270
Over 3 years	27,844	31,904
Trade receivables, gross	79,718	95,333
Less: loss allowance	(6,549)	(5,964)
Trade receivables, net	73,169	89,369

10 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade payables	25,748	36,126
Accrued expenses and other payables	2,689	3,187
	28,437	39,313

The carrying amounts of trade and other payables approximate their fair values as at 30 June 2022 and 31 December 2021.

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
0-30 days	1,083	5,020
31-60 days	1,440	5,774
61-90 days	1,525	426
91-120 days	2,371	2,768
Over 120 days	19,329	22,138
	25,748	36,126

11 DIVIDEND PAYABLE

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

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

12 AMOUNTS DUE TO DIRECTORS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Amounts due to:		
— Mr. Ng Lai Tong	976	976
Advance from:		
— Mr. Ng Lai Ming	4,000	4,000
	4,976	4,976

The amount 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.

Notes to the Condensed Consolidated Interim Financial Information

13 BANK BORROWINGS

The carrying amounts of the bank borrowings approximate their fair values as at 30 June 2022 and 31 December 2021, and are denominated in the Hong Kong dollars. The interests are charged on floating rate basis.

The Group has obtained total banking facilities from banks of approximately HK\$39,600,000 as at 30 June 2022 (31 December 2021: HK\$41,300,000), of which HK\$5,000,000 (31 December 2021: HK\$5,000,000) has not been utilised.

The banking facilities are secured by the followings:

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

14 SHARE CAPITAL

The Company's share capital as at 30 June 2022 and 31 December 2021 was as follows:

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

Notes to the Condensed Consolidated Interim Financial Information

15 SHARE PREMIUM AND OTHER RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserves HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
					Note		
As at 1 January 2022	63,332	15,642	4,612	428	1,522	10,730	96,266
Loss for the period	—	—	—	—	—	(8,483)	(8,483)
Currency translation difference	—	—	—	(472)	—	—	(472)
As at 30 June 2022 (unaudited)	63,332	15,642	4,612	(44)	1,522	2,247	87,311
As at 1 January 2021	63,332	15,642	—	123	1,522	19,789	100,408
Loss for the period	—	—	—	—	—	(6,804)	(6,804)
Currency translation difference	—	—	—	69	—	—	69
As at 30 June 2021 (unaudited)	63,332	15,642	—	192	1,522	12,985	93,673

Note:

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

16 DIVIDENDS

The Board does not declare an interim dividend for the six months ended 30 June 2022 (2021: nil).

Notes to the Condensed Consolidated Interim Financial Information

17 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense paid to a Director	25	30	50	60

(b) Key management compensation

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits	703	831	1,407	1,751
Contributions to defined contribution retirement plans	26	28	53	64
	729	859	1,460	1,815

Management Discussion and Analysis

BUSINESS REVIEW

Background, recent development and outlook

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

Hong Kong market

Business activities in Hong Kong during the six months ended 30 June 2022 (the "Period") showed improvement from the comparable period of the six months ended 30 June 2021. In particular, the set back to construction activities caused by severe COVID-19 Omicron outbreak in first quarter of 2022 has subsided during the second quarter of 2022 and we have received increased enquiry on our foundation products as construction activities resumed and the demand for our products has been on the rise. However, there is no major projects using TBMs being launched recently, it is expected the business in the tunnelling segment in Hong Kong will remain stable, while business in the foundation segment will continue to recover in the second half of 2022.

We will closely monitor business opportunities associated with the "Railway Development Strategy" published by the Transport and Housing Bureau and potential projects in relation to the Lantau Tomorrow 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

Performance of the PRC market remained relatively stagnant during the Period. 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 has taken 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. Tightened movement control administered at variance locations in response to the COVID-19 omicron outbreak during the Period dealt a further blow to the difficult market condition and the Group will continue monitoring this market with caution in the near term. Nonetheless, there has been improvement in the receivables recovery status from our PRC customers as a result of heightened credit assessment and monitoring procedures.

Management Discussion and Analysis

Overseas markets

Sales pitch and negotiations for potential projects in Singapore, other Asia-Pacific countries, and European and American markets were greatly hindered by travel restrictions in the past two years. Potential sales were also hindered by customer's concern over high shipping cost. As a result only minimal revenue was generated from such markets during the Period.

As quarantine requirements were being loosened and more international flights resumed since the second quarter of 2022, the Group's executives attended a number of trade conference and marketing events overseas to explore business opportunities with market participants worldwide. According to market intelligence from trade conference and our overseas sales network, we noted a number of public infrastructure projects are scheduled for launch in the foreseeable future in various countries in Southeast Asia, Southern Pacific, North America and continental Europe market. The Group's sales and marketing teams overseeing the respective region are proactively pursuing such potential business opportunities and it is expected the demand for our products and services will notably improve in the final quarter of 2022. Despite the aforesaid, the Group and the construction market in general is still facing the challenge in shipping, particularly for products sourced from mainland PRC. We will take the transportation arrangement into careful consideration in negotiation with customers to minimise the Group's exposure to associated costs and responsibility.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK\$7.6 million, or 20.5%, from approximately HK\$37.0 million for the six months ended 30 June 2021 to approximately HK\$29.4 million for the Period. The decrease in revenue is mainly a combined result of (i) negligible revenue recorded from overseas markets during the Period due to delivery of confirmed orders being delayed as a result of movement control in the PRC and potential overseas sales being deterred by high shipping cost, as compared to HK\$13.1 million for the six months ended 30 June 2021; and (ii) revenue from Hong Kong increased by approximately HK\$5.6 million, mainly attributable to favourable progress achieved on a tunnelling project during the Period. Revenue from the PRC market for the Period remained stable as compared to the six months ended 30 June 2021.

Management Discussion and Analysis

Cost of sales and gross profit

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 decreased by approximately HK\$6.7 million, or 25.1%, to approximately HK\$20.0 million for the Period, which generally coincided with the decrease in revenue.

Gross profit and gross profit margin for the Period was approximately HK\$9.4 million and 31.9% respectively, as compared to \$10.2 million and 27.7% for the comparative period in 2021. The improvement in gross profit margin was resulted from a sales mix of products with higher profit margin recorded for the Period.

Other income

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

Exchange (losses)/gains

The Group recorded a foreign exchange loss of approximately HK\$3.2 million recorded for the Period as compared to a gain of HK\$0.4 million for the comparable period in 2021, as a result of depreciation of Renminbi and Australian Dollars during the Period which offset the gain on exchange resulting from the depreciation of Euro.

Selling expenses

Selling expenses mainly included freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses decreased from approximately HK\$3.0 million for the six months ended 30 June 2021 to HK\$1.0 million for the Period, mainly due to minimal sales made to overseas markets during the Period.

Administrative expenses

Administrative expenses mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, depreciation and amortisation and other administrative expenses. Administrative expenses have remained relatively stable, except for a slight drop in staff cost and amortisation of right-of-use assets.

Management Discussion and Analysis

Finance income and finance costs

The net amount of finance costs remained stable at approximately HK\$0.9 million for the Period as compared to approximately HK\$1.0 million for the six months ended 30 June 2021. The finance costs are mainly related to the bank borrowings and the lease liabilities.

Income tax credit/expense

The income tax credit for the six months ended 30 June 2022 was approximately HK\$0.1 million, while the income tax expense for the six months ended 30 June 2021 was approximately HK\$0.1 million.

Loss attributable to equity holders of our Company

We recorded a loss attributable to equity holders of our Company for the six months ended 30 June 2022 of approximately HK\$8.5 million, as compared to loss of approximately HK\$6.8 million for the six months ended 30 June 2021.

Liquidity, financial resources and capital structure

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Current assets	135,985	156,839
Current liabilities	72,005	83,732
Current ratio	1.89	1.87

During the six months ended 30 June 2022, the Group financed its operations by its internal resources and banking facilities. As at 30 June 2022, the Group had net current assets of approximately HK\$64.0 million (31 December 2021: HK\$73.1 million), including cash and cash equivalents of approximately HK\$23.3 million (31 December 2021: HK\$26.0 million). The Group's current ratio as at 30 June 2022 was 1.89 times (31 December 2021: 1.87 times).

As at 30 June 2022, the Group had a total available banking facilities of approximately HK\$39.6 million, of which approximately HK\$34.6 million was utilised and approximately HK\$5.0 million was unutilised and available for use.

There has been no change in capital structure of the Company during the six months ended 30 June 2022. As at 30 June 2022, the equity attributable to equity holders of the Company amounted to approximately HK\$93.3 million (31 December 2021: approximately HK\$102.3 million).

Management Discussion and Analysis

Gearing ratio

As at 30 June 2022, the net gearing ratio was 18.1% (31 December 2021: 16.1%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totaling HK\$16.9 million (31 December 2021: HK\$16.5 million) as a percentage of equity attributable to equity holders of the Company of HK\$93.3 million (31 December 2021: HK\$102.3 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the six months ended 30 June 2022, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro, Renminbi, US dollars and Australian dollars (the “Major Foreign Currencies”).

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

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

CAPITAL COMMITMENT

As at 30 June 2022, the Group had no capital commitment.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the six months ended 30 June 2022.

CHARGES ON ASSETS

As at 30 June 2022, 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.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 44 staff (31 December 2021: 44). The total staff costs of the Group (including Directors' emoluments, salaries to staff, sales commission, provident fund contributions and other staff benefits) for the six months ended 30 June 2022 was approximately HK\$7.7 million (for the six months ended 30 June 2021: HK\$8.4 million). The Group determines the salaries of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance of the employees by salary revision, bonus and promotion where suitable. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor any difficulty in the recruitment and retention of experienced staff.

Management Discussion and Analysis

USE OF PROCEEDS

The net proceeds from the Share Offer was approximately HK\$40.2 million, which was different from the estimated net proceeds of HK\$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). The difference of HK\$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. As disclosed in the 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 30 June 2022 are set out as follows:

	Estimated use of net proceeds as set out in the Prospectus	Adjusted use of net proceeds	Up to 30 June 2022		Expected Completion Date
	HK\$ million	HK\$ million	utilised HK\$ million	unutilised 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	17.0	5.0	On or before 31 December 2024 (note 1)
To expand repair and maintenance services in the PRC for tunnelling business	5.5	0.4	0.4	–	
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	2.7	–	
To 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 2)
General working capital	3.9	13.4	4.8	8.6	On or before 31 December 2023
	39.0	40.2	25.1	15.1	

Management Discussion and Analysis

Notes:

1. The planned usage and timeline of the unutilised net proceeds of HK\$5.0 million are as follows:
 - a) HK\$4.0 million for acquisition of one set 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\$1.0 million for acquisition of one set of vibrodriver from PTC or similar construction machineries, which will be made available for leasing and/or trading upon completion on or before 31 December 2024.
2. 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 30 June 2022 have been placed with licensed banks in Hong Kong.

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

Management Discussion and Analysis

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

As at 30 June 2022, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

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

Notes:

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

Directors' interests in an associated corporation of the Company

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

Management Discussion and Analysis

Save as disclosed above, as at 30 June 2022, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 2022, the following person(s), not being a Director or chief executive of our Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of our Group:

Long position in the shares of the Company

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

Notes:

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

Management Discussion and Analysis

Saved as disclosed above, as at 30 June 2022, no other person had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

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

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Model Code”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards set out in Model Code during the six months ended 30 June 2022 and up to the date of this report.

Management Discussion and Analysis

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules and had complied with the CG Code during the six months ended 30 June 2022 and up to the date of this report, except for the deviation stipulated below.

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

COMPETING INTERESTS

None of the Directors, substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which compete with the business of the Group during the six months ended 30 June 2022 and up to and including the date of this report.

Management Discussion and Analysis

AUDIT COMMITTEE

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

By order of the Board

M&L Holdings Group Limited

Ng Lai Ming

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 12 August 2022

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