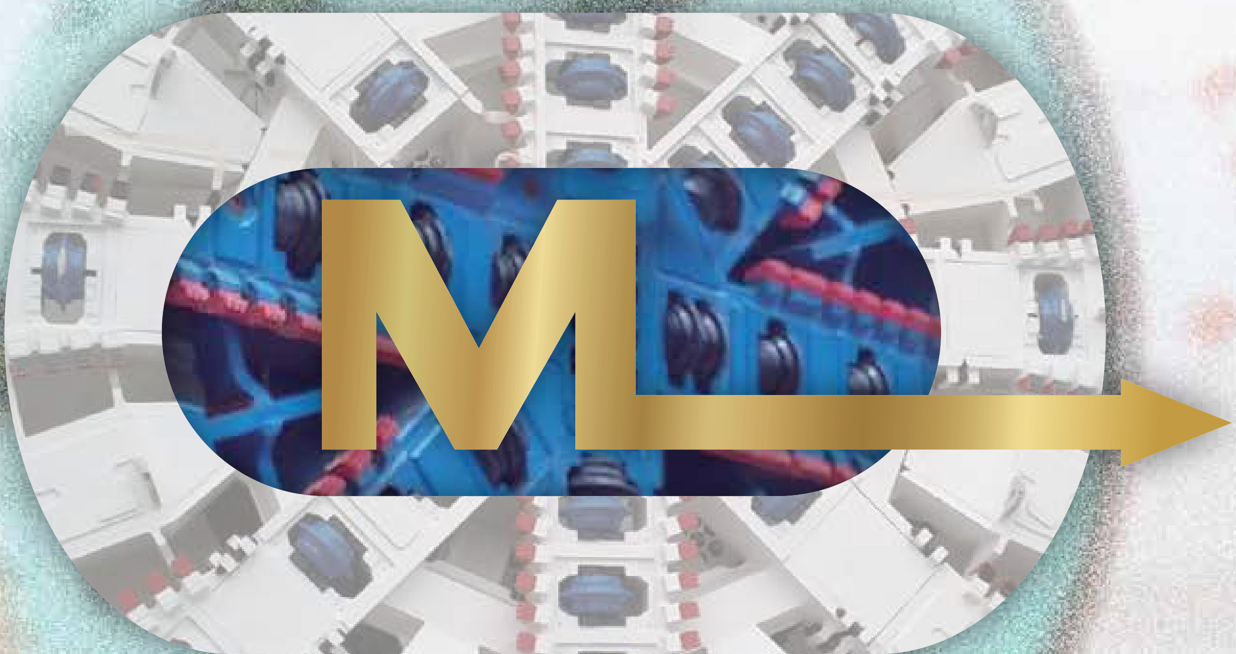
M&L HOLDINGS GROUP LIMITED
明樑控股集團有限公司

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



2023
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.

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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 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

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17-19 Chatham Road South
Tsimshatsui, Kowloon, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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 2023 ("Year").

First of all, I take pleasure to report that the Group recorded a turnaround in results to a profit for the Year and congratulate our management team and staff members for their achievement.

The Group focused on devising TBM related engineering solutions to customers and gained competitive edge in the market with positive feedback from our business partners. Such customisation capability and expertise in our tunnelling business segment not only distinguished the Group from our competitors, but was also able to secure a more favourable profit margin for our products and services than as a general supplier. We understand that numerous tunnelling projects are under planning and expected to be launched in our target markets in the next couple of years, and foresee the growth in demand for our products and services will continue.

On the other hand, business environment of the foundation construction sector is still marred by uncertainties surrounding the real estate property market. The Group will continue to develop its engineering solution with the aim to enhance its competitiveness and customer base and restrain from participating in excessive competition.

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.

Yours truly,

Ng Lai Ming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 26 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

Background, recent development and outlook

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

Hong Kong market

During the year, construction activities in Hong Kong experienced a rebound, leading to increased demand for the Group's products. A significant tunnelling project in Hong Kong has progressed to a stage where a higher consumption of TBM disc cutters is required. This increased consumption has driven up the demand for the Group's products. On the other hand, performance of the foundation business segment declined further during the Year, as market competition and price pressure remained keen owing to the uncertain outlook of the property market. Overall, revenue from Hong Kong market recorded a growth of approximately HK$12.1 million or 20.1% for the Year. Outlook of the Hong Kong market is expected to be driven by large scale infrastructure projects and we will closely monitor potential business opportunities associated with the "Railway Development Strategy", the "Lantau Tomorrow" and the "Northern Metropolitan" development, while being cautious not to engage in cut-throat price competition. Hong Kong government has announced to abolish all special stamp duty on transfer of residential properties on 28 February 2024 with immediate effect, which was generally welcomed by the market and expected to promote real estate transactions, building construction activities and may bring about business opportunities for the Group's foundation business segment in the future years.

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. Business negotiations with target customers in the PRC has become more active since travel restrictions were lifted. Notable improvement in sales of spare parts for tunnelling equipment was observed starting from March 2023 and continued throughout the Year, leading to an increase in revenue by approximately HK$15.3 million or 113.4%. Despite the continuous increase in demand from the PRC customers, the Group will maintain a cautious approach on negotiation of settlement terms due to the prevailing economic uncertainties and will mainly target projects undertaken by the PRC customers at overseas locations in order to diversify credit and liquidity risks. The Group will continue monitoring this market with caution in the near term and focus on bidding for projects with favourable profit margin and settlement terms.

Overseas market

The Group's executives travelled to overseas trade conferences and visited our overseas sales network and noted a number of public infrastructure projects are scheduled for launch in the foreseeable future in various overseas countries. The Group's sales to Asia Pacific market recorded an increase in sales by approximately HK$7.7 million or 98.8%, while sales to other overseas countries increase by approximately HK$31.7 million or more than 5 times during the Year. Freight rates stabilised during the Year as compared to the Previous Year, but there was a subsequent rally from December 2023 to February 2024. Accordingly, we will evaluate the logistics arrangement cautiously and negotiate with customers on potential sales to overseas locations to minimise the Group's exposure to associated costs and responsibility.

FINANCIAL REVIEW

Revenue

Revenue increased by HK$66.7 million or 76.6% to approximately HK$153.7 million for the Year, as compared to approximately HK$87.0 million for the year ended 31 December 2022 ("Previous Year"). The increase in revenue was due to a rise in revenue from the tunnelling business segment by approximately HK$69.6 million but partly offset by a decrease in revenue from the foundation business segment by approximately HK$2.9 million for the Year. Sales performance improved during the Year in all geographic segments as the Group's executives actioned promptly to capture business opportunities from the surge in construction activities subsequent to the COVID pandemic.

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. Driven by revenue growth, our cost of sales increased by approximately HK$40.5 million, or 70.1% to approximately HK$98.3 million for the Year; gross profit increased by HK$26.2 million to HK$55.5 million and gross profit margin improved to 36.1% for the Year from 33.6% for the Previous Year. The improvement in gross profit margin was resulted from a sales mix of products and services with higher profit margin.

Other income

Other income mainly comprised government subsidies and forfeiture of dividend which remained unclaimed by non-controlling shareholders. The decrease in other income for the Year was attributable to a lower amount of unclaimed dividends having reached the threshold of forfeiture and been written back as income.

Selling expenses

Selling expenses mainly include freight charges and sales commission. Selling expenses increased by approximately HK$9.7 million to HK$13.7 million for the Year and was mainly attributable to rise in freight and transportation costs as a result of the substantial growth in sales to overseas market.

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. All key types of administrative expenses remained stable for the Year as compared to the Previous Year, as there was no major change in the personnel and overhead structure of the Group.

Exchange loss

The Group recorded a net exchange loss of approximately HK$1.9 million for the Year, as compared to a loss of HK$5.5 million for the Previous Year, as the depreciation of Renminbi and Australian Dollars during the Year has been stabilised from the Previous Year.

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 an additional provision of HK$1.1 million made against the Group's receivable balances as at 31 December 2023.

Finance costs

The Group generated a cash flow of over HK$8.4 million from operating activities during the Year which reduced its needs for external financing. However, given that the interest rates had been on the rise during the Year, the Group incurred a finance cost of approximately HK$3.0 million for the Year, an increase of HK$0.9 million from the Previous Year.

Income tax (expense)/credit

Income tax expense of HK$2.2 million was recorded for the Year as compared to an income tax credit in the Previous Year since the Group had turned around from a loss to a profit for the Year.

Profit/(loss) attributable to equity holders of our Company

The Group recorded a profit attributable to equity holders of the Company of HK$6.9 million for the Year as compared to a loss of HK$8.5 million for the Previous Year, mainly as a result of the rise in gross profit of HK$26.2 million, increase in selling expenses by HK$9.7 million, reduction in exchange loss by HK$3.6 million, increase in finance cost by HK$0.9 million and increase in income tax by HK$2.2 million.

Liquidity, financial resources and capital structure

	31 December 2023 HK$'000	31 December 2022 HK$'000
Current assets	**139,522**	153,469
Current liabilities	**68,199**	90,854
Current ratio	**2.05**	1.69

During the year ended 31 December 2023, the Group financed its operations by its internal resources and banking facilities. As at 31 December 2023, the Group had net current assets of approximately HK$71.3 million (31 December 2022: HK$62.6 million), including cash and cash equivalents of approximately HK$28.3 million (31 December 2022: HK$28.2 million). The Group's current ratio as at 31 December 2023 was 2.05 times (31 December 2022: 1.69 times).

As at 31 December 2023, the Group had a total available banking and other facilities of approximately HK$35.1 million, of which approximately HK$28.1 million was utilised and approximately HK$7.0 million was unutilised and available for use.

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

There has been no change in capital structure of the Company during the year ended 31 December 2023. As at 31 December 2023, the equity attributable to equity holders of the Company amounted to approximately HK$103.3 million (31 December 2022: approximately HK$94.2 million).

Gearing ratio

As at 31 December 2023, the net gearing ratio was 4.7% (31 December 2022: 11.7%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totalling HK$4.9 million (31 December 2022: HK$11.0 million) as a percentage of equity attributable to equity holders of the Company of HK$103.3 million (31 December 2022: HK$94.2 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2023, 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 2023, the Group had no capital commitment.

Management Discussion and Analysis

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, 23 March 2022 and 12 May 2023, 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 2023 was as below.

	Estimated use of net proceeds as set out in the Prospectus	**Adjusted use of net proceeds**	**Up to 31 December 2023**	
		(note)	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	17.0	17.0	—
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	–	0.5	0.5	—
General working capital	3.9	19.4	19.4	—
	39.0	40.2	40.2	—

Note:

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, 23 March 2022 and 12 May 2023.

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 2023.

CHARGES ON ASSETS

As at 31 December 2023, a life insurance policy for 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 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, 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 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
Directors	**6**	6
Sales & Engineering Solutions	**8**	10
Design & Development	**5**	3
Technical Services & Maintenance	**11**	11
Finance, Administration & Operations	**13**	14
	43	44

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 2023 was approximately HK$15.1 million (2022: HK$15.4 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 the PRC and various countries in Asia-Pacific and other overseas market, 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 60, is our chairman, chief executive officer and executive Director. Mr. Ng is one of our founders and controlling shareholders. Mr. Ng is primarily responsible for the overall management, strategic development and daily operation of our Group. He was appointed as our Director on 24 September 2015, and currently holds directorship in certain subsidiaries of our Company. He is also a member of our remuneration committee and nomination committee. Mr. Ng is the brother of Mr. Ng Lai Tong and Mr. Ng Lai Po.

Mr. Ng obtained his bachelor's degree in mechanical engineering from Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1989. Mr. Ng has over 30 years of experience in the construction and engineering industries in Hong Kong.

Mr. Ng Lai Tong (吳麗棠), aged 58, 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 30 years of experience in engineering and sales in the construction and manufacturing industries.

Mr. Ng Lai Po (吳麗寶), aged 56, 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 54, 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 75, 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 is an instructor of the traffic accident reconstruction training course for the Macau SAR government Transport Bureau, the Hong Kong Metropolitan University LiPACE, and the Airport Authority Hong Kong. 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.

Directors and Senior Management

Mr. Lau Chi Leung (劉志良), aged 74, 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. He is currently a member of the Appeal Tribunal Panel, Buildings Ordinance since December 2018, and a member of the Inquiry Committee Panel, Architects Registration Board, Hong Kong since 2022.

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 43, 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 Report

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the GEM Listing Rules and had complied with the CG Code throughout the year ended 31 December 2023 and up to the date of this report, except for the deviation stipulated below.

As required by code provision C.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 2023.

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 within the 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. Execution of the Group's business plan and strategy are delegated to the Group's management team, which is led by chief executive officer and executive Director Mr. Ng Lai Ming and executive Director Mr. Ng Lai Tong.

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. 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.

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, namely Mr. Ng Lai Ming, Mr. Ng Lai Tong, Mr. Ng Lai Po, Mr. Tai Wai Kwok, Ir Lo Kok Keung and Mr. Lau Chi Leung, 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.

The Company had held one general meeting during the Year; executive Directors Mr. Ng Lai Ming, Mr. Ng Lai Tong, and independent non-executive Directors Mr. Tai Wai Kwok, Ir Lo Kok Keung, Mr. Lau Chi Leung attended the general meeting in person, while executive Director Mr. Ng Lai Po attended through tele-conference.

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 2023, 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	4/4	–	1/1	1/1	–
Chairman of the Board					
Mr. Ng Lai Tong	4/4	–	–	–	–
Mr. Ng Lai Po	4/4	–	–	–	1/1
Chairman of Corporate Governance Committee					
Independent Non-executive Directors					
Mr. Tai Wai Kwok	4/4	4/4	1/1	1/1	1/1
Chairman of Audit Committee					
Ir Lo Kok Keung	4/4	4/4	1/1	1/1	1/1
Chairman of Remuneration Committee					
Mr. Lau Chi Leung	4/4	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 2023, 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 2023 and make recommendations to the Board on salary revision to senior management and Directors for the year 2024.

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.

Currently, the Board is solely composed of male Directors; the Company is in the process of identifying suitable candidates for appointment to the Board with a view to enhance diversity and dispense with a single-gender Board by end of the year 2024.

As at 31 December 2023, the gender distribution of the Group's workforce (excluding Directors) is as follow:

	Headcount	Percentage
Male	24	64.9%
Female	13	35.1%

The Nomination Committee is of the opinion that there is no significant gender imbalance in Group's workforce, but will continue monitoring and assessing the need to enhance diversity the workforce.

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 the CG Code as set out in appendix C1 of the GEM Listing Rules. 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 CG 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 2023, 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 2023 covered control procedures for the revenue and receivables, purchase and payables and inventory of our subsidiary in Australia. 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 2023 is as below:

	HK$'000
Audit services provided to the Group	650
Non-audit services	62
	712

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 47 to 51 of this annual report.

COMPANY SECRETARY

Mr. Lee Baldwin is the company secretary of the Company, who is an external service provider and a member of the Hong Kong Institute of Certified Public Accountants. 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. 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.

Change in Constitution Documents

Shareholders of the Company has by special resolution passed at the Company's annual general meeting held on 12 May 2023 adopted a set of amended and restated memorandum and articles of association ("2023 M&A"). The key changes incorporated in the 2023 M&A included amendments to conform to the core shareholder protection standards required under appendix A1 of the GEM Listing Rules, and other housekeeping amendments.

Directors' Report

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2023.

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 2023 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 2023 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 2023 are set out in the consolidated statement of comprehensive income on page 52 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") will be held on Thursday, 30 May 2024. The register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (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, 24 May 2024 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 112 of this annual report. Such summary does not form part of the audited consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$4,000.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 December 2023 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 2023 are set out in note 26 and note 33 to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$83.0 million as at 31 December 2023.

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 2023.

DIRECTORS

The Directors of the Company during the year ended 31 December 2023 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, Mr. Ng Lai Po and Mr. Tai Wai Kwok will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

COMPETING INTERESTS

None of the Directors, substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) has any interest in a business which compete with the business of the Group during the year ended 31 December 2023 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 2023. 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 2023.

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 2023.

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 2023.

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 2023, 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 2023, 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 2023, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 84.7% (2022: 85.5%) and 46.1% (2022: 61.4%) of the Group's total revenue respectively.

During the year ended 31 December 2023, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 98.1% (2022: 94.9%) and 76.6% (2022: 63.3%) of the Group's total purchases respectively.

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

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2023 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 2023, 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 2023 have been audited by BDO Limited, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint BDO Limited 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, 26 March 2024

ABOUT THIS REPORT

Introduction

M&L Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are pleased to present this Environmental, Social and Governance ("ESG") Report. This report has been prepared in accordance with the requirements set forth in the ESG Reporting Guide under Appendix C2 of the GEM Listing Rules. It presents the Group's major ESG policies, initiatives and performance for the year ended 31 December 2023.

SCOPE OF REPORT

The scope of the ESG Report mainly focuses on the Group's principal activities during 1 January 2023 to 31 December 2023 (the "Reporting Period"). In setting the reporting boundary, the Board of Directors has performed internal analysis on an annual basis and identified this report covers the Group's principal businesses which represent our income sources from two business segments: tunnelling and foundation. 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 operations in Hong Kong, the People's Republic of China ("PRC"), Singapore and Australia.

REPORTING PRINCIPLES

The ESG Report is prepared according to the "Comply or Explain" provisions and the four Reporting Principles as required by the ESG Reporting Guide:

- **Materiality:** This ESG report disclosed: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. For detailed process to identify and the criteria for the selection of material ESG factors, please refer to section "Materiality Assessment".

- **Quantitative:** ESG data are presented numerically to enable comparability against our previous year's performance, market standards and our peers. Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. For the methodologies, assumptions, calculation tools used, and source of conversion factors used, please refer to "Environmental".

- **Balance:** This report strives to achieve objective, fair and truthful disclosure and reflection of the Group's achievements and practices in the environment and social dimensions in 2023, and also the dilemmas encountered and improvement measures with a sense of responsibility.

- **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison. This report follows a consistent range of statistics and the statistics scope of 2023 corresponds with that in 2022. Stakeholders are provided with clear disclosure regarding any changes made to pertinent assumptions or calculation methods.

STAKEHOLDERS ENGAGEMENT

In order to define our current and future sustainability strategies, it is important to ensure and understand our stakeholders' perceptions and expectations regarding the development and success of the Group. This understanding helps us assess the potential impacts of our future business activities.

The Group has established various channels to enable stakeholders to participate in the Group's operations, and to understand and monitor our operating conditions, so as to promote the formation of a community of harmony and common interest between the Group and stakeholders. These efforts aim to realize maximum comprehensive social interest and promote a strong community.

Stakeholders can participate in the Group'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

MATERIALITY ASSESSMENT

Through the stakeholder engagement exercise, management reviews and industry analysis, the Group identified the most material ESG issues and prioritized 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.

	Environmental category	Social category	Governance
Highly material issues	• Environmental and energy saving measures • Environmentally preferable products and services	• Customer information and privacy • Community involvement • Occupational health and safety • Selection and monitoring of suppliers	• Compliance operation • Number of concluded legal cases regarding corrupt practices
Moderately material issues	• Use of materials • Waste production • Water use • Climate change • Energy use	• Employee development and training • Product and service labelling	
General material issues	• Greenhouse gas emissions	• Preventing child and forced labour • Observing and protecting intellectual property rights	

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 Board is responsible for overseeing the Group's overall sustainability efforts and regularly discusses, reviews, and examines the Group's ESG management approach, strategy, risks, performance and progress. The Board fully discusses and identifies ESG risks and opportunities in the context of the external macro environment and the company's development strategy and makes the management and improvement of key issues an annual strategic task for sustainable development. By assessing and evaluating ESG-related risks and reporting performance, the Board holds events to closely communicate with stakeholders, identify and assess important ESG issues, and discuss and address these issues. The Board confirms that, to the best of its knowledge, this ESG report has stated the material issues relevant to the Group's business and fairly presents its performance on 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. Moreover, the Group has strictly complied with relevant environmental laws and regulations in Hong Kong, the PRC, Singapore, and Australia throughout 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)
- Environmental Protection and Management (Greenhouse Gases) Regulations 2022 of Singapore (環境保護與管理（溫室氣體）法規2022)
- The Environment Protection and Biodiversity Conservation Act 1999 of Australia

We are fully aware of our responsibility for environmental protection and sustainable development. In order to align our environmental targets with our nation, we aim to reach peak emissions by 2030 and net zero emissions by 2060. The Group regularly reviews key performance indicators to ensure alignment with national targets, and if there are any significant fluctuations, we will identify the causes and develop policies to fix deviations. Starting from small things such as the use of electrical appliances, water conservation, paperless office, and management of official vehicles, we have made specific regulations on the daily behaviour of employees to effectively reduce the use of water, electricity, paper, and gasoline and reduce energy consumption; at the same time, we strengthen the awareness of energy conservation and consumption reduction among all employees, which we believe it will help to cultivate good habits of conservation and environmental protection among all employees and lay a solid foundation for the sustainable development of the Group.

The Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong, the PRC, Singapore, and Australia (2022: Nil).

A1. Emissions

Given the nature of the Group's business, trading and leasing, the Group ensures that the daily operation does 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, the 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 tables below:

Region	Nitrogen oxides ("NOx") (Grams) 2023	2022	Percentage Increase (+) or Decrease (–)
Hong Kong	**15,788**	43,065	–63%
The PRC	**2,537**	1,600	+59%
Singapore	**142**	273	–48%
Australia	**698**	296	+136%
Total	**19,165**	45,234	–58%

Region	Sulphur oxides ("SOx") (Grams) 2023	2022	Percentage Increase (+) or Decrease (–)
Hong Kong	**105**	133	–21%
The PRC	**33**	27	+22%
Singapore	**2**	2	—
Australia	**18**	4	+350%
Total	**158**	166	–5%

Region	Particulate matter ("PM") (Grams) 2023	2022	Percentage Increase (+) or Decrease (–)
Hong Kong	**1,403**	3,151	–55%
The PRC	**187**	118	+58%
Singapore	**10**	20	–50%
Australia	**51**	22	+132%
Total	**1,651**	3,311	–50%

Note:

- Key air pollutants are nitrogen oxides ("NOX"), sulphur oxides ("SOX") and respiratory suspended particles ("RSP", also known as Particulate Matter ("PM")) produced by private cars and light goods vehicles. For the calculation formula and emission coefficients, please refer to the Guidelines for Reporting Environmental Key Performance Indicators issued by HKEX.

The increase of air emissions in Australia is primarily attributed to the tunnelling project and the repair and maintenance services project in Melbourn. Additionally, one vehicle was purchased during the Reporting Period, further contributing to the emissions. The decrease of air emissions in Hong Kong is due to the decrease in the usage of vehicles, while the increase of local sales and usage of vehicles in the PRC led an increase of air emissions during the Reporting Period. To mitigate the high emission of air pollutants, the Group will continue to monitor the usage of vehicles.

Direct greenhouse gas ("GHG") emissions from vehicles (Scope 1)

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) 2023	2022	Percentage Increase (+) or Decrease (–)
Hong Kong	**18,516**	26,577	–30%
The PRC	**5,940**	4,976	+19%
Singapore	**446**	428	+4%
Australia	**3,242**	637	+409%
Total scope 1 emission	**28,144**	32,618	–14%
Scope 1 emission intensity (based on number of employees)	**655**	741	–12%

Notes:

- Greenhouse gas emissions include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride.
- Greenhouse gas emissions are calculated in keeping with automobile fuel consumption data and relevant emission coefficients. For the calculation formula and emission coefficients, please refer to the Guidelines for Reporting Environmental Key Performance Indicators issued by HKEX.

Like the increase of air emissions, the increase of air emissions in Australia is primarily attributed to the tunnelling project and the repair and maintenance services project in Melbourn. Additionally, one vehicle was purchased during the Reporting Period, further contributing to the emissions. The variation observed in Hong Kong and the PRC region were related to the frequency of usage of vehicles. The Group will keep monitoring the emissions data to ensure the vehicles are used in an efficient manner.

Energy indirect emissions — Carbon emissions (Scope 2)

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 generated equivalent (CO_2/Tonnes) 2023	2022	Percentage Increase (+) or Decrease (–)
Hong Kong	**18**	22	–18%
The PRC	**4**	4	—
Singapore	**3**	2	+50%
Australia	**11**	10	+10%
Total scope 2 emission	**36**	38	–5%
Scope 2 emission intensity (based on number of employees)	**0.84**	0.86	–2%

Notes:

For the emissions factors adopted for Scope 2 GHG emission calculation for the Reporting period, please refer to:

- Hong Kong — emission factors retrieved from CLP Group Sustainability Report 2022;
- The PRC — emission factors published by the Ministry of Ecology and Environment of People’s Republic of China in February 2023;
- Singapore — emission factors (2022) published by Energy Market Authority (EMA); and
- Australia — emission factors (grid) (2022) published by Department of Climate Change, Energy, the Environment and Water.

The Group has implemented relevant policies and measures on the environmental and energy saving aspects and encouraged the employees to follow. In an overall perspective, the figure represents a decrease of indirect emission of approximately 5% compared to the emission rate of 2022. 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 to utilize our resources consumption as well as educating our staff environmental protection awareness 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, figures are shown in the table below:

Region	Electricity consumption (kWh) 2023	2022	Percentage Increase (+) or Decrease (–)
Hong Kong	**46,707**	59,840	–22%
The PRC	**7,537**	6,970	+8%
Singapore	**6,290**	5,710	+10%
Australia	**12,385**	12,740	–3%
Total electricity consumption	**72,919**	85,260	–14%
Energy consumption intensity (based on number of employees)	**1,696**	1,938	–12%

Note:

- The electricity consumption decreased significantly mainly due to the decrease of electricity used in Hong Kong warehouse in 2023.

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 when employees are off duty or the place is not in use;
- Staffs are encouraged to switch off all non-essential items (i.e. photocopiers) during non-office hours;
- Setting the air-conditioner in an 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 while we did not face any issue in sourcing water. Regarding the Group's approximate amount of water usage, figures are shown in the table below:

Region	Water Consumption (Cubic meters) 2023	2022	Percentage Increase (+) or Decrease (–)
Hong Kong	**142**	279	–49%
The PRC	**63**	61	+3%
Singapore	**35**	15	+133%
Australia	**13**	6	+117%
Total water consumption	**253**	361	–30%
Water consumption intensity (based on number of employees)	**5.88**	8.20	–28%

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 minimize 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

The major packaging materials used in the Group are wooden boxes provided and packed by suppliers. The Group transfers the goods to customers from warehouse and from suppliers without unloading the packaging materials. Therefore, there is no packaging materials are needed to be disposed during the logistics process.

Waste

Based on the nature of business, the Group did not generate a large amount of hazardous waste during the Reporting Period. Also, the main non-hazardous waste is paper usage in offices. To reduce the amount of paper used, staffs are encouraged to be mindful when printing documents and make use of double-sided printing if possible. Non-essential items should be used in e-format instead of printing out. Any documents that are no longer in use should be shredded and recycled.

Regarding the Group's approximate paper usage at office, figures are shown in the table below:

Region	Number of A4 paper consumed 2023	2022	Percentage Increase (+) or Decrease (−)
Hong Kong	**51,000**	59,500	−14%
The PRC	**10,500**	8,000	+31%
Singapore	**2,810**	3,495	−20%
Australia	**2,000**	—	N/A
Total paper consumption	**66,310**	70,995	−7%

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

A3. Environmental Protection and Natural Resources

Given the nature of the Group's business activities mainly focus on the trading and ancillary services, there were no significant environmental issues noted in our business activities during the Reporting Period. The Group did not produce a notable level of air or water pollutants. Waste is mainly attributed to our daily activities such as daily office waste and some packaging waste, 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 land waste. Our non-hazardous waste is dealt appropriately and is disposed in a proper manner by qualified waste disposal companies in each business region.

The Group understands 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"). The Group will continue to report our environmental key performance indicators ("KPIs") and information as well as our social information in accordance with the provisions.

A4. Climate Change

Climate change affects our production and living. Concerns and improvements of climate change is also 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 categorized climate related risk into physical and transition risks which are as follows:

Physical Risk

Acute physical risks arise from particular events, especially weather-related events, including storms, floods, fires, or heatwaves. These events 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 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. During the Reporting Period, the Group did not aware of any third-party litigation on climate change.

Technology Risk: The gradual transition to a low carbon economy has accelerated and increased our focus on the technology of specialized 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 had 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

The Group realises the importance of employees and their role and impact on achieving our aims and objectives of being a 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:

Category	Number of Employees 2023	2022
Gender		
Male	**30**	31
Female	**13**	13
Employment type		
Full time	**40**	42
Part time	**3**	2
Age Group		
Below 30	**3**	4
Between 31–40	**12**	10
Between 41–50	**7**	7
Above 51	**21**	23
Geographical Region		
Hong Kong	**25**	29
The PRC	**10**	10
Singapore	**3**	3
Australia	**5**	2

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

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

During the Reporting Period, there were no non-compliance cases noted in relation to employment laws and regulations.

Employee turnover

During the Reporting Period, the Group's overall employee turnover rate was approximately 9% (2022: 14%). The employee turnover rate by (i) gender, (ii) age group (iii) geographical region are presented in the table below:

Employee Turnover Rate	Categories	2023	2022
Gender	Male	**13%**	13%
	Female	—	15%
Age group	Below 30	**29%**	25%
	Between 31 and 40	—	—
	Between 41 and 50	**14%**	29%
	Above 51	**9%**	13%
Geographical region	Hong Kong	**11%**	10%
	The PRC	—	10%
	Singapore	—	67%
	Australia	**29%**	—

B2. Health and Safety

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

Employees are encouraged to maintain the cleanliness and tidiness of the workplace for minimizing the risk of contracting the virus and accidental incident. Policies are set up and are in compliance with the relevant laws pertaining to health and safety and providing a healthy safe work environment as well as protecting employees from occupational hazards.

The Group did not aware any non-compliance cases in relation to health and safety laws and regulations during the Reporting Period. There were no work-related fatalities occurred in each of the past three years including the Reporting Period. The Group recorded 45 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 fully understand 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 to let them acknowledge the Group's working environment, working procedures and other safety working standards. 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. Employees were encouraged 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 during the Reporting Period is 16% (2022: 16%).

Breakdown of total employees trained	Category	Units	2023	2022
Gender	Male	%	**86%**	86%
	Female		**14%**	14%
Employment category	Senior management		**86%**	86%
	Middle management	%	**14%**	14%
	Frontline and other employees		**—**	—

Average training hours completed per employee	Category	Units	2023	2022
Gender	Male	hours	**0.7**	0.8
	Female		**0.5**	0.5
Employment category	Senior management		**2.9**	4.3
	Middle management	hours	**0.4**	0.3
	Frontline and other employees		**—**	—
Overall average training hours completed per employee		hours	**0.6**	0.7

The percentage of employees trained and average training hours completed per employee were similar to last Reporting Period.

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

The Group is fully aware that exploitation of child and forced labour belongs to a violation of human rights and international labour conventions, therefore the Group strictly prohibits the occurrence of child labour or forced labour employment. The Group has continued to reinforce the process of recruitment that our Human Resources Personnel should verify the new joiner in reaching the legal minimum age for employment and should avoid in breaching any discriminatory requirements. Any labour-related issues will be handled with diligently and appropriate actions will be taken seriously, such as termination of employment contract.

During the Reporting Period, the Group was not aware of any incidents that were not compliant with laws and regulations related to the prevention of child labour, forced labour or other employment-related issues.

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 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. The Group set up a selection of suppliers' requirement, the Supplier Evaluation Form should be filled in for evaluating whether to accept the supplier. The Supplier Evaluation Form evaluate the past performance of the supplier in different dimensions. An approved supplier list is updated for the selection.

Geographical region of suppliers	**2023**	2022
Asia-Pacific	**3**	3
Hong Kong	**4**	4
The PRC	**10**	9
Others overseas countries	**7**	5

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. During the Reporting Period, there were no product recalls due to safety and health reasons, and no complaints were received related to products and services.

Integrated Engineering Solutions

The Group provides integrated engineering solutions in connection with specialized cutting tools and parts for construction equipment, fabricated construction steel works and equipment, specialized 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 specialized 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 and Consumer Data Protection

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.

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 not aware of any unauthorized access, accidental, usage or amendments of these data.

B7. Anti-Corruption

A system with good moral integrity and anti-corruption 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. There were no legal cases regarding the corrupt practices during the Reporting Period.

In terms of the reporting of abnormal and corruption behaviour, 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 provided training of Anti-corruption to two directors and one staff with a total of three training hours completed.

B8. Community Investment

The Group has always dedicated itself to insist on repaying the society, actively performing social responsibility of corporate citizen. To support the poverty alleviation and emergency relief projects in Africa and Asia, the Group has made HKD4,000 donations to Oxfam Trailwalker.

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.

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 (together the "Group") set out on pages 52 to 111, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of trade receivables

Refer to note 4.5(ii), note 5.1(c), note 18 and note 35(a)(ii) to the consolidated financial statements

As at 31 December 2023, the Group had trade receivables amounting to HK$75,661,000 before allowances as set out in note 18 to the consolidated financial statements. 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$7,917,000 have been made for the trade receivables as at 31 December 2023.

Assessing expected credit losses on trade receivables is a subjective area as it requires application of judgment and uses of estimates. To determine the amount of impairment provision as required, management considers a wide range of factors such as the financial background, creditworthiness and the past collection history of the customers, and 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 statements and that considerable amount of judgment and estimation being required in conducting the 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 losses 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;

- Reviewing the arithmetic accuracy of the expected credit losses provision matrix prepared by the management and the expected credit losses calculation;

- Testing the arithmetic accuracy of ageing of trade receivables balances to the underlying invoices on a sample basis;

- 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 engaging our expert to assist our evaluation; and

- 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.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, 26 March 2024

Consolidated Statement of Comprehensive Income

	Notes	2023 HK$'000	2022 HK$'000
		Year ended 31 December	
Revenue	6	**153,748**	87,047
Cost of sales		**(98,291)**	(57,788)
Gross profit		**55,457**	29,259
Other income	8	**558**	1,643
Selling expenses		**(13,690)**	(3,980)
Administrative expenses		**(27,290)**	(26,762)
Other gains and losses			
Exchange loss		**(1,909)**	(5,478)
Provision for impairment of trade receivables	18	**(1,094)**	(1,491)
Others	8	**119**	91
Operating profit/(loss)		**12,151**	(6,718)
Finance income	11	**316**	116
Finance costs	11	**(3,021)**	(2,099)
Profit/(Loss) before income tax		**9,446**	(8,701)
Income tax (expense)/credit	12	**(2,184)**	126
Profit/(Loss) for the year		**7,262**	(8,575)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	15(c)		
— Increase in fair value		**2,997**	1,311
— Income tax effect		**(824)**	(306)
		2,173	1,005
Item that may be reclassified to profit or loss:			
Currency translation differences		**33**	(620)
Other comprehensive income for the year		**2,206**	385
Total comprehensive income for the year		**9,468**	(8,190)
Profit/(Loss) for the year attributable to:			
Equity holders of the Company		**6,888**	(8,452)
Non-controlling interests		**374**	(123)
		7,262	(8,575)
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**9,096**	(8,041)
Non-controlling interests		**372**	(149)
		9,468	(8,190)
		HK cents	HK cents
Earnings/(Loss) per share			
– Basic and diluted	13	**1.15**	(1.41)

Consolidated Statement of Financial Position

		As at 31 December	
		2023	2022
	Notes	**HK$'000**	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(a)	**25,977**	24,703
Right-of-use assets	15(b)	**7,799**	8,068
Deposits	18	**172**	565
Other assets at fair value through profit or loss	16	**5,601**	5,327
Deferred tax assets	24	**1,532**	2,698
		41,081	41,361
Current assets			
Inventories	17	**33,057**	42,939
Trade and other receivables	18	**77,801**	81,902
Tax recoverable		**360**	391
Cash and cash equivalents	19	**28,304**	28,237
		139,522	153,469
Current liabilities			
Trade and other payables	20(a)	**31,127**	39,158
Contract liabilities	20(b)	**395**	11,473
Dividend payable	21	**5,880**	6,347
Amounts due to directors	22	**3,727**	4,227
Bank borrowings	23(a)	**24,586**	27,833
Lease liabilities	23(b)	**1,350**	1,816
Current income tax liabilities		**1,134**	–
		68,199	90,854
Net current assets		**71,323**	62,615
Total assets less current liabilities		**112,404**	103,976
Non-current liabilities			
Bank borrowings	23(a)	**3,482**	5,065
Lease liabilities	23(b)	**540**	788
Deferred tax liabilities	24	**3,071**	2,387
Other provision		**615**	508
		7,708	8,748
Net assets		**104,696**	95,228

Consolidated Statement of Financial Position

	Notes	As at 31 December **2023** **HK$'000**	 2022 HK$'000
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	25	**6,000**	6,000
Reserves	26	**97,321**	88,225
		103,321	94,225
Non-controlling interests		**1,375**	1,003
Total equity		**104,696**	95,228

The consolidated financial statements on pages 52 to 111 were approved and authorised for issue by the Board of Directors on 26 March 2024 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 2022	6,000	63,332	4,612	28,322	102,266	1,152	103,418
Loss for the year	–	–	–	(8,452)	(8,452)	(123)	(8,575)
Other comprehensive income:							
Fair value adjustment on revaluation of land and building, net of tax effect	–	–	1,005	–	1,005	–	1,005
Currency translation differences	–	–	–	(594)	(594)	(26)	(620)
Total comprehensive income for the year	–	–	1,005	(9,046)	(8,041)	(149)	(8,190)
Transfer between reserves							
Difference in depreciation provided based on historical cost and revalued amount	–	–	(40)	40	–	–	–
At 31 December 2022	6,000	63,332	5,577	19,316	94,225	1,003	95,228
At 1 January 2023	**6,000**	**63,332**	**5,577**	**19,316**	**94,225**	**1,003**	**95,228**
Profit for the year	**–**	**–**	**–**	**6,888**	**6,888**	**374**	**7,262**
Other comprehensive income:							
Fair value adjustment on revaluation of land and building, net of tax effect	**–**	**–**	**2,173**	**–**	**2,173**	**–**	**2,173**
Currency translation differences	**–**	**–**	**–**	**35**	**35**	**(2)**	**33**
Total comprehensive income for the year	**–**	**–**	**2,173**	**6,923**	**9,096**	**372**	**9,468**
Transfer between reserves							
Difference in depreciation provided based on historical cost and revalued amount	**–**	**–**	**(65)**	**65**	**–**	**–**	**–**
At 31 December 2023	**6,000**	**63,332**	**7,685**	**26,304**	**103,321**	**1,375**	**104,696**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Net cash generated from operations	27(a)	**11,150**	9,717
Interest received		**316**	116
Interest paid		**(3,080)**	(1,934)
Income tax recovered/(paid)		**20**	(20)
Net cash generated from operating activities		**8,406**	7,879
Cash flows from investing activities			
Purchase of property, plant and equipment		**(675)**	(304)
Deposit paid for acquiring property, plant and equipment		**–**	(70)
Payments for acquiring other assets at fair value through profit or loss		**(160)**	(160)
Payment of transaction costs on new lease contract		**(51)**	–
Proceeds from disposal of property, plant and equipment		**5**	–
Net cash used in investing activities		**(881)**	(534)
Cash flows from financing activities	27(b)		
Proceeds from bank borrowings		**23,000**	25,000
Repayment of bank borrowings		**(27,830)**	(28,435)
Repayment of principal element of lease liabilities		**(2,108)**	(1,167)
Repayment to a director		**(500)**	(280)
Net cash used in financing activities		**(7,438)**	(4,882)
Net increase in cash and cash equivalents		**87**	2,463
Cash and cash equivalents at beginning of year		**28,237**	25,969
Currency translation differences		**(20)**	(195)
Cash and cash equivalents at end of year	19	**28,304**	28,237

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 have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 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.

3. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of new or amendments to HKFRSs — effective 1 January 2023

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 effective for the Group's financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except as disclosed below, the adoption of the above new or amendments to HKFRSs that are effective for the current reporting period did not have any significant impact on the Group's financial statements.

Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant accounting policies" with a requirement to disclose their "material accounting policy information" and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy information.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New HKICPA guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ("the Amendment Ordinance") was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ("MPF") to offset severance payment ("SP") and long service payments ("LSP") ("the Abolition"). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 ("the Transition Date"). The following key changes will take effect since the Transition Date:

— Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

— The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer's MPF contributions and its LSP obligation and hence the impact arising from the Abolition, in July 2023 the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" ("the Guidance") to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of Hong Kong Accounting Standard 19.93(a)

Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) New or amendments to HKFRSs that have been issued but are not yet effective

The following amendments to 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	Non-current Liabilities with Covenants[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

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 amendments to standards on the Group's results and financial position in the first year of application. The Directors consider that these amendments are unlikely to have a material financial impact to the Group's financial statements.

4. ACCOUNTING POLICIES

The 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

Subsidiaries are all 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 over the entity. Subsidiaries are fully consolidated from the date on which control commenced. They are deconsolidated from the date that control ceases.

The Group recognises the non-controlling interests in the non wholly-owned subsidiaries separately from owner's equity. Non-controlling interests are measured initially at either fair value or the Group's proportionate share of the fair value of the subsidiaries' identifiable net assets.

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.

4.2 Foreign currency translation

(i) 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 generally recognised in the profit or loss.

(ii) 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. ACCOUNTING POLICIES (CONTINUED)

4.3 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.

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. ACCOUNTING POLICIES (CONTINUED)

4.3 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:

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

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

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

4.4 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).

4.5 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 debt instruments classified as financial assets measured at amortised cost, 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.

4. ACCOUNTING POLICIES (CONTINUED)

4.5 Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

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

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on trade receivables and other financial assets measured at amortised cost.

ECL is 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 collectively using a provision matrix, unless the trade receivable is assessed to be credit-impaired, in which case ECL is assessed individually. The provision matrix is established based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the Group applies the general approach to measure ECL, that is to recognise ECL based on 12-months ECL. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information 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.

The Group defines a financial asset except for trade receivable as in default when: (1) the debtor is considered unlikely to pay its credit obligations in full; or (2) the financial asset is more than 90 days past due.

4. ACCOUNTING POLICIES (CONTINUED)

4.5 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Having regard to the industry practice as well as the financial background of certain 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 in default when: (1) the customer is unlikely to pay its credit obligations to the Group in full; or (2) the trade receivable is more than one year past due except for the trade receivable balances which are due from the State-owned Enterprises ("SOE") of the China government. 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 in default when they are more than 90 days past due having regard to the business cycle of the industry in which the customers are engaged. The SOE customers of the Group are enterprises directly under the central government of the PRC. These enterprises have proven strong financial background and their financial position is monitored by the central government. It is considered that the credit of the SOE customers is endorsed by the central government. Determining default for the SOE customers using non-judgemental definition such as day past due may be oversimplified. For internal assessment, the directors would consider qualitative factors for the SOE customers. The directors closely monitor the recoverability of the outstanding balances due by the SOE customers by maintaining on-going communication with the executives of the SOE customers and communicating expected repayment schedule. Follow up actions are taken by the management in time. Through these frequent engagement with the SOE executives and by judging the responsiveness of the SOE executives to the directors' requests, the Group is able identify incidents of change in credit risk and potential default.

The Group considers a financial asset to be credit-impaired in the following circumstances: (i) for the SOE customers, their executives are unresponsive or reluctant in communicating with the management; (ii) the debtor is in significant financial difficulty; (iii) restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or (iv) it is probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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.

4. ACCOUNTING POLICIES (CONTINUED)

4.5 Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities at amortised cost. Financial liabilities at amortised cost including trade and other payables, amounts due to directors, dividend payable and bank borrowings are initially measured at fair value, net of directly attributable costs incurred. They 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 4.8).

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

(iv) Equity instruments

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.

(v) 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. 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.

4.6 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 estimated selling expenses.

4.7 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.

4.8 Borrowing costs

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

4. ACCOUNTING POLICIES (CONTINUED)

4.9 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.

(ii) Deferred tax

Inside basis differences

Deferred tax is recognised, using the liability method, on temporary differences. 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.

4. ACCOUNTING POLICIES (CONTINUED)

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

(iii) Bonus plans

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

4.11 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. ACCOUNTING POLICIES (CONTINUED)

4.12 Revenue and other income

The Group recognised revenue and other income 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. Revenue from sales of goods excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from leasing machinery under operating lease is set out in note 4.13.

(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.

4.13 Leases

Accounting as a lessee

All leases are capitalised in the statement of financial position as right-of-use assets and lease liabilities except for leases which are short-term leases and/or 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 which are primarily IT equipment and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. 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 4.3), they are carried at revalued amount.

4. ACCOUNTING POLICIES (CONTINUED)

4.13 Leases (Continued)

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 lessee's incremental borrowing rate.

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 lessees. 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.

4.14 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.

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 deductible temporary differences, mainly tax losses, are recognised as management considers it is probable that future taxable profit will be available against which the 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. Details about the tax losses and the recognition of deferred tax assets thereof are set out in note 24.

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

The Group has established a provision matrix for trade receivables (other than those which are to be assessed individually) that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. The ECL rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the provision matrix with forward-looking information to adjust the ECL rates.

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. To update the historical observed default rates and to forecast economic conditions are significant estimates. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

In addition, for the SOE customers of the Group which are enterprises directly under the central government of the PRC and have proven strong financial background, their financial position is monitored by the central government. It is considered that the credit of the SOE customers is endorsed by the central government. Thus the Group allows them longer time for settlement in practice as a business strategy. For internal assessment of whether a SOE customer is in default, the directors would consider qualitative factors. The directors closely monitor the recoverability of the outstanding balances due by the SOE customers by maintaining on-going communication with the executives of the SOE customers and communicating expected repayment schedule. Follow up actions are taken by the management in time. Through these frequent engagement with the SOE executives and by judging the responsiveness of the SOE executives to the directors' requests, the Group is able identify incidents of change in credit risk and potential default. This requires significant judgment by the management.

Loss allowance for expected credit losses provided for the trade receivables amounted to HK$7,917,000 as at 31 December 2023 (31 December 2022: HK$7,003,000). Details of the key assumptions and inputs used are set out in note 35(a)(ii).

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

5.1 Key sources of estimation uncertainty (Continued)

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

In accordance with accounting policy in note 4.4, the management is required to identify if there is any event or change in circumstances that would indicate the carrying amounts of the Group's property, plant and equipment and right-of-use assets may not be fully recoverable. Based on the assessment of management, such impairment indication did not exist as at 31 December 2023. The management has considered the prospective volume of the government or public infrastructure projects in its target markets and the Group's competitive position which requires a considerable level of judgment by the management in arriving at the assessment.

(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 2023 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 2023 were HK$21,620,000 (31 December 2022: HK$19,259,000) and HK$5,917,000 (31 December 2022: HK$5,549,000) respectively. Details of the fair value measurement of these properties are set out in note 15(c).

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

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 4.3, 4.13 and 15(b). 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	
	2023	2022
	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	**149,184**	80,470
– Repair and maintenance services income	**4,150**	5,151
	153,334	85,621
Revenue from other sources		
– Machinery rental income	**414**	1,426
	153,748	87,047

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 information about operating segment assets and liabilities for the tunnelling and foundation business segments reported to the chief operating decision maker. Accordingly, no operating segment assets and liabilities are presented.

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the year (2022: 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 2023 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	149,911	3,837	153,748
Cost of sales	(95,652)	(2,639)	(98,291)
Segment results	54,259	1,198	55,457
Gross profit %	36.19%	31.22%	36.07%
Other income			558
Selling expenses			(13,690)
Administrative expenses			(27,290)
Other gains and losses			
Exchange loss			(1,909)
Provision for impairment of trade receivables			(1,094)
Others			119
Operating profit			12,151
Finance income			316
Finance costs			(3,021)
Profit before income tax			9,446
Income tax expense			(2,184)
Profit for the year			7,262

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 2022 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	80,344	6,703	87,047
Cost of sales	(53,595)	(4,193)	(57,788)
Segment results	26,749	2,510	29,259
Gross profit %	33.29%	37.45%	33.61%
Other income			1,643
Selling expenses			(3,980)
Administrative expenses			(26,762)
Other gains and losses			
Exchange loss			(5,478)
Provision for impairment of trade receivables			(1,491)
Others			91
Operating loss			(6,718)
Finance income			116
Finance costs			(2,099)
Loss before income tax			(8,701)
Income tax credit			126
Loss for the year			(8,575)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Hong Kong	**72,229**	60,152
United States of America	**34,017**	3,799
The PRC	**28,765**	13,479
Other Asia-Pacific countries	**15,426**	7,758
Others	**3,311**	1,859
	153,748	87,047

(d) The total amounts of non-current assets, other than deposits and deferred tax assets of the Group as at 31 December 2023 and 2022 are located in the following regions:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Hong Kong	**9,793**	11,717
The PRC	**183**	95
Singapore	**8,645**	8,144
Australia	**20,756**	18,142
	39,377	38,098

(e) Certain customers individually contributed more than 10% of the total revenue of the Group. The amount of revenue generated from these customers are disclosed as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Customer A	**70,852**	53,448
Customer B	**32,225**	4,189

7. EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Cost of inventories sold	**96,446**	56,417
Employee benefit expenses (note 9)	**15,091**	15,364
Depreciation*		
Owned property, plant and equipment (note 15(a))	**2,171**	1,993
Right-of-use assets under the following categories (note 15(b)):		
– Ownership interests in leasehold land for own use	**116**	109
– Other properties leased for own use	**2,082**	1,133
	4,369	3,235
Short-term leases expenses	**563**	1,255
Auditor's remuneration		
– Audit services	**650**	620
– Non-audit services	**78**	71

* Recorded as administrative expenses

8. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Other income		
Government grant (note)	**87**	589
Forfeiture of unclaimed dividend	**467**	1,050
Others	**4**	4
	558	1,643
Other gains and losses — others		
Change in fair value of other assets at fair value through profit or loss	**114**	91
Gain from disposal of property, plant and equipment	**5**	–
	119	91

Note:

During the year, the Group received various subsidies totalling HK$87,000 (2022: HK$589,000) from the governments of Singapore and Australia (2022: Hong Kong, Singapore and the PRC) mainly to help businesses to keep employees.

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Salaries, wages and other benefits	**14,261**	14,555
Pension costs – defined contribution plans*	**830**	809
	15,091	15,364

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

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 post retirement 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.

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 2023

	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000 (note)	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Ng Lai Ming	—	975	—	18	993
Ng Lai Tong	—	949	—	18	967
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	1,924	—	36	2,560

For the year ended 31 December 2022

	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Ng Lai Ming	–	975	–	18	993
Ng Lai Tong	–	949	–	18	967
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	1,924	–	36	2,560

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

(a) Directors' emoluments (Continued)

Note:

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 (2022: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 2 directors (2022: 2 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 (2022: 3) are as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Salaries, wages and other benefits	**1,816**	1,801
Pension costs – defined contribution plan	**149**	112
	1,965	1,913

The remuneration fell within the following band:

	Number of individual Year ended 31 December	
	2023	2022
Remuneration band		
Nil to HK$1,000,000	**3**	3

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 (2022: Nil).

(c) Senior management's remuneration

The remuneration paid or payable to senior management fell within the following band:

	Number of individual Year ended 31 December	
	2023	2022
Remuneration band		
Nil to HK$1,000,000	**1**	1

11. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Finance income on:		
– Bank deposits	**316**	116
Finance costs on:		
– Bank borrowings	**2,194**	1,506
– Trade payables	**444**	373
– Lease liabilities (note 23(b))	**116**	65
– Advance from a director	**88**	99
– Others	**179**	56
	3,021	2,099

12. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Current taxation for the year		
– Hong Kong Profits Tax	**1,134**	–
Deferred tax (note 24)	**1,050**	(126)
Income tax expense/(credit)	**2,184**	(126)

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

The Company and its Hong Kong incorporated subsidiaries are subject to Hong Kong Profits Tax, which is calculated at tax rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China. 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 25%–30% (2022: 25%) on the estimated assessable profits for the Group's operations in Australia.

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

The tax on the Group's profit/(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	
	2023	2022
	HK$'000	HK$'000
Profit/(Loss) before income tax	**9,446**	(8,701)
Tax calculated at domestic tax rates applicable to profit or loss of the respective countries	**1,006**	(2,189)
Tax effect of profit at concessionary rate	**(165)**	–
Income not subject to tax	**(233)**	(396)
Expenses not deductible for tax purposes	**60**	254
Tax losses for which no deferred tax asset was recognised	**1,425**	2,225
Utilisation of previously unrecognised tax losses	**(107)**	(372)
Others	**198**	352
Income tax expense/(credit)	**2,184**	(126)

13. EARNINGS/(LOSS) PER SHARE

(a) Basic

The basic earnings/(loss) per share is calculated on the profit/(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	
	2023	2022
Profit/(Loss) attributable to equity holders of the Company (HK$'000)	**6,888**	(8,452)
Weighted average number of ordinary shares in issue (thousands)	**600,000**	600,000
Basic earnings/(loss) per share (expressed in HK cents)	**1.15**	(1.41)

(b) Diluted

Diluted earnings/(loss) per share presented is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during the year.

14. SUBSIDIARIES

The following is a list of subsidiaries as at 31 December 2023:

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 2023	2022
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 2022	19,450	12,479	2,157	1,339	4,230	39,655
Additions	–	–	260	44	–	304
Surplus on revaluation (note (c))	795	–	–	–	–	795
Exchange difference	(986)	(138)	(63)	(13)	(41)	(1,241)
As at 31 December 2022	**19,259**	**12,341**	**2,354**	**1,370**	**4,189**	**39,513**
Additions	**–**	**213**	**381**	**–**	**151**	**745**
Surplus on revaluation (note (c))	**2,259**	**–**	**–**	**–**	**–**	**2,259**
Disposal/Written off	**–**	**(411)**	**(585)**	**–**	**(267)**	**(1,263)**
Exchange difference	**102**	**–**	**1**	**–**	**1**	**104**
As at 31 December 2023	**21,620**	**12,143**	**2,151**	**1,370**	**4,074**	**41,358**
As at 31 December 2023 comprising						
At cost	**–**	**12,143**	**2,151**	**1,370**	**4,074**	**19,738**
At valuation	**21,620**	**–**	**–**	**–**	**–**	**21,620**
	21,620	**12,143**	**2,151**	**1,370**	**4,074**	**41,358**
ACCUMULATED DEPRECIATION						
As at 1 January 2022	–	6,820	1,215	1,191	4,055	13,281
Provided for the year	329	1,059	396	77	132	1,993
Eliminated on revaluation (note (c))	(329)	–	–	–	–	(329)
Exchange difference	–	(54)	(35)	(11)	(35)	(135)
As at 31 December 2022	**–**	**7,825**	**1,576**	**1,257**	**4,152**	**14,810**
Provided for the year	**342**	**1,051**	**683**	**53**	**42**	**2,171**
Eliminated on revaluation (note (c))	**(342)**	**–**	**–**	**–**	**–**	**(342)**
Disposal/Written off	**–**	**(411)**	**(585)**	**–**	**(267)**	**(1,263)**
Exchange difference	**–**	**1**	**5**	**1**	**(2)**	**5**
As at 31 December 2023	**–**	**8,466**	**1,679**	**1,311**	**3,925**	**15,381**
CARRYING VALUE						
As at 31 December 2023	**21,620**	**3,677**	**472**	**59**	**149**	**25,977**
As at 31 December 2022	19,259	4,516	778	113	37	24,703

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	Total HK$'000
COST OR VALUATION			
As at 1 January 2022	5,411	3,003	8,414
Commencement of lease	–	1,631	1,631
Surplus on revaluation (note (c))	78	–	78
Exchange difference	60	(18)	42
As at 31 December 2022	**5,549**	**4,616**	**10,165**
Commencement of lease	**–**	**1,435**	**1,435**
Expiration of lease	**–**	**(213)**	**(213)**
Surplus on revaluation (note (c))	**280**	**–**	**280**
Exchange difference	**88**	**7**	**95**
As at 31 December 2023	**5,917**	**5,845**	**11,762**
As at 31 December 2023 comprising			
At cost	**–**	**5,845**	**5,845**
At valuation	**5,917**	**–**	**5,917**
	5,917	**5,845**	**11,762**
ACCUMULATED DEPRECIATION			
As at 1 January 2022	–	976	976
Provided for the year	109	1,133	1,242
Eliminated on revaluation (note (c))	(109)	–	(109)
Exchange difference	–	(12)	(12)
As at 31 December 2022	**–**	**2,097**	**2,097**
Provided for the year	**116**	**2,082**	**2,198**
Expiration of lease	**–**	**(213)**	**(213)**
Eliminated on revaluation (note (c))	**(116)**	**–**	**(116)**
Exchange difference	**–**	**(3)**	**(3)**
As at 31 December 2023	**–**	**3,963**	**3,963**
CARRYING VALUE			
As at 31 December 2023	**5,917**	**1,882**	**7,799**
As at 31 December 2022	5,549	2,519	8,068

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 and warehouse use. The periodic rental under these lease are fixed over the lease term. The leases of these properties generally have lease terms of 2 to 3 years (2022: 2 to 3 years). In addition, some of the leases include an option to renew the lease for an additional period after the contract term. The renewal option is to provide flexibility to align the Group's need and the Group is not reasonably certain to extend the lease term. Therefore, payments associated with the optional period are not included within lease liabilities of these leases.

(c) Revaluation of land and buildings including leasehold land

As at 31 December 2023, the Group recorded net increase in fair value of these land and buildings of HK$2,997,000. The increase in fair value net of income tax expense of HK$824,000 which amounted to HK$2,173,000 was recorded in revaluation reserve in equity.

The fair values of these land and buildings as at 31 December 2023 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 2023 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 at 31 December 2023 was determined by DValuer Property Consultants PTE Limited. Both Melbourne Property Valuers and DValuer Property Consultants 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 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.

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

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

The fair values of the Group's land and buildings and leasehold land situated in Australia and Singapore as at 31 December 2023 are categorised as Level 3 recurring fair value measurement which uses significant unobservable inputs in arriving at fair value. For land and buildings that are measured at fair value 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. There were no transfers into or out of Level 3 during the year.

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	(Discount)/Premium on quality and characteristics of properties	−29% to 58% (2022: −36% to 19%)	The higher the premium or discount, the higher or lower the fair value
Industrial-Office/ Warehouse	Singapore	Direct Comparison Approach	(Discount)/Premium on quality and characteristics of properties	0% (2022: 0%)	The higher the premium or discount, the higher or lower the fair value

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. The fair value measurement 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.

16. OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Other assets at fair value through profit or loss		
– Life insurances for Mr. Ng Lai Ming	**5,601**	5,327

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.

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 unchanged 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 2023, there were no transfers into or out of Level 3 (2022: Nil). The change in fair value of the insurance policies were recognised in profit or loss under "other gains and losses — others". The fair value measurement is based on the above items' highest and best use, which does not differ from their actual use.

17. INVENTORIES

	As at 31 December 2023 HK$'000	2022 HK$'000
Merchandise	**33,057**	42,939

18. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 HK$'000	2022 HK$'000
Trade receivables	**75,661**	81,137
Less: loss allowance	**(7,917)**	(7,003)
Trade receivables – net	**67,744**	74,134
Bills receivables	**2,569**	819
Prepayments	**1,337**	1,334
Deposits paid	**5,135**	5,023
Other receivables	**1,188**	1,157
	77,973	82,467
Less: Non-current portion deposits	**(172)**	(565)
	77,801	81,902

The credit terms granted by the Group generally ranged up to 270 days (2022: 270 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December 2023 HK$'000	2022 HK$'000
0 to 30 days	**17,089**	14,654
31 to 60 days	**3,227**	6,271
61 to 90 days	**1,159**	393
91 to 180 days	**5,205**	2,125
181 to 365 days	**5,691**	3,904
1 to 2 years	**3,361**	9,362
2 to 3 years	**7,609**	11,106
Over 3 years	**32,320**	33,322
Trade receivables, gross	**75,661**	81,137
Less: loss allowance	**(7,917)**	(7,003)
Trade receivables, net	**67,744**	74,134

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
As at 1 January	**7,003**	5,964
Impairment losses charged to profit or loss	**1,094**	1,491
Exchange difference	**(180)**	(452)
As at 31 December	**7,917**	7,003

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 365 days (2022: within 365 days), which are denominated in Renminbi.

19. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023 HK$'000	2022 HK$'000
Short-term bank deposits with original maturity within three months	**15,005**	15,005
Cash at banks and on hand	**13,299**	13,232
	28,304	28,237

19. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Renminbi ("RMB")	**384**	1,271
Euro ("EUR")	**5,535**	2,604
HK dollar	**16,640**	17,316
Singapore dollar	**1,638**	1,004
United States dollar	**1,600**	1,652
Australian dollar ("AUD")	**2,507**	4,390
	28,304	28,237

As at 31 December 2023, cash and cash equivalents of approximately HK$376,000 (2022: HK$1,249,000) 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	
	2023	2022
	HK$'000	HK$'000
Trade payables	**25,922**	34,977
Accrued expenses and other payables	**5,205**	4,181
	31,127	39,158

Included in trade payables as at 31 December 2023 was an amount of HK$4,076,000 (2022: HK$10,818,000) 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	
	2023	2022
	HK$'000	HK$'000
0 to 30 days	**3,281**	13,023
31 to 60 days	**7,202**	1,877
61 to 90 days	**1,311**	3,156
91 to 120 days	**429**	50
Over 120 days	**13,699**	16,871
	25,922	34,977

(b) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue.

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Contract liabilities related to trading in spare parts	**395**	11,473

Movements on contract liabilities are as follows:

	2023	2022
	HK$'000	HK$'000
As at 1 January	**11,473**	2,567
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	**(11,473)**	(2,567)
Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts	**395**	11,473
As at 31 December	**395**	11,473

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	
	2023	2022
	HK$'000	HK$'000
Amounts due to:		
– Mr. Ng Lai Tong	**507**	507
Advance from:		
– Mr. Ng Lai Ming	**3,220**	3,720
	3,727	4,227

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	
	2023	2022
	HK$'000	HK$'000
Bank borrowings (note (a))	**28,068**	32,898
Lease liabilities (note (b))	**1,890**	2,604
	29,958	35,502

23. BORROWINGS (CONTINUED)

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current liabilities		
Bank borrowings	**3,482**	5,065
Lease liabilities	**540**	788
	4,022	5,853
Current liabilities		
Bank borrowings	**24,586**	27,833
Lease liabilities	**1,350**	1,816
	25,936	29,649
Total	**29,958**	35,502

(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	
	2023	2022
	HK$'000	HK$'000
On demand or within 1 year	**24,586**	27,833
Later than 1 year but not exceeding 2 years	**1,687**	1,590
Later than 2 years but not exceeding 5 years	**1,795**	3,475
	28,068	32,898

23. BORROWINGS (CONTINUED)

(b) Lease liabilities

The movements of lease liabilities are as follows:

	Other properties leased for own use HK$'000
As at 1 January 2022	2,145
Finance cost (note 11)	65
Lease payments	(1,232)
Additions	1,631
Exchange difference	(5)
As at 31 December 2022	2,604
As at 1 January 2023	**2,604**
Finance cost (note 11)	**116**
Lease payments	**(2,224)**
Additions	**1,384**
Exchange difference	**10**
As at 31 December 2023	**1,890**

23. BORROWINGS (CONTINUED)

(b) Lease liabilities (Continued)

The lease liabilities were repayable as follows:

	Future lease payments HK$'000	Interest HK$'000	Present value of future lease payments HK$'000
As at 31 December 2023			
No later than 1 year	**1,411**	**(61)**	**1,350**
Later than 1 year but not later than 2 years	**385**	**(17)**	**368**
Later than 2 years but not later than 5 years	**175**	**(3)**	**172**
	1,971	**(81)**	**1,890**

	Future lease payments HK$'000	Interest HK$'000	Present value of future lease payments HK$'000
As at 31 December 2022			
No later than 1 year	1,898	(82)	1,816
Later than 1 year but not later than 2 years	804	(16)	788
	2,702	(98)	2,604

(c) Banking facilities

The Group has obtained total banking facilities from banks of approximately HK$35,100,000 (2022: HK$37,900,000), of which HK$7,000,000 (2022: HK$5,000,000) 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	
	2023	2022
Floating rate		
Bank borrowings	**7.7%**	7.2%

24. DEFERRED TAXATION

The movements in deferred tax assets and (liabilities) during the reporting period are as follows:

	Tax losses HK$'000	Unrealised profit HK$'000	Accelerated tax depreciation allowances HK$'000	Withholding tax HK$'000	Revaluation of land and buildings HK$'000	Total HK$'000
As at 1 January 2022	3,208	304	(636)	(1,068)	(1,447)	361
Credit/(Charge) to profit or loss (note 12)	113	(64)	77	–	–	126
Charge to other comprehensive income	–	–	–	–	(306)	(306)
Exchange difference	(40)	–	4	83	83	130
As at 31 December 2022	**3,281**	**240**	**(555)**	**(985)**	**(1,670)**	**311**
(Charge)/credit to profit or loss (note 12)	**(1,228)**	**29**	**149**	**–**	**–**	**(1,050)**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**(824)**	**(824)**
Exchange difference	**18**	**–**	**(4)**	**28**	**(18)**	**24**
As at 31 December 2023	**2,071**	**269**	**(410)**	**(957)**	**(2,512)**	**(1,539)**

24. DEFERRED TAXATION (CONTINUED)

Represented by

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Deferred tax assets	**1,532**	2,698
Deferred tax liabilities	**(3,071)**	(2,387)
	(1,539)	311

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 2023, the Group had unused tax losses of HK$31,344,000 (2022: HK$35,975,000) available for offset against the future profits, in which HK$9,698,000 (2022: HK$18,114,000) were recognised as deferred tax assets. Deferred tax assets have not been provided in respect of the tax losses to the extent of to HK$21,646,000 (2022: HK$17,861,000) 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. The tax losses incurred in Hong Kong, Singapore and Australia may be carried forward indefinitely. The tax losses incurred in the PRC may be carried forward for five years from the financial year when the corresponding loss was incurred.

25. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	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 2022	63,332	15,642	4,612	428	1,522	10,730	96,266
Loss for the year	–	–	–	–	–	(8,452)	(8,452)
Fair value adjustment on revaluation of land and buildings, net of tax effect	–	–	1,005	–	–	–	1,005
Currency translation difference	–	–	–	(594)	–	–	(594)
Difference in depreciation provided based on historical cost and revalued amount	–	–	(40)	–	–	40	–
As at 31 December 2022	63,332	15,642	5,577	(166)	1,522	2,318	88,225
As at 1 January 2023	**63,332**	**15,642**	**5,577**	**(166)**	**1,522**	**2,318**	**88,225**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**6,888**	**6,888**
Fair value adjustment on revaluation of land and buildings, net of tax effect	**–**	**–**	**2,173**	**–**	**–**	**–**	**2,173**
Currency translation difference	**–**	**–**	**–**	**35**	**–**	**–**	**35**
Difference in depreciation provided based on historical cost and revalued amount	**–**	**–**	**(65)**	**–**	**–**	**65**	**–**
As at 31 December 2023	**63,332**	**15,642**	**7,685**	**(131)**	**1,522**	**9,271**	**97,321**

Notes:

(a) Capital reserve of HK$15,642,000 as at 31 December 2023 and 2022 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 4.2.

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from operations

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Profit/(Loss) before income tax	**9,446**	(8,701)
Adjustments for:		
Finance income	**(316)**	(116)
Finance costs	**3,021**	2,099
Depreciation	**4,369**	3,235
Provision for impairment of trade receivables	**1,094**	1,491
Forfeiture of unclaimed dividend	**(467)**	(1,050)
Change in fair value of other assets at fair value through profit or loss	**(114)**	(91)
Gain on disposal of property, plant and equipment	**(5)**	–
Cash generated from/(used in) operation before changes in working capital	**17,028**	(3,133)
Changes in working capital		
Inventories	**9,948**	(8,827)
Trade and other receivables	**1,643**	6,572
Trade and other payables	**(6,498)**	6,452
Contract liabilities	**(11,078)**	8,906
Balances with directors	**–**	(469)
Other provision	**107**	216
Net cash generated from operations	**11,150**	9,717

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 2023	**(32,898)**	**(2,604)**	**(3,720)**
Changes from financing cash flows:			
Proceeds from borrowings	(23,000)	–	–
Repayment of borrowings	27,830	–	500
Payment of principal element of lease liabilities	–	2,108	–
Total changes from financing cash flows	4,830	2,108	500
Other changes:			
Exchange adjustments	–	(10)	–
Commencement of lease	–	(1,384)	–
Total other changes	–	(1,394)	–
As at 31 December 2023	**(28,068)**	**(1,890)**	**(3,220)**

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 2022	(36,333)	(2,145)	(4,000)
Changes from financing cash flows:			
Proceeds from borrowings	(25,000)	–	–
Repayment of borrowings	28,435	–	280
Payment of principal element of lease liabilities	–	1,167	–
Total changes from financing cash flows	3,435	1,167	280
Other changes:			
Exchange adjustments	–	5	–
Commencement of lease	–	(1,631)	–
Total other changes	–	(1,626)	–
As at 31 December 2022	(32,898)	(2,604)	(3,720)

28. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

29. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2023 and 2022.

30. COMMITMENTS

The Group had no significant capital commitment as at 31 December 2023 and 2022.

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	
	2023	2022
	HK$'000	HK$'000
Interest expense paid to a director (note 22)	**88**	99

(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	
	2023	2022
	HK$'000	HK$'000
Salaries, wages and other benefits	**3,120**	3,038
Contributions to defined contribution retirement plans	**115**	112
	3,235	3,150

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	
	2023	2022
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**35,297**	35,297
Deferred tax asset	**304**	304
	35,601	35,601
Current assets		
Prepayments and other receivables	**106**	104
Amounts due from subsidiaries	**38,574**	39,565
Cash and cash equivalents	**15,183**	15,138
	53,863	54,807
Current liabilities		
Accrued expenses	**474**	455
Net current assets	**53,389**	54,352
Net assets	**88,990**	89,953
CAPITAL AND RESERVES		
Share capital	**6,000**	6,000
Reserves (note)	**82,990**	83,953
Total equity	**88,990**	89,953

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2024 and were signed on its behalf by:

Ng Lai Ming
Executive Director

Ng Lai Tong
Executive Director

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

Note:

Reserve movements of the Company are as follows:

	Share premium and other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2022	129,114	(35,782)	93,332
Loss for the year	–	(9,379)	(9,379)
As at 31 December 2022	**129,114**	**(45,161)**	**83,953**
Loss for the year	**–**	**(963)**	**(963)**
As at 31 December 2023	**129,114**	**(46,124)**	**82,990**

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	
	2023	2022
	HK$'000	HK$'000
Financial assets at amortised cost:		
– Trade and other receivables	**72,241**	76,398
– Cash and cash equivalents	**28,304**	28,237
	100,545	104,635
Financial liabilities at amortised cost:		
– Trade and other payables	**30,542**	38,993
– Dividend payable	**5,880**	6,347
– Amounts due to directors	**3,727**	4,227
– Bank borrowings	**28,068**	32,898
	68,217	82,465
Other financial instruments:		
– Lease liabilities	**1,890**	2,604

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 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 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 2023, the net monetary liabilities denominated in EUR was approximately EUR544,000 (2022: EUR1,005,000). Had HK$ been strengthened/weakened by 5% against the EUR with all other variables held constant, pre-tax profit for the year would have been higher/lower by approximately HK$234,000 (2022: pre-tax loss would have been lower/higher by approximately HK$420,000), 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 2023, the net monetary assets denominated in RMB was approximately RMB45,637,000 (2022: RMB45,638,000). Had HK$ been strengthened/weakened by 5% against the RMB with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately HK$2,501,000 (2022: pre-tax loss would have been higher/lower by approximately HK$2,574,000), 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 2023, the net monetary assets denominated in AUD was approximately AUD430,000 (2022: AUD817,000). Had HK$ been strengthened/weakened by 5% against the AUD with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately HK$114,000 (2022: pre-tax loss would have been higher/lower by approximately HK$217,000), 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 counterparty default and risks of concentration. In respect of trade receivables, individual credit evaluations are performed on major 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 such as financial background 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. Credit periods of up to 270 days are granted to customers. The Group's customers mainly engage in industry related to the provision of construction work. The particular credit period granted is pitched after taking into account the business cycle of the industry engaged by the customers. In addition, the Group allows longer time for settlement in practice for SOE customers which have proven strong financial background, as its business strategy. For SOE customers, management has kept ongoing communication with these customers for settlement arrangement.

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 customers 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 payment pattern for different risk cluster with reference to the days past due. 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 characteristic which is 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 2023

	Gross carrying amount HK$'000	Individually assessed loss allowance HK$'000	Balance under collective assessment HK$'000	ECL rate	Collectively assessed loss allowance HK$'000	Total loss allowance HK$'000
Current (not past due)	18,299	—	18,299	0.02%	4	4
1–30 days past due	3,033	—	3,033	0.03%	1	1
31–180 days past due	10,016	—	10,016	0.25%	25	25
181–365 days past due	1,356	—	1,356	0.37%	5	5
1–2 years past due	4,246	—	4,246	1.25%	53	53
2–3 years past due	12,294	—	12,294	1.46%	180	180
3–4 years past due	8,378	—	8,378	1.97%	165	165
Over 4 years past due	18,039	2,998	15,041	29.83%	4,486	7,484
	75,661	2,998	72,663		4,919	7,917

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

As at 31 December 2022

	Gross carrying amount HK$'000	Individually assessed loss allowance HK$'000	Balance under collective assessment HK$'000	ECL rate	Collectively assessed loss allowance HK$'000	Total loss allowance HK$'000
Current (not past due)	10,874	—	10,874	0.03%	4	4
1–30 days past due	8,923	—	8,923	0.03%	3	3
31–180 days past due	7,760	—	7,760	0.23%	18	18
181–365 days past due	1,587	—	1,587	0.69%	11	11
1–2 years past due	15,445	—	15,445	0.86%	133	133
2–3 years past due	10,191	—	10,191	1.23%	125	125
3–4 years past due	10,993	540	10,453	1.58%	165	705
Over 4 years past due	15,364	1,482	13,882	32.57%	4,522	6,004
	81,137	2,022	79,115		4,981	7,003

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 2022 and 2023, 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 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.

At 31 December 2023, had the interest rate on bank borrowings been 100 basis point higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher by approximately HK$234,000 (2022: post-tax loss would have been higher/lower, by HK$275,000) mainly as a result of higher/lower interest expense on the floating rate bank borrowings.

35. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

	On demand HK$'000	Within 1 year HK$'000	In 1 to 2 years HK$'000	In 2 to 5 years HK$'000	Total HK$'000
As at 31 December 2023					
– Bank borrowings	**23,000**	**1,834**	**1,853**	**1,855**	**28,542**
– Lease liabilities	**–**	**1,411**	**385**	**175**	**1,971**
– Amounts due to directors	**507**	**3,240**	**–**	**–**	**3,747**
– Trade and other payables	**207**	**30,376**	**–**	**–**	**30,583**
– Dividend payable	**5,880**	**–**	**–**	**–**	**5,880**
	29,594	**36,861**	**2,238**	**2,030**	**70,723**
As at 31 December 2022					
– Bank borrowings	25,000	3,170	1,846	3,692	33,708
– Lease liabilities	–	1,898	804	–	2,702
– Amounts due to directors	507	3,743	–	–	4,250
– Trade and other payables	224	38,877	–	–	39,101
– Dividend payable	6,347	–	–	–	6,347
	32,078	47,688	2,650	3,692	86,108

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 HK$'000	In 1 to 2 years HK$'000	In 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000
As at 31 December 2023	**23,469**	**–**	**–**	**23,469**
As at 31 December 2022	25,480	–	–	25,480

(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 the director, Mr. Ng Lai Ming.

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Total debts	**33,178**	39,222
Total assets	**180,603**	194,830
Debt-to-asset ratio	**18.37%**	20.13%

(c) Fair value estimation

The carrying amounts of the Group's financial assets, including trade and other receivables and cash and cash equivalents, and financial liabilities, including trade and other payables, dividend payable, amounts due to directors, and the current portion of the bank borrowings, approximate their fair values as at the reporting date due to their short term 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 the non-current portion of bank borrowings 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				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**153,748**	87,047	85,991	70,944	141,190
Gross profit	**55,457**	29,259	21,075	21,531	40,231
Profit/(Loss) before income tax	**9,446**	(8,701)	(9,230)	(6,452)	(2,125)
Income tax (expense)/credit	**(2,184)**	126	(31)	935	801
Profit/(Loss) for the year	**7,262**	(8,575)	(9,261)	(5,517)	(1,324)
Profit/(Loss) for the year attributable to equity holders of the Company	**6,888**	(8,452)	(9,059)	(5,379)	(1,334)

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**41,081**	41,361	41,940	37,511	39,625
Current assets	**139,522**	153,469	156,839	167,606	173,118
Total assets	**180,603**	194,830	198,779	205,117	212,743
Non-current liabilities	**7,708**	8,748	11,629	5,473	5,757
Current liabilities	**68,199**	90,854	83,732	91,894	94,354
Total liabilities	**75,907**	99,602	95,361	97,367	100,111
Non-controlling interests	**1,375**	1,003	1,152	1,342	1,450