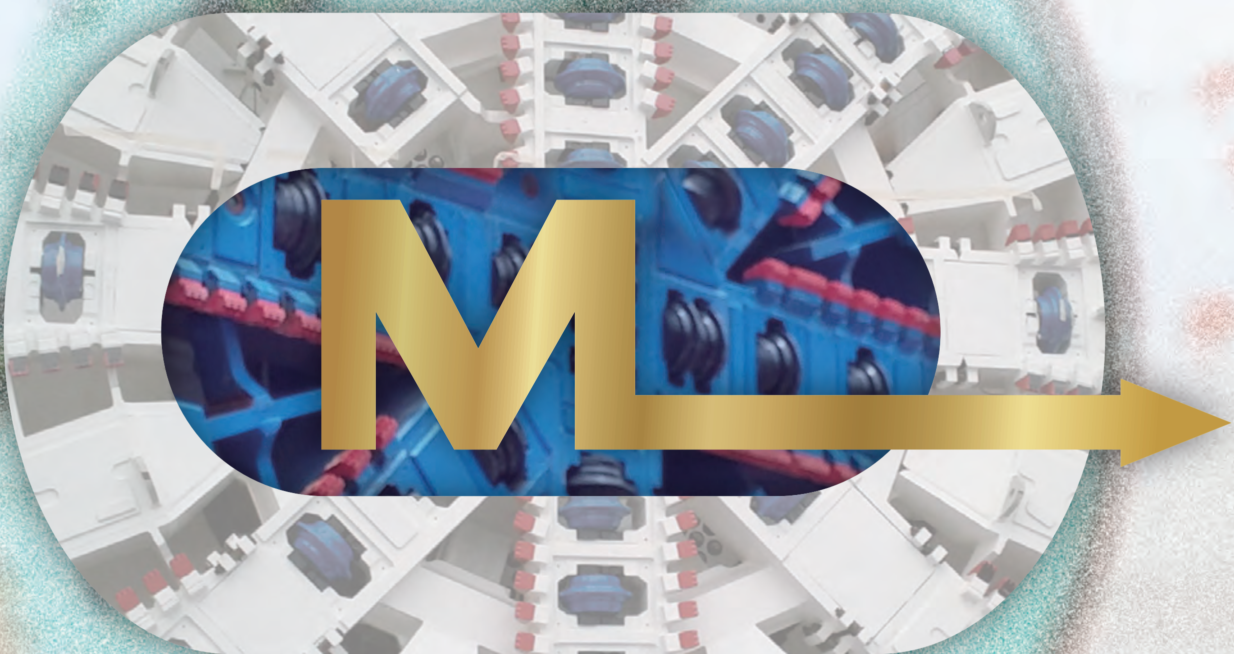
M&L HOLDINGS GROUP LIMITED
明樑控股集團有限公司

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



2024
ANNUAL REPORT

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

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

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

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

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Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Wai Kwok
Ir Lo Kok Keung
Mr. Lau Chi Leung
Ms. Luk Pui Yin Grace

AUDIT COMMITTEE

Mr. Tai Wai Kwok *(Chairman)*
Ir Lo Kok Keung
Mr. Lau Chi Leung
Ms. Luk Pui Yin Grace

NOMINATION COMMITTEE

Mr. Lau Chi Leung *(Chairman)*
Mr. Ng Lai Ming
Ir Lo Kok Keung
Mr. Tai Wai Kwok
Ms. Luk Pui Yin Grace

REMUNERATION COMMITTEE

Ir Lo Kok Keung *(Chairman)*
Mr. Ng Lai Ming
Mr. Tai Wai Kwok
Mr. Lau Chi Leung
Ms. Luk Pui Yin Grace

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Lai Po *(Chairman)*
Mr. Tai Wai Kwok
Ir Lo Kok Keung
Mr. Lau Chi Leung
Ms. Luk Pui Yin Grace

COMPANY SECRETARY

Mr. Lee Baldwin

AUTHORISED REPRESENTATIVES

Mr. Ng Lai Ming
Mr. Lee Baldwin

COMPLIANCE OFFICER

Mr. Ng Lai Po

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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 present the annual report of the Company and its subsidiaries (together, the "Group") in respect of the year ended 31 December 2024 ("Year").

Performance of the real estate market in Hong Kong and mainland China remained sluggish, leading to less business opportunity and high competition in the market for foundation construction equipment; the Group opted not to engage in excessive competitive and thus only recorded minimal revenue from its foundation business segment during the Year.

On the other hand, the Group focused on formulating TBM related engineering solutions under our own professional engineering team to enhance its competitive edge and promoting its tunnelling business segment. We are working with our key supplier in Europe and the PRC to broaden products offering to better serve the technical needs of our potential worldwide international customers overseas. We also noted growing business opportunities in Australia and continental Europe and expects improvement in the performance of overseas market in the coming year. Performance of the Hong Kong market in the Year fell short of expectation as a key project has been suspended owing to force majeure factors. But with a new project scheduled to be launched in Hong Kong in the near future and demands in overseas market, the Group expects an overall improvement in performance in year 2025 as compared to the Year.

I take this opportunity to express my appreciation to my fellow Board members, our dedicated staff team, and our valuable business partners and shareholders for their continuous support through the years.

Yours truly,

Ng Lai Ming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 March 2025

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

The progress of a key tunnelling project that we have been serving has been suspended during the Year, leading to reduced consumption of cutting tools and parts; accordingly orders for tunnelling products placed by our customer declined substantially as compared to the Previous Year. Performance of the foundation business segment remained relatively sluggish during the Year owing to the uncertain condition of the real estate market. Competition in the foundation business segment remained keen as market players are determined to bid for declining number of new projects. 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" and the "Northern Metropolitan" development, while being cautious not to engage in cut-throat price competition.

PRC market

Owing to uncertain economic conditions and relatively few large scale tunnelling project being launched in the past few years, the Group took a cautious approach and refrained from excessive price competition and remained focused on recovery of receivables and working capital management. All aforesaid factors lead to a declined performance in the PRC market for the Year. However, we observed a gradual recovery in the tunnelling market during the Year and the Group will mainly target for projects undertaken by the PRC customers at overseas locations with favourable profit margin and settlement terms. Moreover, we are working with our key supplier in the PRC to broaden products offering to better serve the technical needs of our potential customers and enhance our competitiveness from both the engineering-solution and pricing perspectives. At the same time, the Group will continue negotiation with customers to hasten recovery of overdue trade balances.

Overseas market

A relatively sizeable overseas project from Previous Year is substantially completed during the Year and therefore contributed less revenue. The Group is actively exploring various overseas markets and noted growing business opportunities particularly in Australia and continental Europe and expects improvement in the performance of overseas market in the coming year.

FINANCIAL REVIEW

Revenue

Revenue decreased by HK$86.0 million or 56.0% to approximately HK$67.7 million for the Year, as compared to approximately HK$153.7 million for the year ended 31 December 2023 ("Previous Year"). The decrease in revenue was due to a drop in revenue from the tunnelling business segment by approximately HK$86.4 million while revenue from the foundation business segment remained relatively negligible. Reasons for the decline in revenue for the Year were set out in the Business Review section above.

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. Cost of sales for the Year decreased by approximately HK$54.0 million or 55.0%, which generally coincides with the decrease in revenue. Gross profit decreased from HK$55.5 million to HK$23.5 million for the Year while gross profit margin dropped slightly from 36.1% to 34.7% for the Year as a result of different sales mix.

Other income

Other income mainly comprised forfeiture of dividend which remained unclaimed by non-controlling shareholders of a subsidiary.

Selling expenses

Selling expenses mainly include freight charges and sales commission. Selling expenses decreased by approximately HK$9.7 million to HK$4.0 million for the Year and was mainly attributable to drop in freight and transportation costs as a result of the decrease 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$4.7 million for the Year, as compared to a loss of HK$1.9 million for the Previous Year, as a result of further depreciation of Australian Dollars and Renminbi during the Year.

Reversal of/(Provision for) impairment of trade receivables

The Group adopted a systematic approach to assess the overall risk of default on its receivable balances and to determine whether any, and the amount of, provision for impairment is required thereon. Based on such assessment, a reversal of provision of HK$1.1 million was recorded for the Year, as both the outstanding balance and aging profile of the receivable balances had improved.

Finance costs

The Group generated a cash flow of approximately HK$6.2 million from operating activities during the Year which reduced its needs for external financing. As a result, the Group incurred a finance cost of approximately HK$2.1 million for the Year, a decrease of HK$0.9 million from the Previous Year.

Income tax credit/(expense)

Income tax credit of HK$0.3 million was recorded for the Year as compared to an income tax expense of HK$2.2 million in the Previous Year since the Group had turned around from a profit to a loss for the Year.

(Loss)/Profit for the year

The Group recorded a loss of HK$13.0 million for the Year as compared to a profit of HK$7.3 million for the Previous Year, mainly as a result of the drop in gross profit of HK$32.0 million, decrease in selling expenses by HK$9.7 million, rise in exchange loss by HK$2.8 million, reduction in the provision of impairment recognised amounting to HK$2.2 million, decrease in finance cost of HK$0.9 million and the reduction in provision of income tax of HK$2.5 million.

Other comprehensive income

The Group recorded other comprehensive income (net of tax) of HK$8.9 million for the Year from increase in fair value of land and buildings mainly located in Australia.

Liquidity, financial resources and capital structure

	31 December 2024 HK$'000	31 December 2023 HK$'000
Current assets	**147,947**	139,522
Current liabilities	**60,222**	68,199
Current ratio	**2.46**	2.05

During the year ended 31 December 2024, the Group financed its operations by its internal resources and banking facilities. As at 31 December 2024, the Group had net current assets of approximately HK$87.7 million (31 December 2023: HK$71.3 million), including cash and cash equivalents of approximately HK$23.4 million (31 December 2023: HK$28.3 million). The Group's current ratio as at 31 December 2024 was 2.46 times (31 December 2023: 2.05 times).

As at 31 December 2024, the Group had a total available banking and other facilities of approximately HK$33.5 million, of which approximately HK$21.5 million was utilised and approximately HK$12.0 million was unutilised and available for use. The Group monitors its working capital and liquidity status closely and periodically works with our banks to renew or revise financing arrangement according to the needs of the Group.

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 2024. As at 31 December 2024, the equity attributable to equity holders of the Company amounted to approximately HK$99.0 million (31 December 2023: approximately HK$103.3 million).

Gearing ratio

As at 31 December 2024, the net gearing ratio was 1.7% (31 December 2023: 4.7%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totalling HK$1.6 million (31 December 2023: HK$4.9 million) as a percentage of equity attributable to equity holders of the Company of HK$99.0 million (31 December 2023: HK$103.3 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2024, 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

On 29 November 2024, the Group has entered into two inter-conditional agreements for the disposal and purchase of two industrial properties in Australia at a disposal consideration of Australian Dollars 6.0 million and purchase consideration of Australian Dollars 2.75 million respectively. The disposal transaction and the purchase transaction were subsequently completed on 30 January 2025.

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 2024.

CHARGES ON ASSETS

As at 31 December 2024, 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 2024.

CONTINGENT LIABILITIES

As at 31 December 2024, 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 2024 and 2023 are as follows:

	As at 31 December	
	2024	2023
Directors	**7**	6
Sales & Engineering Solutions	**8**	8
Design & Development	**6**	5
Technical Services & Maintenance	**7**	11
Finance, Administration & Operations	**13**	13
	41	43

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 2024 was approximately HK$15.0 million (2023: HK$15.1 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 Group's 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 61, 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 59, 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 57, 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 and the chief financial officer of Time Watch Investment Limited, a company listed on the Stock Exchange (stock code: 2033) since October 2022.

Directors and Senior Management

Independent Non-executive Directors

Mr. Tai Wai Kwok (戴偉國), aged 55, 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 76, 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 75, 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.

Ms. Luk Pui Yin Grace (陸佩然), aged 60, is an independent non-executive Director and also a member of each of our audit committee, remuneration committee, nomination committee and corporate governance committee since June 2024. She is the licensed representative and Principal — Fund Management of Bay Area Capital Partners Limited, a licensed corporation under the Hong Kong Securities and Futures Commission. Ms. Luk holds a bachelor degree in Business Administration from the Chinese University of Hong Kong. She is a fellow of the UK Association of Chartered Certified Accountants, an associate of both the UK Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of the Hong Kong Institute of Directors. She has over 30 years of corporate governance and financial management experience in the Greater China region.

From 2019 to early 2022, she was the Director of Finance of Nano and Advanced Materials Institute Limited, a research and development company supervised by the Innovation and Technology Commission of the HKSAR Government. From 2005 to 2018, she served as the Executive Director and Chief Financial Officer of Hong Kong Main Board-listed Hong Kong Shanghai Alliance Holdings Limited and the Chief Operating Officer and Chief Financial Officer of HK GEM-listed North Asia Strategic Holdings Limited. She has also served as the Vice President of Dresdner Kleinwort Capital, the private equity arm of Dresdner Bank, Financial Controller of Ajia Partners (HK) Limited, Director and Financial Controller of Kleinwort Benson China Management Limited, which was the investment manager of the London-listed private equity China Investment and Development Fund. She was the department head of category financial management department of Colgate Palmolive (HK) Limited and an auditor at Arthur Andersen & Co. in Hong Kong.

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.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chew Chee Boon (Zhou Zhiwen) (周志文), aged 44, is our regional manager in Singapore. Mr. Chew joined our group in January 2013 as assistant regional manager and was promoted to regional manager of Singapore M&L in July 2014. He is primarily responsible for the regional business operation of our Group in Singapore. Mr. Chew obtained his diploma in electronic and computer engineering from Singapore Ngee Ann Polytechnic in August 2001, his bachelor's degree of science in computer systems engineering (computer science) from Nottingham Trent University in the United Kingdom in November 2007 through distance learning, his master's degree in international management from the University Schools of Management IAE France in March 2010 and his master's degree in Management from Université Grenoble Alpes (formerly known as Université de Grenoble 2) in April 2010, both in France.

COMPANY SECRETARY

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

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

COMPLIANCE OFFICER

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

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the GEM Listing Rules and had complied with the CG Code throughout the year ended 31 December 2024 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 2024.

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. In particular, the Company has dispensed with a single-gender Board during the year 2024 and endeavours to achieve greater gender diversity over time. 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 seven Directors with three executive Directors and four 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
Ms. Luk Pui Yin Grace (appointed on 1 June 2024)

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 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.

Ms. Luk Pui Yin Grace was newly appointed as an independent non-executive Director effective from 1 June 2024; she has obtained legal advice as referred to in Rule 5.02D of the GEM Listing Rules on 13 May 2024 and confirmed she understood her obligations as a Director.

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, Mr. Lau Chi Leung and Ms. Luk Pui Yin Grace 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 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 Directors Mr. Ng Lai Ming and 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 2024, 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	–	2/2	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	3/3	2/2	1/1	1/1
Chairman of Audit Committee					
Ir Lo Kok Keung	4/4	3/3	2/2	1/1	1/1
Chairman of Remuneration Committee					
Mr. Lau Chi Leung	4/4	3/3	2/2	1/1	1/1
Chairman of Nomination Committee					
Ms. Luk Pui Yin Grace	2/2	2/2	0/0	0/0	0/0

– 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 2024, the Audit Committee reviewed the integrity of the Company's financial statements, annual report and accounts, half-year report, and 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 2024 and make recommendations to the Board on salary revision to senior management and Directors.

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. During the year 2024, the Nomination Committee made recommendation to the Board on the appointment of an additional independent non-executive Director, which served to enhance the independence and gender diversity of the Board.

As at 31 December 2024, the gender distribution of the Group's workforce (excluding Directors) is as follow:

	Headcount	Percentage
Male	21	61.8%
Female	13	38.2%

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 2024, 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 2024 covered control procedures including areas of corporate governance, financial reporting and revenue and receivables of the Group. The findings of the review has been reported to the Board.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor for the year ended 31 December 2024 is as below:

	HK$'000
Audit services provided to the Group	650
Non-audit services	83
	733

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 28 to 32 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. There has been no change to the Company's constitution document throughout the year ended 31 December 2024. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, general meetings to answer questions from shareholders.

Directors' Report

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2024.

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 2024 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 2024 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 2024 are set out in the consolidated statement of comprehensive income on page 33 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

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.

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 92 of this annual report. Such summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 December 2024 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 2024 are set out in note 26 and note 33 to the consolidated financial statements, respectively.

The Company's distributable reserves amounted to approximately HK$81.8 million as at 31 December 2024.

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 2024.

DIRECTORS

The Directors of the Company during the year ended 31 December 2024 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
Ms. Luk Pui Yin Grace (appointed on 1 June 2024)

In accordance with the provisions of the Company's articles of association, Mr. Lau Chi Leung, Ir Lo Kok Keung, and Ms. Luk Pui Yin Grace 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 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 2024 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 2024. 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 2024.

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 2024.

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 2024.

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 2024, 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 2024, 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%

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2024, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 86.2% (2023: 84.7%) and 30.0% (2023: 46.1%) of the Group's total revenue respectively.

During the year ended 31 December 2024, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 95.7% (2023: 98.1%) and 54.8% (2023: 76.6%) 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 2024 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 2024, 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 2024 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 2024 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, 28 March 2025

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 33 to 91, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, 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 36(a)(ii) to the consolidated financial statements

As at 31 December 2024, the Group had trade receivables amounting to HK$67,372,000 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$6,629,000 have been made for the trade receivables as at 31 December 2024.

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, and the management's engagement with these customers and the follow up actions taken by them in seeking repayment from 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.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes 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, 28 March 2025

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2024 HK$'000	2023 HK$'000
Revenue	6	**67,711**	153,748
Cost of sales		**(44,245)**	(98,291)
Gross profit		**23,466**	55,457
Other income	8	**490**	558
Selling expenses		**(4,005)**	(13,690)
Administrative expenses		**(27,085)**	(27,290)
Other gains and losses			
Exchange loss		**(4,662)**	(1,909)
Reversal of/(Provision for) impairment of trade receivables	18	**1,086**	(1,094)
Impairment loss on assets classified as held for sale	15(d)	**(960)**	–
Others	8	**142**	119
Operating (loss)/profit		**(11,528)**	12,151
Finance income	11	**319**	316
Finance costs	11	**(2,148)**	(3,021)
(Loss)/Profit before income tax		**(13,357)**	9,446
Income tax credit/(expense)	12	**339**	(2,184)
(Loss)/Profit for the year		**(13,018)**	7,262
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	15(c)		
— Increase in fair value		**12,580**	2,997
— Income tax effect		**(3,667)**	(824)
		8,913	2,173
Item that may be reclassified to profit or loss:			
Currency translation differences		**(446)**	33
Other comprehensive income for the year		**8,467**	2,206
Total comprehensive income for the year		**(4,551)**	9,468
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		**(12,826)**	6,888
Non-controlling interests		**(192)**	374
		(13,018)	7,262
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**(4,360)**	9,096
Non-controlling interests		**(191)**	372
		(4,551)	9,468
		HK cents	HK cents
(Loss)/Earnings per share			
– Basic and diluted	13	**(2.14)**	1.15

Consolidated Statement of Financial Position

	Notes	As at 31 December 2024 HK$'000	2023 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15(a)	**5,509**	25,977
Right-of-use assets	15(b)	**7,644**	7,799
Deposits	18	**451**	172
Other investments	16	**5,903**	5,601
Deferred tax assets	24	**964**	1,532
		20,471	41,081
Current assets			
Inventories	17	**31,085**	33,057
Trade and other receivables	18	**65,558**	77,801
Tax recoverable		**368**	360
Cash and cash equivalents	19	**23,390**	28,304
		120,401	139,522
Assets classified as held for sale	15(d)	**27,546**	–
		147,947	139,522
Current liabilities			
Trade and other payables	20(a)	**31,688**	31,127
Contract liabilities	20(b)	**–**	395
Dividend payable	21	**5,530**	5,880
Amounts due to directors	22	**2,000**	3,727
Bank borrowings	23(a)	**19,692**	24,586
Lease liabilities	23(b)	**1,312**	1,350
Current tax liabilities		**–**	1,134
		60,222	68,199
Net current assets		**87,725**	71,323
Total assets less current liabilities		**108,196**	112,404
Non-current liabilities			
Bank borrowings	23(a)	**1,788**	3,482
Lease liabilities	23(b)	**239**	540
Deferred tax liabilities	24	**5,497**	3,071
Other provision		**527**	615
		8,051	7,708
Net assets		**100,145**	104,696

Consolidated Statement of Financial Position

		As at 31 December	
		2024	2023
	Notes	**HK$'000**	HK$'000
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	25	**6,000**	6,000
Reserves	26	**92,961**	97,321
		98,961	103,321
Non-controlling interests	34	**1,184**	1,375
Total equity		**100,145**	104,696

The consolidated financial statements on pages 33 to 91 were approved and authorised for issue by the Board of Directors on 28 March 2025 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 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
At 1 January 2024	**6,000**	**63,332**	**7,685**	**26,304**	**103,321**	**1,375**	**104,696**
Loss for the year	**–**	**–**	**–**	**(12,826)**	**(12,826)**	**(192)**	**(13,018)**
Other comprehensive income:							
Fair value adjustment on revaluation of land and building, net of tax effect	**–**	**–**	**8,913**	**–**	**8,913**	**–**	**8,913**
Currency translation differences	**–**	**–**	**–**	**(447)**	**(447)**	**1**	**(446)**
Total comprehensive income for the year	**–**	**–**	**8,913**	**(13,273)**	**(4,360)**	**(191)**	**(4,551)**
Transfer between reserves							
Difference in depreciation provided based on historical cost and revalued amount	**–**	**–**	**(55)**	**55**	**–**	**–**	**–**
At 31 December 2024	**6,000**	**63,332**	**16,543**	**13,086**	**98,961**	**1,184**	**100,145**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Net cash generated from operations	27(a)	**9,184**	11,150
Interest received		**319**	316
Interest paid		**(2,193)**	(3,080)
Income tax (paid)/recovered		**(1,148)**	20
Net cash generated from operating activities		**6,162**	8,406
Cash flows from investing activities			
Purchase of property, plant and equipment		**(562)**	(675)
Deposit paid for acquiring property, plant and equipment		**(5)**	–
Payments for acquiring other investments		**(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		**(727)**	(881)
Cash flows from financing activities	27(b)		
Proceeds from bank borrowings		**18,000**	23,000
Repayment of bank borrowings		**(24,588)**	(27,830)
Repayment of principal element of lease liabilities		**(2,166)**	(2,108)
Repayment to a director		**(1,220)**	(500)
Net cash used in financing activities		**(9,974)**	(7,438)
Net (decrease)/increase in cash and cash equivalents		**(4,539)**	87
Cash and cash equivalents at beginning of year		**28,304**	28,237
Currency translation differences		**(375)**	(20)
Cash and cash equivalents at end of year	19	**23,390**	28,304

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 which are measured at fair value and investments in insurance contracts classified as other investments which are measured at account 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 2024

In the current year, the Group has applied for the first time the following amendments and interpretations issued by the HKICPA, which are effective for the Group's financial statements for the annual period beginning on 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current liabilities with Covenants
Amendments to HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

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

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

The following new or amendments to HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10, and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11[2]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual/reporting periods beginning on or after 1 January 2027.
4 No mandatory effective date yet determined but available for adoption.

The Group is currently assessing the impact of these new and amendments to HKFRSs. Except for the below, these new and amendments to HKFRSs are preliminary assessed and are not expected to have any significant impact on the Group's financial statements.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements* ("HKAS 1"). While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("HKAS 8"), which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosure requirements for investments in equity instruments designated at FVOCI and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on 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. Subsequently, profit or loss and each component of other comprehensive income are attributable to owners of the Company and to the non-controlling interests.

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 engaging in projects which are vast in scale and complex and 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 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 on hand and deposits held at call with financial institutions, and short-term deposit with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

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 tax

The current 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. 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 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Property, plant and equipment are not depreciated once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

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 and tax losses, are recognised when 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

As at 31 December 2024, the Group had trade receivables amounting to HK$67,372,000 before allowance (note 18). The Group has established a provision matrix for determining loss allowance of 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. Further details about the management's judgement in determining whether the credit risk on a financial instrument has increased significantly and when a financial instrument is in default are set out in note 4.5(ii).

Loss allowance for ECL provided for the trade receivables amounted to HK$6,629,000 as at 31 December 2024 (31 December 2023: HK$7,917,000). Details of the key assumptions and inputs used are set out in note 36(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

The Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets. Management assessed that as at 31 December 2024, there were indications of impairment in respect of these assets. Accordingly, management performed impairment testing for these assets by comparing their carrying amounts with their recoverable amounts following the accounting policy for impairment of non-financial assets (note 4.4). Property, plant and equipment and right-of-use assets are tested for impairment at cash generating unit ("CGU") level. The Group identifies separately identifiable CGU based on businesses and geographical location of its operations. The CGUs that were exposed to impairment concern are the business units operated in Hong Kong and China (the "Greater China unit") and Australia unit. The recoverable amounts of the Greater China unit and Australia unit are determined using value-in-use calculations. Based on the value-in-use calculations of the Greater China unit and Australia unit as at 31 December 2024, an impairment provision is not required for property, plant and equipment and right-of-use assets of the Greater China unit and Australia unit. The value-in-use calculations comprise cash flow projection based on the 2-year financial budget approved by the Directors. The cash flow projection incorporates a number of key estimates and assumptions about future events, including future sales growth, future gross profit attained and effectiveness of cost control measures. Therefore, the determinations of recoverable amount of the Greater China unit and Australia unit are subject to uncertainty and such recoverable amount might materially differ from the actual results. In making these key estimates and judgments, the Directors take into consideration assumptions that are mainly based on market conditions existed at the end of the reporting period. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. The value-in-use calculations also require the management to exercise judgement to determine an appropriate discount rate for the cash flow projection. Future changes in the events and conditions underlying the estimates and judgement would affect the estimation of recoverable amount and may result in adjustment to their carrying amounts.

(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 2024 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 2024 were HK$2,826,000 (31 December 2023: HK$21,620,000) and HK$6,139,000 (31 December 2023: HK$5,917,000) 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	
	2024	2023
	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	**64,294**	149,184
– Repair and maintenance services income	**2,967**	4,150
	67,261	153,334
Revenue from other sources		
– Machinery rental income	**450**	414
	67,711	153,748

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 (2023: 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 2024 is as follows:

	Tunnelling HK$'000	Foundation HK$'000	Total HK$'000
Segment revenue (all from external customers)	63,462	4,249	67,711
Cost of sales	(41,004)	(3,241)	(44,245)
Segment results	22,458	1,008	23,466
Gross profit %	35.39%	23.72%	34.66%
Other income			490
Selling expenses			(4,005)
Administrative expenses			(27,085)
Other gains and losses			
Exchange loss			(4,662)
Reversal of impairment of trade receivables			1,086
Impairment loss on assets classified as held for sale			(960)
Others			142
Operating loss			(11,528)
Finance income			319
Finance costs			(2,148)
Loss before income tax			(13,357)
Income tax credit			339
Loss for the year			(13,018)

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 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)

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

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
The PRC	**18,047**	28,765
Hong Kong	**17,991**	72,229
United States of America	**8,656**	34,017
Vietnam	**8,432**	–
Australia	**7,444**	10,099
Other Asia-Pacific countries	**427**	5,327
Others	**6,714**	3,311
	67,711	153,748

(d) The total amounts of non-current assets, other than deposits, assets arising under insurance contracts and deferred tax assets of the Group as at 31 December 2024 and 2023 are located in the following regions:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Hong Kong	**3,180**	4,192
Singapore	**8,965**	8,645
Australia	**896**	20,756
The PRC	**112**	183
	13,153	33,776

(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	
	2024	2023
	HK$'000	HK$'000
Customer A	**20,316**	70,852
Customer B	**17,452**	N.A.*
Customer C	**8,432**	–
Customer D	**7,742**	32,225

* not applicable as revenue of the customer for the respective year is less than 10% of the Group's revenue.

The revenue derived from the above major customers are reported under the operating segment "Tunnelling".

7. EXPENSES BY NATURE

	Year ended 31 December 2024 HK$'000	2023 HK$'000
Cost of inventories sold		
– Carrying amount of inventories sold	**42,852**	96,446
– Allowance for inventories	**605**	–
	43,457	96,446
Employee benefit expenses (note 9)	**14,974**	15,091
Depreciation*		
Owned property, plant and equipment (note 15(a))	**1,867**	2,171
Right-of-use assets (note 15(b))	**2,329**	2,198
	4,196	4,369
Short-term leases expenses	**335**	563
Auditor's remuneration		
– Audit services	**650**	650
– Non-audit services	**83**	78

* Recorded as administrative expenses

8. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

	Year ended 31 December 2024 HK$'000	2023 HK$'000
Other income		
Government grant (note)	**63**	87
Forfeiture of unclaimed dividend	**350**	467
Rental income	**77**	–
Others	**–**	4
	490	558
Other gains and losses — others		
Increase in value of other investments	**142**	114
Gain from disposal of property, plant and equipment	**–**	5
	142	119

Note:

During the year, the Group received various subsidies totalling HK$63,000 (2023: HK$87,000) from the governments of Singapore and the PRC (2023: Singapore and Australia) mainly to help entities to retain their employees.

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries, wages and other benefits	**14,085**	14,261
Pension costs – defined contribution plans*	**889**	830
	14,974	15,091

* 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 2024

	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	—	920	—	18	938
Ng Lai Tong	—	896	—	18	914
Ng Lai Po	160	—	—	—	160
Independent non-executive directors:					
Tai Wai Kwok	157	—	—	—	157
Lo Kok Keung	157	—	—	—	157
Lau Chi Leung	157	—	—	—	157
Luk Pui Yin Grace	95	—	—	—	95
	726	1,816	—	36	2,578

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

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 (2023: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2023: Nil).

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 2 directors (2023: 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 (2023: 3) are as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries, wages and other benefits	**2,099**	1,816
Pension costs – defined contribution plan	**139**	149
	2,238	1,965

The remuneration fell within the following band:

	Number of individual	
	Year ended 31 December	
	2024	2023
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 (2023: 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	
	2024	2023
Remuneration band		
Nil to HK$1,000,000	**1**	1

11. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Finance income on:		
– Bank deposits	**319**	316
Finance costs on:		
– Bank borrowings	**1,655**	2,194
– Trade payables	**197**	444
– Lease liabilities (note 23(b))	**161**	116
– Advance from a director	**56**	88
– Others	**79**	179
	2,148	3,021

12. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Current tax for the year		
– Hong Kong Profits Tax	**—**	1,134
– Over provision in respect of prior years	**(6)**	—
	(6)	1,134
Deferred tax (note 24)	**(333)**	1,050
Income tax (credit)/expense	**(339)**	2,184

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 is provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China. Singapore corporate income tax is provided for at the rate of 17% on the estimated assessable profits for the Group's operations in Singapore. Australia corporate income tax is provided for at the rate of 25%–30% on the estimated assessable profits for the Group's operations in Australia.

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

The tax on the Group's (loss)/profit 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	
	2024	2023
	HK$'000	HK$'000
(Loss)/Profit before income tax	**(13,357)**	9,446
Tax calculated at domestic tax rates applicable to profit or loss of the respective countries	**(2,824)**	1,006
Tax effect of profit at concessionary rate	**–**	(165)
Income not subject to tax	**(217)**	(233)
Expenses not deductible for tax purposes	**620**	60
Tax losses for which no deferred tax asset was recognised	**2,196**	1,425
Utilisation of previously unrecognised tax losses	**–**	(107)
Over-provision in respect of prior years	**(6)**	–
Others	**(108)**	198
Income tax (credit)/expense	**(339)**	2,184

13. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2024	2023
(Loss)/Profit attributable to equity holders of the Company (HK$'000)	**(12,826)**	6,888
Weighted average number of ordinary shares in issue (thousands)	**600,000**	600,000
Basic (loss)/earnings per share (expressed in HK cents)	**(2.14)**	1.15

(b) Diluted

Diluted (loss)/earnings per share presented is the same as the basic (loss)/earnings 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 2024:

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 2024	2023
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	RMB5,000,000	**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 2023	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**
Additions	**–**	**216**	**18**	**328**	**–**	**562**
Surplus on revaluation (note (c))	**11,756**	**–**	**–**	**–**	**–**	**11,756**
Disposal/Written off	**–**	**–**	**(16)**	**(102)**	**–**	**(118)**
Reclassified to assets held for sale (note (d))	**(27,996)**	**(1,076)**	**–**	**–**	**–**	**(29,072)**
Exchange difference	**(2,554)**	**(215)**	**(95)**	**(23)**	**(62)**	**(2,949)**
As at 31 December 2024	**2,826**	**11,068**	**2,058**	**1,573**	**4,012**	**21,537**
As at 31 December 2024 comprising						
At cost	**–**	**11,068**	**2,058**	**1,573**	**4,012**	**18,711**
At valuation	**2,826**	**–**	**–**	**–**	**–**	**2,826**
	2,826	**11,068**	**2,058**	**1,573**	**4,012**	**21,537**
ACCUMULATED DEPRECIATION						
As at 1 January 2023	–	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**
Provided for the year	**261**	**1,024**	**452**	**88**	**42**	**1,867**
Eliminated on revaluation (note (c))	**(261)**	**–**	**–**	**–**	**–**	**(261)**
Disposal/Written off	**–**	**–**	**(16)**	**(102)**	**–**	**(118)**
Reclassified to assets held for sale (note (d))	**–**	**(566)**	**–**	**–**	**–**	**(566)**
Exchange difference	**–**	**(115)**	**(87)**	**(22)**	**(51)**	**(275)**
As at 31 December 2024	**–**	**8,809**	**2,028**	**1,275**	**3,916**	**16,028**
CARRYING VALUE						
As at 31 December 2024	**2,826**	**2,259**	**30**	**298**	**96**	**5,509**
As at 31 December 2023	21,620	3,677	472	59	149	25,977

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

(b) Right-of-use assets

	Ownership interests in leasehold land held for own use HK$'000	Other properties leased for own use HK$'000	Total HK$'000
COST OR VALUATION			
As at 1 January 2023	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**
Effect on lease modification	**–**	**1,868**	**1,868**
Expiration of lease	**–**	**(1,631)**	**(1,631)**
Surplus on revaluation (note (c))	**439**	**–**	**439**
Exchange difference	**(217)**	**(57)**	**(274)**
As at 31 December 2024	**6,139**	**6,025**	**12,164**
As at 31 December 2024 comprising			
At cost	**–**	**6,025**	**6,025**
At valuation	**6,139**	**–**	**6,139**
	6,139	**6,025**	**12,164**
ACCUMULATED DEPRECIATION			
As at 1 January 2023	–	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**
Provided for the year	**124**	**2,205**	**2,329**
Expiration of lease	**–**	**(1,631)**	**(1,631)**
Eliminated on revaluation (note (c))	**(124)**	**–**	**(124)**
Exchange difference	**–**	**(17)**	**(17)**
As at 31 December 2024	**–**	**4,520**	**4,520**
CARRYING VALUE			
As at 31 December 2024	**6,139**	**1,505**	**7,644**
As at 31 December 2023	5,917	1,882	7,799

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 (2023: 2 to 3 years). In addition, some of the leases include an option to renew the lease for an additional period after the non-cancellable period. 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.

The lease liabilities of these lease contracts are disclosed in note 23(b).

(c) Revaluation of land and buildings including leasehold land classified as right-of-use assets

For the year ended 31 December 2024, the Group recorded net increase in fair value of the land and buildings situated in Australia and Singapore of HK$12,580,000. The increase in fair value net of income tax expense of HK$3,667,000 which amounted to HK$8,913,000 was recorded in revaluation reserve in equity. The fair values of the land and buildings are determined by the Directors with reference to the property valuations conducted by independent professional valuers.

The fair value of the Group's leasehold land situated in Singapore as at 31 December 2024 was determined by DValuer Property Consultants Pte Limited which is an independent firm of professionally qualified valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

As mentioned in note (d), during the year, the land and buildings situated at Australia were reclassified as assets held for sale. Their fair value before the reclassification was conducted by Royson Valuation Advisory Limited which is an independent firm of professionally qualified valuers and has 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;

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

(c) Revaluation of land and buildings including leasehold land classified as right-of-use assets (Continued)

- 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.

The fair values of the Group's leasehold land and buildings situated in Singapore as at 31 December 2024 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 the land and buildings situated in Singapore are as follows:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial–Office/ Warehouse	Singapore	Direct Comparison Approach	(Discount)/Premium on quality and characteristics of properties	–2% to 3% (2023: 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 current use.

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

(d) Assets classified as held for sale

In August 2024, the Group began to market an industrial use property located in Australia. On 29 November 2024, the Group entered into the sales and purchase agreement with the independent third party to dispose of the industrial property located at Australia together with certain machinery and equipment (together the "Disposal Property") at the cash consideration of AUD6 million (the "Disposal"). The sale of Disposal Property is expected to be completed within a year from the reporting date. Accordingly, the Disposal Property, with the carrying amount of HK$28,506,000, is reclassified as assets held for sale and are presented separately in the consolidated statement of financial position. Following the reclassification, an impairment loss of HK$960,000 was recognised to reduce the carrying amount of the Disposal Property to its fair value less costs to sell as at 31 December 2024, which amounted to HK$27,546,000. The fair value of the Disposal Property was determined using the sales comparison approach, which is a Level 2 fair value measurement. Subsequent to the reporting period, the Disposal was completed on 30 January 2025.

16. OTHER INVESTMENTS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Other investments		
– Life insurances for Mr. Ng Lai Ming	**5,903**	5,601

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 2024, there were no transfers into or out of Level 3 (2023: 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 current use.

17. INVENTORIES

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Merchandise	**31,085**	33,057

18. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Trade receivables	**67,372**	75,661
Less: loss allowance	**(6,629)**	(7,917)
Trade receivables, net	**60,743**	67,744
Bills receivables	**1,598**	2,569
Prepayments	**804**	1,337
Deposits paid	**2,356**	5,135
Other receivables	**172**	678
VAT receivable	**336**	510
	66,009	77,973
Less: Non-current portion deposits	**(451)**	(172)
	65,558	77,801

The credit terms granted by the Group generally ranged up to 270 days (2023: 270 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
0 to 30 days	**22,387**	17,089
31 to 60 days	**1,702**	3,227
61 to 90 days	**1,102**	1,159
91 to 180 days	**596**	5,205
181 to 365 days	**3,484**	5,691
Over 1 year but within 2 years	**8,902**	3,361
Over 2 years but within 3 years	**2,356**	7,609
Over 3 years	**26,843**	32,320
Trade receivables, gross	**67,372**	75,661
Less: loss allowance	**(6,629)**	(7,917)
Trade receivables, net	**60,743**	67,744

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2024	2023
	HK$'000	HK$'000
As at 1 January	**7,917**	7,003
Impairment losses charged to profit or loss	**–**	1,094
Impairment loss reversed	**(1,086)**	—
Exchange difference	**(202)**	(180)
As at 31 December	**6,629**	7,917

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 36(a)(ii).

Bills receivables represent bank acceptance notes issued by third parties with average maturity of within 365 days (2023: within 365 days), which are denominated in Renminbi.

19. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Short-term bank deposits with original maturity within three months	**15,005**	15,005
Cash at banks and on hand	**8,385**	13,299
	23,390	28,304

19. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK dollar	**16,978**	16,640
Euro ("EUR")	**3,086**	5,535
Australian dollar ("AUD")	**2,890**	2,507
Renminbi ("RMB")	**356**	384
Singapore dollar	**72**	1,638
United States dollar	**8**	1,600
	23,390	28,304

As at 31 December 2024, cash and cash equivalents of approximately HK$350,000 (2023: HK$376,000) 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	
	2024	2023
	HK$'000	HK$'000
Trade payables	**28,507**	25,922
Accrued expenses and other payables	**3,181**	5,205
	31,688	31,127

Included in trade payables as at 31 December 2024 was an amount of HK$6,936,000 (2023: HK$4,076,000) 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	
	2024	2023
	HK$'000	HK$'000
0 to 30 days	**6,059**	3,281
31 to 60 days	**3,097**	7,202
61 to 90 days	**2,523**	1,311
91 to 120 days	**–**	429
Over 120 days	**16,828**	13,699
	28,507	25,922

(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	
	2024	2023
	HK$'000	HK$'000
Contract liabilities related to trading in spare parts	**–**	395

Movements on contract liabilities are as follows:

	2024	2023
	HK$'000	HK$'000
As at 1 January	**395**	11,473
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	**(395)**	(11,473)
Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts	**–**	395
As at 31 December	**–**	395

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	
	2024	2023
	HK$'000	HK$'000
Amounts due to:		
– Mr. Ng Lai Tong	**–**	507
Advance from:		
– Mr. Ng Lai Ming	**2,000**	3,220
	2,000	3,727

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	
	2024	2023
	HK$'000	HK$'000
Bank borrowings (note (a))	**21,480**	28,068
Lease liabilities (note (b))	**1,551**	1,890
	23,031	29,958

23. BORROWINGS (CONTINUED)

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Non-current liabilities		
Bank borrowings	**1,788**	3,482
Lease liabilities	**239**	540
	2,027	4,022
Current liabilities		
Bank borrowings	**19,692**	24,586
Lease liabilities	**1,312**	1,350
	21,004	25,936
Total	**23,031**	29,958

(a) Bank borrowings

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

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
On demand or within 1 year	**19,692**	24,586
Later than 1 year but not exceeding 2 years	**1,788**	1,687
Later than 2 years but not exceeding 5 years	**–**	1,795
	21,480	28,068

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 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
As at 1 January 2024	**1,890**
Finance cost (note 11)	**161**
Lease payments	**(2,327)**
Effect on lease modification	**1,868**
Exchange difference	**(41)**
As at 31 December 2024	**1,551**

For the year ended 31 December 2024, the Group's total cash outflow for leases including short-term leases (note 7) amounted to HK$2,662,000 (2023: HK$2,787,000).

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 2024			
No later than 1 year	**1,371**	**(59)**	**1,312**
Later than 1 year but not later than 2 years	**243**	**(4)**	**239**
	1,614	**(63)**	**1,551**

	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

(c) Banking facilities

As at 31 December 2024, the Group has obtained total banking facilities from banks of approximately HK$33,500,000 (2023: HK$35,100,000), of which HK$12,000,000 (2023: HK$7,000,000) has not been utilised.

The banking facilities are secured by the following:

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

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

(iii) personal guarantees provided by the executive Directors.

In December 2024, the Group revised the banking facility with a bank with a reduction of an existing facility from HK$30,000,000 to HK$12,000,000. This revised facility will take effect on 31 May 2025.

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	
	2024	2023
Floating rate		
Bank borrowings	**6.8%**	7.7%

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$'000	Impairment loss on assets classified as held for sale HK$'000	Total HK$'000
As at 1 January 2023	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)**
(Charge)/credit to profit or loss (note 12)	**(8)**	**(4)**	**122**	**–**	**–**	**223**	**333**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**(3,667)**	**–**	**(3,667)**
Exchange difference	**(139)**	**–**	**34**	**30**	**415**	**–**	**340**
As at 31 December 2024	**1,924**	**265**	**(254)**	**(927)**	**(5,764)**	**223**	**(4,533)**

24. DEFERRED TAXATION (CONTINUED)

Represented by

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Deferred tax assets	**964**	1,532
Deferred tax liabilities	**(5,497)**	(3,071)
	(4,533)	(1,539)

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 2024, the Group had unused tax losses of HK$33,901,000 (2023: HK$31,344,000) available for offset against the future profits, in which HK$8,403,000 (2023: HK$9,698,000) 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$25,498,000 (2023: HK$21,646,000) as it is not probable that taxable profit will be available against which these unused tax losses can be utilized. 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 2023, 31 December 2023 and 31 December 2024	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	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$'000 (note (b))	Retained earnings/ (Accumulated loss) HK$'000	Total HK$'000
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
As at 1 January 2024	**63,332**	**15,642**	**7,685**	**(131)**	**1,522**	**9,271**	**97,321**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(12,826)**	**(12,826)**
Fair value adjustment on revaluation of land and buildings, net of tax effect	**–**	**–**	**8,913**	**–**	**–**	**–**	**8,913**
Currency translation difference	**–**	**–**	**–**	**(447)**	**–**	**–**	**(447)**
Difference in depreciation provided based on historical cost and revalued amount	**–**	**–**	**(55)**	**–**	**–**	**55**	**–**
As at 31 December 2024	**63,332**	**15,642**	**16,543**	**(578)**	**1,522**	**(3,500)**	**92,961**

Notes:

(a) Capital reserve of HK$15,642,000 as at 31 December 2024 and 2023 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.

(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	
	2024	2023
	HK$'000	HK$'000
(Loss)/Profit before income tax	**(13,357)**	9,446
Adjustments for:		
Finance income	**(319)**	(316)
Finance costs	**2,148**	3,021
Depreciation	**4,196**	4,369
(Reversal of)/Provision for impairment of trade receivables	**(1,086)**	1,094
Forfeiture of unclaimed dividend	**(350)**	(467)
Increase in fair value of other investments	**(142)**	(114)
Impairment loss of assets classified as held for sales	**960**	–
Gain on disposal of property, plant and equipment	**–**	(5)
Cash (used in)/generated from operation before changes in working capital	**(7,950)**	17,028
Changes in working capital		
Inventories	**918**	9,948
Trade and other receivables	**11,101**	1,643
Trade and other payables	**6,105**	(6,498)
Contract liabilities	**(395)**	(11,078)
Balances with directors	**(507)**	–
Other provision	**(88)**	107
Net cash generated from operations	**9,184**	11,150

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**	**Advance from a director HK$'000**
As at 1 January 2024	**28,068**	**1,890**	**3,220**
Changes from financing cash flows:			
Proceeds from borrowings	**18,000**	**–**	**–**
Repayment of borrowings	**(24,588)**	**–**	**(1,220)**
Payment of principal element of lease liabilities	**–**	**(2,166)**	**–**
Total changes from financing cash flows	**(6,588)**	**(2,166)**	**(1,220)**
Exchange adjustments	**–**	**(41)**	**–**
Other changes:			
Modification of lease	**–**	**1,868**	**–**
Total other changes	**–**	**1,868**	**–**
As at 31 December 2024	**21,480**	**1,551**	**2,000**

	Liabilities from financing activities		
	Bank borrowings HK$'000	Lease liabilities HK$'000	Advance from 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)
Exchange adjustments	–	10	–
Other changes:			
Commencement of lease	–	1,384	–
Total other changes	–	1,384	–
As at 31 December 2023	28,068	1,890	3,220

28. DIVIDENDS

The Board does not recommend the payment of both interim and final dividends for the year ended 31 December 2024 (2023: Nil).

29. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2024 and 2023.

30. COMMITMENTS

As at 31 December 2024, the Group had commitment of HK$13,269,000 (2023: nil) relating to the acquisition of property, plant and equipment.

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	
	2024	2023
	HK$'000	HK$'000
Interest expense paid to a director (note 11)	**56**	88

(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	
	2024	2023
	HK$'000	HK$'000
Salaries, wages and other benefits	**3,115**	3,120
Contributions to defined contribution retirement plans	**117**	115
	3,232	3,235

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	
	2024	2023
	HK$'000	HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	**35,297**	35,297
Deferred tax asset	**–**	304
	35,297	35,601
Current assets		
Prepayments and other receivables	**245**	106
Amounts due from subsidiaries	**37,463**	38,574
Cash and cash equivalents	**15,112**	15,183
	52,820	53,863
Current liabilities		
Accrued expenses	**270**	474
Net current assets	**52,550**	53,389
Net assets	**87,847**	88,990
CAPITAL AND RESERVES		
Share capital	**6,000**	6,000
Reserves (note)	**81,847**	82,990
Total equity	**87,847**	88,990

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2025 and were signed on its behalf by:

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

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

Note:

Reserve movements of the Company are as follows:

	Share premium and other reserves HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
As at 1 January 2023	129,114	(45,161)	83,953
Loss and total comprehensive income for the year	–	(963)	(963)
As at 31 December 2023	**129,114**	**(46,124)**	**82,990**
Loss and total comprehensive income for the year	**–**	**(1,143)**	**(1,143)**
As at 31 December 2024	**129,114**	**(47,267)**	**81,847**

34. NON-CONTROLLING INTERESTS

The following table lists out the information relating to M&L Engineering & Materials Limited, the only subsidiary of the Group which has a material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2024 **HK$'000**	2023 HK$'000
Non-controlling interests percentage	**4.67%**	4.67%
Current assets	**113,729**	130,083
Non-current assets	**9,846**	9,651
Current liabilities	**(96,779)**	(106,360)
Non-current liabilities	**(3,467)**	(5,372)
Net assets	**23,329**	28,002
Carrying amount of non-controlling interests	**1,184**	1,375
Revenue	**59,634**	149,739
(Loss)/Profit for the year	**(4,706)**	6,819
Total comprehensive income for the year	**(4,673)**	6,750
(Loss)/Profit allocated to non-controlling interests	**(192)**	374
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**5,523**	8,391
Cash flows used in investing activities	**(470)**	(586)
Cash flows used in financing activities	**(7,488)**	(7,191)

35. 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	
	2024	2023
	HK$'000	HK$'000
Financial assets at amortised cost:		
– Trade and other receivables	**63,916**	72,241
– Cash and cash equivalents	**23,390**	28,304
	87,306	100,545
Financial liabilities at amortised cost:		
– Trade and other payables	**31,475**	30,542
– Amounts due to directors	**2,000**	3,727
– Bank borrowings	**21,480**	28,068
	54,955	62,337
Other financial instruments:		
– Lease liabilities	**1,551**	1,890

36. 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.

36. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2024, the net monetary liabilities denominated in EUR was approximately EUR583,000 (2023: EUR544,000). Had HK$ been strengthened/weakened by 5% against the EUR with all other variables held constant, pre-tax loss for the year would have been lower/higher by approximately HK$236,000 (2023: pre-tax profit would have been higher/lower by approximately HK$234,000), mainly as a result of foreign exchange gains/losses on translation of EUR 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 profit or loss against changes in exchange rates of foreign currencies arising from these assets and liabilities would not be significant. Accordingly, no sensitivity analysis is performed.

(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.

36. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

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 2024

	Gross carrying amount HK$'000	Individually assessed for loss allowance HK$'000	Balance under collective assessment HK$'000	ECL rate	Collectively assessed loss allowance HK$'000	Total loss allowance HK$'000
Current (not past due)	24,978	–	24,978	0.01%	2	2
1–30 days past due	517	–	517	0.00%	–	–
31–180 days past due	2,157	–	2,157	0.37%	8	8
181–365 days past due	6,822	–	6,822	0.51%	35	35
1–2 years past due	3,939	–	3,939	0.76%	30	30
2–3 years past due	2,725	–	2,725	1.06%	29	29
3–4 years past due	10,339	–	10,339	1.23%	127	127
Over 4 years past due	15,895	4,555	11,340	16.25%	1,843	6,398
	67,372	4,555	62,817		2,074	6,629

36. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

As at 31 December 2023

	Gross carrying amount HK$'000	Individually assessed for loss allowance HK$'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

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 2023 and 2024, 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 2024, had the interest rate on bank borrowings been 100 basis point higher/lower with all other variables held constant, post-tax loss for the year would have been higher/lower by approximately HK$179,000 (2023: post-tax profit would have been lower/higher, by HK$234,000) mainly as a result of higher/lower interest expense on the floating rate bank borrowings.

36. 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 the 2nd year HK$'000	In the 3rd to 5th years HK$'000	Total HK$'000
As at 31 December 2024					
– Bank borrowings	**18,000**	**1,830**	**1,841**	**–**	**21,671**
– Lease liabilities	**–**	**1,371**	**243**	**–**	**1,614**
– Amounts due to directors	**–**	**2,012**	**–**	**–**	**2,012**
– Trade and other payables	**139**	**31,405**	**–**	**–**	**31,544**
	18,139	**36,618**	**2,084**	**–**	**56,841**
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
	23,714	36,861	2,238	2,030	64,843

36. 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$'000	**In the 2nd year** HK$'000	**In the 3rd to 5th years** HK$'000	**Total contractual undiscounted cash flow** HK$'000
As at 31 December 2024	**18,319**	**–**	**–**	**18,319**
As at 31 December 2023	23,469	–	–	23,469

(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	
	2024 **HK$'000**	2023 HK$'000
Total debts	**25,031**	33,178
Total assets	**168,418**	180,603
Debt-to-asset ratio	**14.86%**	18.37%

(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, 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				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**67,711**	153,748	87,047	85,991	70,944
Gross profit	**23,466**	55,457	29,259	21,075	21,531
(Loss)/Profit before income tax	**(13,357)**	9,446	(8,701)	(9,230)	(6,452)
Income tax credit/(expense)	**339**	(2,184)	126	(31)	935
(Loss)/Profit for the year	**(13,018)**	7,262	(8,575)	(9,261)	(5,517)
(Loss)/Profit for the year attributable to equity holders of the Company	**(12,826)**	6,888	(8,452)	(9,059)	(5,379)

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**20,471**	41,081	41,361	41,940	37,511
Current assets	**147,947**	139,522	153,469	156,839	167,606
Total assets	**168,418**	180,603	194,830	198,779	205,117
Non-current liabilities	**8,051**	7,708	8,748	11,629	5,473
Current liabilities	**60,222**	68,199	90,854	83,732	91,894
Total liabilities	**68,273**	75,907	99,602	95,361	97,367
Non-controlling interests	**1,184**	1,375	1,003	1,152	1,342