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)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

The board of Directors (the "Board") of the Company is pleased to announce the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**113,933**	161,626
Cost of sales	*5*	**(80,668)**	(116,534)
Gross profit		**33,265**	45,092
Other income	*6*	**190**	517
Other losses, net	*6*	**–**	(233)
Selling expenses	*5*	**(4,698)**	(6,104)
Administrative expenses	*5*		
– Legal and professional fee for listing preparation		**–**	(11,498)
– Others		**(33,120)**	(33,743)
Operating loss		**(4,363)**	(5,969)
Finance income		**257**	39
Finance costs		**(1,072)**	(761)
Loss before income tax		**(5,178)**	(6,691)
Income tax credit/(expense)	*7*	**152**	(1,805)
Loss for the year		**(5,026)**	(8,496)
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Currency translation differences		**(669)**	1,227
Total comprehensive income		**(5,695)**	(7,269)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(4,951)**	(8,645)
Non-controlling interests		**(75)**	149
		(5,026)	(8,496)
Total comprehensive income attributable to:			
Equity holders of the Company		**(5,603)**	(7,422)
Non-controlling interests		**(92)**	153
		(5,695)	(7,269)
Loss per share			
– Basic and diluted (expressed in HK cents per share)	*8*	**(0.83)**	(1.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Prepaid land premium		**5,356**	5,566
Property, plant and equipment		**22,303**	11,346
Deposits		**961**	1,716
Deferred income tax assets		**1,118**	102
		29,738	18,730
Current assets			
Inventories		**28,763**	24,642
Trade and other receivables	*9*	**97,313**	74,275
Tax recoverable		**466**	4,066
Pledged bank deposits		**–**	2,536
Cash and cash equivalents		**33,916**	70,101
		160,458	175,620
Current liabilities			
Trade and other payables	*10 (a)*	**37,543**	37,689
Contract liabilities	*10 (b)*	**899**	–
Dividend payable		**7,980**	7,980
Amounts due to directors		**6,132**	1,663
Bank borrowings		**17,000**	14,000
Finance lease liabilities		**1,551**	1,666
Current income tax liabilities		**74**	854
		71,179	63,852
Net current assets		**89,279**	111,768
Total assets less current liabilities		**119,017**	130,498
Non-current liabilities			
Finance lease liabilities		**3,042**	4,592
Deferred income tax liabilities		**1,572**	1,161
Other provision		**320**	167
		4,934	5,920
Net assets		**114,083**	124,578
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital		**6,000**	6,000
Reserves		**106,635**	117,038
		112,635	123,038
Non-controlling interests		**1,448**	1,540
Total equity		**114,083**	124,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 10th Floor, Empress Plaza, 17-19 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

The Group, 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 all applicable 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 the GEM of the Stock Exchange.

These financial statements have been prepared under the historical cost basis.

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.

3 ADOPTION OF NEW OR REVISED HKFRSs

Adoption of new or revised HKFRSs – effective 1 January 2018

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards

Except for the impacts of the adoption of HKFRS 9 and HKFRS 15 as further explained below, the adoption of the above new or revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 9 – Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group.

The Group's financial assets as at 1 January 2018 composed of trade and other receivables, pledged bank deposits and cash and cash equivalents, which were previously classified as loans and receivables and measured at amortised cost under HKAS 39. These financial assets meet the "solely payments of principal and interest criterion" and it is the Group's business model to hold these financial assets to collect their contractual cash flows. Accordingly, they are classified as financial assets at amortised cost and will continue to be subsequently measured at amortised cost upon the adoption of HKFRS 9.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *HK$'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *HK$'000*
Trade and other receivables	Loans and receivables	Amortised cost	**74,275**	**74,275**
Pledged bank deposits	Loans and receivables	Amortised cost	**2,536**	**2,536**
Cash and cash equivalents	Loans and receivables	Amortised cost	**70,101**	**70,101**

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECL") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Timing of revenue recognition

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group's contracts with customers for the sales of construction machinery and spare parts generally include one performance obligation. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of construction machinery and spare parts as the sale contracts does not satisfy above criterion.

(ii) Presentation and disclosure requirements

As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosures of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 4 for the disclosure on disaggregated revenue.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

– Trade deposits received of HK$64,000 that were previously included in trade and other payables have been reclassified as contract liabilities.

4 REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2018	2017
	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	**111,298**	158,071
– Repair and maintenance services income	**2,087**	3,287
Timing of revenue recognition – Transferred over time	**–**	–
	113,385	161,358
Revenue from other sources		
– Machinery rental income	**548**	268
	113,933	161,626

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

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

(ii) Foundation – Supply of fabricated construction steel works and equipment

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

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2018 (2017: 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 2018 is as follows:

	Tunnelling *HK$'000*	**Foundation** *HK$'000*	**Total** *HK$'000*
Segment revenue (all from external customers)	**94,332**	**19,601**	**113,933**
Cost of sales	**(65,754)**	**(14,914)**	**(80,668)**
Segment results	**28,578**	**4,687**	**33,265**
Gross profit %	**30.30%**	**23.91%**	**29.20%**
Other income			**190**
Selling expenses			**(4,698)**
Administrative expenses			**(33,120)**
Operating loss			**(4,363)**
Finance income			**257**
Finance costs			**(1,072)**
Loss before income tax			**(5,178)**
Income tax credit			**152**
Loss for the year			**(5,026)**

(b) The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Tunnelling	Foundation	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	144,652	16,974	161,626
Cost of sales	(102,469)	(14,065)	(116,534)
Segment results	42,183	2,909	45,092
Gross profit %	29.16%	17.14%	27.90%
Other income			517
Other losses			(233)
Selling expenses			(6,104)
Administrative expenses			(45,241)
Operating loss			(5,969)
Finance income			39
Finance costs			(761)
Loss before income tax			(6,691)
Income tax expense			(1,805)
Loss for the year			(8,496)

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**33,142**	42,236
The PRC	**62,583**	89,321
Singapore and other Asia–Pacific countries	**14,112**	30,069
Others	**4,096**	–
	113,933	161,626

(d) The total amounts of non-current assets, other than financial instruments and deferred income tax assets of the Group as at 31 December 2018 are located in the following regions:

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**7,335**	8,270
The PRC	**388**	254
Singapore	**7,956**	8,388
Australia	**11,980**	–
	27,659	16,912

(e) Certain customers contributed more than 10% of the total sales of the Group during the year ended 31 December 2018. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Customer A	**27,478**	26,597
Customer B	**17,437**	49,101
Customer C	**17,161**	24,644
Customer D	**14,321**	7,166

5 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**80,262**	116,194
Employee benefit expenses	**20,233**	21,834
Depreciation	**1,602**	1,401
Amortisation	**104**	102
Freight charge	**2,361**	2,815
Legal and professional fee for listing preparation	**–**	11,498
Auditors' remuneration		
– Audit services	**639**	1,260
– Non-audit services	**53**	143
Operating lease charges on land and buildings	**3,521**	3,368
Exchange losses/(gains)	**3,757**	(3,863)
(Reversal of provision)/provision for impairment loss on trade receivables *(Note 9)*	**(4,116)**	2,005
Entertainment expenses	**1,349**	1,924
Travelling expense	**2,226**	1,781
Motor vehicle expenses	**854**	930
Others	**5,641**	6,487
Total cost of sales, selling expenses and administrative expenses	**118,486**	167,879

6 OTHER INCOME AND OTHER LOSSES, NET

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Other income		
Inspection charges	**135**	476
Others	**55**	41
	190	517
Other losses, net		
Loss from disposal of property, plant and equipment	**–**	164
Loss from disposal of assets held for sale	**–**	69
	–	233

7 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**(38)**	252
– Mainland China corporate income tax	**458**	1,321
– Singapore corporate income tax	**(13)**	1
– Australia corporate income tax	**15**	–
Deferred income tax	**(574)**	231
Income tax (credit)/expense	**(152)**	1,805

The Group is not subject to taxation in the Cayman Islands and British Virgin Islands.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2018 (2017: 16.5%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China for the year ended 31 December 2018 (2017: 25%). Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group's operations in Singapore for the year ended 31 December 2018 (2017: 17%). Australia corporate income tax has been provided for at the rate of 30% on the estimated assessable profits for the Group's operations in Australia for the year ended 31 December 2018.

8 LOSS PER SHARE

(a) Basic

The basic loss per share is calculated on the loss attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the respective year. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue of ordinary shares which took place on 21 July 2017.

	Year ended 31 December	
	2018	2017
Loss attributable to equity holders of the Company (HK$'000)	**(4,951)**	(8,645)
Weighted average number of ordinary shares in issue (thousands)	**600,000**	517,397
Basic loss per share (expressed in HK cents)	**(0.83)**	(1.67)

(b) Diluted

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

9 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**93,077**	77,676
Less: loss allowance	**(6,842)**	(11,360)
Trade receivables – net	**86,235**	66,316
Bills receivables	**2,961**	6,276
Prepayments	**502**	397
Trade deposits paid	**6,186**	6
Deposits paid	**1,404**	2,480
Other receivables	**986**	516
	98,274	75,991
Less: Non-current portion deposits	**(961)**	(1,716)
	97,313	74,275

The credit terms granted by the Group generally ranged up to 270 days (2017: 180 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**17,405**	21,851
31 to 60 days	**6,603**	9,549
61 to 90 days	**5,975**	5,339
91 to 180 days	**15,803**	8,053
181 to 365 days	**10,285**	4,947
Over 1 year	**37,006**	27,937
Trade receivables, gross	**93,077**	77,676
Less: loss allowance	**(6,842)**	(11,360)
Trade receivables, net	**86,235**	66,316

As at 31 December 2018, trade receivables of HK$62,205,000, were past due but not impaired (2017: HK$33,110,000). The ageing analysis of these trade receivables based on due date, net is as follows:

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Past due but not impaired:		
– Less than 3 months	**21,610**	12,951
– 3 to 6 months	**6,593**	2,648
– 6 months to 1 year	**11,571**	3,026
– More than 1 year	**22,431**	14,485
	62,205	33,110

Long aged receivables that were past due but not impaired relate to customers who have no recent history of default and based on past experience, settlement record and recent correspondence with the customers, the directors expect the overdue amounts to be recoverable.

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

	2018	2017
	HK$'000	*HK$'000*
Balance at 1 January	**11,360**	9,289
Impairment losses charged to profit or loss	**–**	2,005
Impairment losses reversed	**(4,116)**	–
Written off during the year as uncollectible	**(35)**	(629)
Exchange difference	**(367)**	695
Balance at 31 December	**6,842**	11,360

The carrying amounts of bills receivables approximate their fair values due to their short maturity. As at 31 December 2018, all the bills receivables represent bank acceptance notes issued by third parties with average maturity of within 189 days (2017: within 179 days), which are denominated in Renminbi.

10 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Trade payables	**33,973**	32,225
Accrued expenses and other payables	**3,570**	5,400
Trade deposit received	**–**	64
	37,543	37,689

The carrying amounts of trade and other payables approximate their fair values as at 31 December 2018 and 2017.

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**4,462**	5,153
31 to 60 days	**7,081**	2,665
61 to 90 days	**3,977**	5,367
91 to 120 days	**5,567**	4,813
Over 120 days	**12,886**	14,227
	33,973	32,225

(b) Contract liabilities

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

	31 December 2018	1 January 2018 *(Note)*	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities related to trading in spare parts	**899**	64	–

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

Movements in contract liabilities

	2018
	HK$'000
Balance at 1 January	**64**
– 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	**(64)**
– Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts as at 31 December	**899**
Balance at 31 December	**899**

As at 31 December 2018, the contract liabilities of HK$899,000 were expected to be recognised as income within one year.

11 DIVIDENDS

Interim dividend of HK$18,000,000 and HK$1,470,000 were declared to the then equity holder of the Company and non-controlling interests respectively in 2017. The portion attributable to the then equity holders of the Company was fully settled in 2017.

The final dividend for the year ended 31 December 2017 of HK0.8 cents per share, amounting to total dividend of HK$4,800,000, has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 11 June 2018.

Other than the above, the Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Background, recent development and outlook

The Group is an integrated engineering solutions provider in connection with specialised cutting tools and parts for construction equipment with particular focus on disc cutters. Disc cutters are widely used in conjunction with tunnel boring machines ("TBM") and microtunnelling equipment and typically applied towards the excavation of tunnels with circular cross section through a variety of soil and rock strata. In addition to our focus in tunnelling sector, we also provide integrated engineering solutions to our customers in the foundation sector.

In general, our integrated engineering solutions involve (i) the supply of specialised cutting tools and parts for construction 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.

To heighten the Group's recognition and enhance its capital base, the Company listed its shares on GEM of the Stock Exchange on 21 July 2017 by ways of placing and public offer (the "Share Offer").

Hong Kong market

For tunnelling sector, several TBM tunnelling projects in Hong Kong were finished in 2015, thus the industry has been witnessing a moderate drop in the contract value of TBM tunnelling works. Recently, no new TBM tunnelling projects was staged in Hong Kong which had in turn adversely affected our revenue from Hong Kong. Nevertheless, the Hong Kong Government had committed publicly on pursuing the development of two new railway schemes which were recommended in the "Railway Development Strategy" published by the Transport and Housing Bureau of Hong Kong in 2014, in which seven new railway schemes had been proposed up to 2026.

For foundation sector, we have seen some new projects being staged in 2018, and we had received purchase orders from new customers for our branded foundation products for these projects. As such, the performance of the foundation segment for the year ended 31 December 2018 was better than that of the same period of 2017.

On the whole, the management is confident that Hong Kong market will be recovered gradually in mid to long term.

PRC market

The Group's business in the PRC market was related to the supply of specialised cutting tools and parts mainly for tunnelling equipment manufacturers. We observed competition building up in the cutting tools market in the PRC and a trend for tunnelling equipment manufacturers diversifying supplier base for cutting tools. As such, we have recorded a drop in the revenue from sales to PRC tunnelling equipment manufacturer for the year ended 31 December 2018, as compared to the same period of 2017. Nevertheless, due to the expansion of the PRC sales team, our revenue from sales to the PRC construction sites remained stable despite the keen market competition.

Singapore and other Asia-Pacific countries

The Group has utilised Singapore as a regional hub to seek opportunities for expansion into Malaysia. The Group is targeting certain new infrastructure projects pending to be launched in Singapore in 2019 and the management is prudently optimistic in the expansion of Malaysia market. Furthermore, in response to the slow performance of business in our current market, the management have liaised actively with projects and customers in other Asia-Pacific countries for new business opportunities.

Other countries

We are also seeking actively for expansion opportunities in the global markets. We are delighted to announce that we recorded revenue from our new targeted markets. We will keep exploring expansion opportunities and identify the next growing point of the Group.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK$47.7 million, or 29.5%, from approximately HK$161.6 million for the year ended 31 December 2017 to approximately HK$113.9 million for the year ended 31 December 2018. The decrease was primarily attributable to the decrease in revenue recognized for our tunnelling segment by approximately HK$50.4 million, or 34.8%, from approximately HK$144.7 million for the year ended 31 December 2017 to approximately HK$94.3 million for the year ended 31 December 2018. Meanwhile, the revenue recognised for our foundation segment was increased, by HK$2.6 million, or 15.3%, from approximately HK$17.0 million for the year ended 31 December 2017 to approximately HK$19.6 million to the year ended 31 December 2018. From the perspective of geographic locations of our customers, revenue derived from customers based in Hong Kong, the PRC and Singapore and other Asia-Pacific countries decreased by approximately HK$9.1 million, HK$26.7 million and HK$16.0 million to approximately HK$33.1 million, HK$62.6 million and HK$14.1 million from the corresponding prior year, respectively.

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. Our cost of inventories sold accounted for the largest part of our cost of sales. Our cost of sales decreased by approximately HK$35.8 million, or 30.7%, from approximately HK$116.5 million for the year ended 31 December 2017 to approximately HK$80.7 million for the year ended 31 December 2018. Such movement was primarily attributable to the decrease in cost of inventory sold associated with our decrease in revenue.

Gross profit

Our gross profit decreased by approximately HK$11.8 million, or 26.2%, from approximately HK$45.1 million for the year ended 31 December 2017 to approximately HK$33.3 million for the year ended 31 December 2018. Our gross profit margin increased slightly from approximately 27.9% for the year ended 31 December 2017 to approximately 29.2% for the year ended 31 December 2018.

Other income and other losses

The other income and other losses, primarily consisted of (i) inspection charges and (ii) loss from disposal of property, plant and equipment. Our net other income were approximately HK$0.2 million and HK$0.3 million for the year ended 31 December 2018 and 2017, respectively.

Selling expenses

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses decreased from approximately HK$6.1 million for the year ended 31 December 2017 to HK$4.7 million for the year ended 31 December 2018, which was mainly attributable to the decrease in revenue recorded by our Group.

Administrative expenses

Administrative expenses – others mainly include staff costs, Directors' remuneration and benefits (both accounted for under the employee benefit expenses), legal and professional fees, operating lease charges on land and buildings, (reversal of provision)/provision for impairment loss on trade receivables and other administrative expenses. Legal and professional fee for the listing preparation was approximately HK$11.5 million for the year ended 31 December 2017 was non-recurring in nature.

Finance income and finance costs

The net amount of finance costs increased by approximately HK$0.1 million from approximately HK$0.7 million for the year ended 31 December 2017 to approximately HK$0.8 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in finance costs related to bank borrowings and the finance lease liabilities.

Income tax credit/(expense)

Our income tax represents Hong Kong profits tax, the PRC enterprise income tax, Singapore corporate income tax and Australia corporate income tax. Our Group is not subject to any income tax in the Cayman Islands and British Virgin Islands. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2018. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018. Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China for the year ended 31 December 2018. Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group's operations in Singapore for the year ended 31 December 2018. Australia corporate income tax has been provided for at the rate of 30% on the estimated assessable profits for the Group's operations in Australia for the year ended 31 December 2018. The income tax expense for the year ended 31 December 2017 was approximately HK$1.8 million, while we recorded an income tax credit of approximately HK$0.2 million for the year ended 31 December 2018. The decrease was primarily due to a decrease in our Group's assessable profit for the year ended 31 December 2018.

Loss attributable to equity holders of our Company

We recorded a loss attributable to equity holders of our Company for the year ended 31 December 2018 of approximately HK$5.0 million, while it was a loss of approximately HK$8.6 million for the year ended 31 December 2017.

Liquidity, financial resources and capital structure

	31 December 2018	31 December 2017
	HK$'000	*HK$'000*
Current assets	**160,458**	175,620
Current liabilities	**71,179**	63,852
Current ratio	**2.25**	2.75

During the year ended 31 December 2018, the Group financed its operations by its internal resources, banking facilities and net proceeds from the Share Offer. As at 31 December 2018, the Group had net current assets of approximately HK$89.3 million (31 December 2017: HK$111.8 million), including cash and cash equivalents of approximately HK$33.9 million (31 December 2017: HK$70.1 million). The Group's current ratio as at 31 December 2018 was 2.25 times (31 December 2017: 2.75 times).

As at 31 December 2018, the Group had a total available banking and other facilities of approximately HK$30.0 million, of which approximately HK$17.0 million was utilised and approximately HK$13.0 million was unutilised and available for use.

The shares of the Company were listed on GEM on 21 July 2017, 15,000,000 and 135,000,000 of the Company's shares at a price of HK$0.47 were issued on the same day by ways of public offer and placing, respectively. There has been no change in capital structure of the Company since 21 July 2017. As at 31 December 2018, the equity attributable to equity holders of the Company amounted to approximately HK$112.6 million (31 December 2017: approximately HK$123.0 million).

Gearing ratio

Our Directors confirmed that as at each of 31 December 2018 and 31 December 2017, we maintained a net cash position. On this basis, we did not record a gearing ratio.

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2018, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro and Renminbi (the "Major Foreign Currencies").

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

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

CAPITAL COMMITMENT

As at 31 December 2018, the Group had capital commitments in respect of the property, plant and equipment that had been contracted for but not provided for in the consolidated financial statements of approximately HK$1,196,000.

USE OF PROCEEDS

The net proceeds from the Share Offer was approximately HK$40.2 million, which was different from the estimated net proceeds of HK$39.0 million as disclosed in the prospectus of the Company dated 30 June 2017 (the "Prospectus"). The difference of HK$1.2 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. As further disclosed in the announcement of the Company dated 21 December 2018 (the "Use of Proceeds Announcement"), the Board has resolved to reallocate approximately HK$2.7 million of the net proceeds for expanding our repair and maintenance services for tunnelling business in Australia from the amount of net proceeds originally designated for expanding such services in Mainland China. The utilisation of net proceeds raised by the Group from the Share Offer up to 31 December 2018 is as below.

	Estimated use of proceeds	**Adjusted use of proceeds**	**Up to 31 December 2018**	
			Utilised	**Unutilised**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
To further develop fabricated construction steel works and equipment business in the PRC	16.0	16.5	0.2	16.3
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	14.0	14.0	–
To expand repair and maintenance services in the PRC for tunnelling business	5.5	3.0	0.2	2.8
To expand repair and maintenance services in Australia for tunnelling business	–	2.7	0.5	2.2
General working capital	3.9	4.0	4.0	–
	39.0	40.2	18.9	21.3

The unutilised net proceeds from the Share Offer have been placed with licensed banks in Hong Kong.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus and the Use of Proceeds Announcement with the Group's actual business progress for the period from the Listing Date to 31 December 2018 is set out below.

Business objectives	Actual business progress up to 31 December 2018
Further development fabricated construction steel works and equipment business in the PRC	We had visited various industrial properties in Foshan, Dongguan and Huizhou in Guangdong Province to find the appropriate location for the set-up of the factory. The process is still ongoing.
Expansion of fleet of specialised construction machinery and equipment	Acquired seven sets of PTC vibrator equipment for trading purpose.
Expansion of repair and maintenance services in the PRC	We had visited various industrial properties in Foshan, Dongguan and Huizhou in Guangdong Province to find the appropriate location for the workshop. The process is still ongoing.
Expansion of repair and maintenance services in Australia	We had engaged local constructors to install lifting equipment, power supply and necessary improvements to our Australia warehouse, so as to prepare for commencement of repair and maintenance services in 2019.

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 2018.

SIGNIFICANT INVESTMENTS HELD

On 21 November 2017, M&L Oceania Management Pty Ltd (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into the Contract of Sale (the "Contract of Sale") with Raunik Warehouse Developments Pty Ltd (the "Vendor"), pursuant to which the Purchaser will acquire from the Vendor a warehouse with office situated at 9 Efficient Drive, Truganina VIC 3029, Australia (the "Property") for a purchase price of AUD2,078,000. An initial deposit of AUD207,800 had been paid by the Purchaser to the Vendor upon signing of the Contract of Sale; and the remaining balance of the purchase price in the amount of AUD1,870,200 payable by the Purchaser to the Vendor will take place within 6 months from the date of the Contract of Sale. The transaction was completed on 21 May 2018.

Save as disclosed above, the Group had not held any significant investments during the year ended 31 December 2018.

CHARGES ON ASSETS

As at 31 December 2018, certain machinery and equipment and inventories with carrying value of approximately HK$7,574,000 (2017: HK$8,279,000) were pledged to secure for the Group's borrowings.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE FINANCIAL YEAR

No event has occurred after 31 December 2018 and up to the date of this announcement which would have a material effect on the Group.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules and had complied with the CG Code throughout the year ended 31 December 2018 and up to the date of this announcement, except for the deviation stipulated below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiries being made with all Directors, all Directors confirmed that they have complied with the required standards set out in Model Code throughout the year ended 31 December 2018.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on Thursday, 9 May 2019 (the "AGM"). The register of members of the Company will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019 (both days inclusive), during which period no transfer of shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Friday, 3 May 2019 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

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 2018.

SUFFICIENCY OF PUBLIC FLOAT

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

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, VMS Securities Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser which commenced on 21 July 2017, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at the date of this announcement which is required to be notified to the Company pursuant Rule 6A.32 of the GEM Listing Rules.

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 2018 and up to and including the date of this announcement.

REVIEW OF ANNUAL RESULTS

The audit committee of the Board has reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 and this results announcement. The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the year ended 31 December 2018 containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
M&L Holdings Group Limited
Ng Lai Ming
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 21 March 2019

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

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.mleng.com.