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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 2022

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 announcement, 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		% change
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
Revenue	87,047	85,991	+1.2%
Gross profit	29,259	21,075	+38.8%
Loss before tax	(8,701)	(9,230)	-5.7%
Other comprehensive income	385	4,929	-92.2%
Total comprehensive loss	(8,190)	(4,332)	+89.1%
Loss per share (<i>HK cents</i>)	(1.41)	(1.51)	
Equity value per share (<i>HK cents</i>)	15.9	17.2	
Gearing ratio	11.7%	16.1%	

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 2022, together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	4	87,047	85,991
Cost of sales		<u>(57,788)</u>	<u>(64,916)</u>
Gross profit		29,259	21,075
Other income	6	1,643	983
Selling expenses		(3,980)	(3,215)
Administrative expenses		(26,762)	(26,486)
Other gains and losses			
Exchange (loss)/gain		(5,478)	1,256
Provision for impairment of trade receivables	9	(1,491)	(787)
Others	6	91	88
		<u>(6,718)</u>	<u>(7,086)</u>
Operating loss		(6,718)	(7,086)
Finance income		116	22
Finance costs		(2,099)	(2,166)
		<u>(8,701)</u>	<u>(9,230)</u>
Loss before income tax		(8,701)	(9,230)
Income tax credit/(expense)	7	126	(31)
		<u>(8,575)</u>	<u>(9,261)</u>
Loss for the year		(8,575)	(9,261)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of land and buildings			
— Increase in fair value		1,311	6,097
— Income tax effect		(306)	(1,485)
		<u>1,005</u>	<u>4,612</u>
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		(620)	317
		<u>385</u>	<u>4,929</u>
Other comprehensive income for the year		385	4,929
		<u>385</u>	<u>4,929</u>
Total comprehensive income for the year		(8,190)	(4,332)
		<u><u>(8,190)</u></u>	<u><u>(4,332)</u></u>

		Year ended 31 December	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:			
Equity holders of the Company		(8,452)	(9,059)
Non-controlling interests		<u>(123)</u>	<u>(202)</u>
		<u>(8,575)</u>	<u>(9,261)</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		(8,041)	(4,142)
Non-controlling interests		<u>(149)</u>	<u>(190)</u>
		<u>(8,190)</u>	<u>(4,332)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
— Basic and diluted	8	<u>(1.41)</u>	<u>(1.51)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		24,703	26,374
Right-of-use assets		8,068	7,438
Deposits		565	353
Other assets at fair value through profit or loss		5,327	5,076
Deferred tax assets		2,698	2,699
		41,361	41,940
Current assets			
Inventories		42,939	34,755
Trade and other receivables	9	81,902	95,713
Tax recoverable		391	402
Cash and cash equivalents		28,237	25,969
		153,469	156,839
Current liabilities			
Trade and other payables	10(a)	39,158	39,313
Contract liabilities	10(b)	11,473	2,567
Dividend payable		6,347	7,397
Amounts due to directors		4,227	4,976
Bank borrowings		27,833	28,437
Lease liabilities		1,816	1,042
		90,854	83,732
Net current assets		62,615	73,107
Total assets less current liabilities		103,976	115,047

	As at 31 December	
	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Bank borrowings	5,065	7,896
Lease liabilities	788	1,103
Deferred tax liabilities	2,387	2,338
Other provision	508	292
	<u>8,748</u>	<u>11,629</u>
Net assets	<u>95,228</u>	<u>103,418</u>
CAPITAL AND RESERVES		
Equity attributable to equity holders of the Company		
Share capital	6,000	6,000
Reserves	88,225	96,266
	<u>94,225</u>	<u>102,266</u>
Non-controlling interests	1,003	1,152
Total equity	<u>95,228</u>	<u>103,418</u>

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

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

2. BASIS OF PREPARATION

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

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

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

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

3. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2022

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 2022:

Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRS 2018–2020	Amendments to HKFRS 9 Financial Instruments and Amendments to Illustrative Examples accompanying HKFRS 16 Lease

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

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³

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

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

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

4. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Timing of revenue recognition — At a point in time		
— Sales of goods	80,470	76,700
— Repair and maintenance services income	5,151	7,824
	85,621	84,524
Revenue from other sources		
— Machinery rental income	1,426	1,467
	87,047	85,991

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

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

Foundation — Supply of fabricated construction steel works and equipment

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

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the year (2021: 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 2022 is as follows:

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

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

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

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

	Year ended 31 December	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	60,152	58,423
The PRC	13,479	13,485
Singapore and other Asia-Pacific countries	7,758	6,410
Others	<u>5,658</u>	<u>7,673</u>
	<u><u>87,047</u></u>	<u><u>85,991</u></u>

- (d) The total amounts of non-current assets, other than deposits and deferred tax assets of the Group as at 31 December 2022 and 2021 are located in the following regions:

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	11,717	11,663
The PRC	95	298
Singapore	8,144	7,979
Australia	18,142	18,948
	<u>38,098</u>	<u>38,888</u>

- (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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	53,448	42,442
Customer B	N/A*	12,616
	<u>N/A*</u>	<u>12,616</u>

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

5. EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	56,417	61,355
Employee benefit expenses	15,364	15,140
Depreciation*		
Owned property, plant and equipment	1,993	1,626
Right-of-use assets under the following categories		
— Ownership interests in leasehold land for own use	109	104
— Other properties leased for own use	1,133	1,332
— Machinery and equipment	—	586
Short-term leases expenses	1,255	1,092
Auditor's remuneration		
— Audit services	620	590
— Non-audit services	71	89
	<u>71</u>	<u>89</u>

* Recorded as administrative expenses

6. OTHER INCOME AND OTHER GAINS AND LOSSES — OTHERS

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Other income		
Government grant (<i>note</i>)	589	333
Forfeiture of unclaimed dividend	1,050	280
Others	4	370
	<u>1,643</u>	<u>983</u>
Other gains and losses — others		
Change in fair value of other assets at fair value through profit or loss	91	88
	<u>91</u>	<u>88</u>

Note:

During the year, the Group received various subsidies totalling HK\$589,000 (2021: HK\$333,000) from the governments of Hong Kong, Singapore and Australia. Such subsidies include:

- (i) an amount of HK\$535,000 obtained from Employment Support Scheme (“ESS”) launched by the government of Hong Kong (2021: HK\$20,000 from Construction Business Support Scheme under the Construction Industrial Council Relief Fund); and
- (ii) an aggregate amount of HK\$54,000 (2021: HK\$313,000) received from the governments of Singapore and the PRC (2021: Singapore and Australia) mainly to help businesses to keep employees and support businesses to tackle the impact of COVID-19 pandemic.

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

7. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current taxation for the year		
— Hong Kong Profits Tax	—	—
Under-provision in respect of prior years	—	7
	<u>—</u>	<u>7</u>
Deferred tax	(126)	24
Income tax (credit)/expense	<u>(126)</u>	<u>31</u>

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

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

Mainland China corporate income tax has been provided for at the rate of 25% on the estimated assessable profits for the Group's operations in Mainland China. Singapore corporate income tax has been provided for at the rate of 17% on the estimated assessable profit for the Group's operations in Singapore. Australia corporate income tax has been provided for at the rate of 25% (2021: 26%) on the estimated assessable profits for the Group's operations in Australia.

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.

	Year ended 31 December	
	2022	2021
Loss attributable to equity holders of the Company (HK\$'000)	(8,452)	(9,059)
Weighted average number of ordinary shares in issue (thousands)	<u>600,000</u>	<u>600,000</u>
Basic loss per share (expressed in HK cents)	<u>(1.41)</u>	<u>(1.51)</u>

(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 during the year.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	81,137	95,333
Less: loss allowance	<u>(7,003)</u>	<u>(5,964)</u>
Trade receivables — net	74,134	89,369
Bills receivables	819	1,456
Prepayments	1,334	256
Deposits paid	5,023	3,326
Other receivables	<u>1,157</u>	<u>1,659</u>
	82,467	96,066
Less: Non-current portion deposits	<u>(565)</u>	<u>(353)</u>
	<u>81,902</u>	<u>95,713</u>

The credit terms granted by the Group generally ranged up to 270 days (2021: 270 days). The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	14,654	8,096
31 to 60 days	6,271	7,220
61 to 90 days	393	2,372
91 to 180 days	2,125	4,295
181 to 365 days	3,904	12,123
1 to 2 years	9,362	16,053
2 to 3 years	11,106	13,270
Over 3 years	<u>33,322</u>	<u>31,904</u>
Trade receivables, gross	81,137	95,333
Less: loss allowance	<u>(7,003)</u>	<u>(5,964)</u>
Trade receivables, net	<u>74,134</u>	<u>89,369</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 January	5,964	5,078
Impairment losses charged to profit or loss	1,491	787
Written off during the year as uncollectible	—	(32)
Exchange difference	(452)	131
	<u>7,003</u>	<u>5,964</u>
As at 31 December	<u>7,003</u>	<u>5,964</u>

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Trade and other payables

	As at 31 December	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	34,977	36,126
Accrued expenses and other payables	4,181	3,187
	<u>39,158</u>	<u>39,313</u>
	<u>39,158</u>	<u>39,313</u>

Included in trade payables as at 31 December 2022 was an amount of HK\$10,818,000 (2021: HK\$10,640,000) which is interest bearing at 4% per annum.

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

	As at 31 December	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	13,023	5,020
31 to 60 days	1,877	5,774
61 to 90 days	3,156	426
91 to 120 days	50	2,768
Over 120 days	16,871	22,138
	<u>34,977</u>	<u>36,126</u>
	<u>34,977</u>	<u>36,126</u>

(b) Contract liabilities

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

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities related to trading in spare parts	11,473	2,567

Movements on contract liabilities are as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January	2,567	1,444
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,567)	(1,444)
Increase in contract liabilities as a result of receiving sales deposits during the year in respect of trading in spare parts	11,473	2,567
As at 31 December	11,473	2,567

11. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Background, recent development and outlook

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

With the relaxation of quarantine requirements and the resumption of more international flights in and out of Hong Kong since the second quarter of 2022, the Group’s executives have already travelled to a number of trade and marketing events overseas to explore business opportunities. While potential business from overseas already started to materialize since the third quarter of 2022, the Group’s revenue for the year ended 31 December 2022 (the “Year”) was predominantly contributed from the Hong Kong market.

Hong Kong market

Construction activities in Hong Kong gradually picked up during the year ended 31 December 2022 as the impact of COVID eased; however, market competition and pricing pressure in the construction products and equipment market remained keen, especially in the foundation market. The Group took a conservative approach in its sales pitch and focused its resources on projects offering more favourable profit margin. Overall, despite the revenue from tunnelling segment in Hong Kong recorded an increase by approximately HK\$12.3 million or 29.9%, it was counteracted by a drop in revenue from foundation segment by approximately HK\$10.6 million. Meanwhile, the Group achieve improvement in the profit margin for both the tunnelling and foundation business segments as a result its sales bidding tactic focusing on product mix with favourable margin and refraining from cut throat competition.

The Hong Kong government started to loosen its disease control policies gradually during the Year and personnel movement is essentially returned to normal at present. Government officials have rolled out a series of international economic and business forums to attract spotlight back onto Hong Kong as a financial and business hub. To facilitate and reinforce the expected rebound of business activities, we expect there will be a speed-up in the launch of both public and private development projects. We will closely monitor business opportunities associated with the “Railway Development Strategy” published by the Transport and Housing Bureau and potential projects in relation to the Lantau Tomorrow and the Northern Metropolitan development strategy, as well as private sector projects in Hong Kong.

PRC market

The Group's business in the PRC market was related to the supply of specialised cutting tools and parts mainly for the tunnelling construction sites as well as the tunnelling equipment manufacturers. Movement control orders administered at various locations every now and then during the earlier part of Year hindered the recovery of the Group's operation in the PRC. Furthermore, having considered the historic settlement pattern of trade receivables from its PRC operations, the Group has taken a more conservative approach on negotiation of settlement terms in order to safeguard itself from liquidity and credit risk exposure during the present time of economic uncertainties. Consequently, revenue from the PRC market for the Year remained at a relatively low and similar level as Previous Year. Nonetheless, there has been reduction in the receivable balances of our PRC customers during the Year as a result of our unwavering negotiation with customers and heightened credit assessment and monitoring procedures.

The Group will continue monitoring this market with caution in the near term.

Overseas market

As mentioned above, the Group's executives attended a number of trade conference and marketing events overseas and the Group's sales and marketing teams overseeing the respective overseas markets are proactively pursuing potential business opportunities; orders from customers in overseas markets started to pick up in the second half of the Year and notable increase in revenue is expected to start in 2023 when orders are delivered to customers.

According to market intelligence from trade conference and our overseas sales network, we noted a number of public infrastructure projects are scheduled for launch in the foreseeable future in various countries in Southeast Asia, Southern Pacific, North America and continental Europe market. Despite the aforesaid, the Group and the construction market in general is still facing the challenge in shipping, particularly for products sourced from mainland PRC. We will take the transportation arrangement into careful consideration in negotiation with customers to minimise the Group's exposure to associated costs and responsibility.

FINANCIAL REVIEW

Revenue

Revenue increased by HK\$1.0 million to approximately HK\$87.0 million for the year ended 31 December 2022 (“Year” or “FY2022”), as compared to approximately HK\$86.0 million for the year ended 31 December 2021 (“Previous Year”). The slight rise the revenue was due to a rise in revenue from the tunnelling business segment by approximately HK\$11.6 million and partly offset by a decrease in revenue from the foundation business segment by approximately HK\$10.6 million for the Year. The Hong Kong market yielded a net increase in revenue of approximately HK\$1.7 million for the Year, whereas the Europe and America markets together recorded a drop in revenue by HK\$2.0 million and the southern Pacific market (including Singapore, Australia and New Zealand etc.) recorded a revenue growth of HK\$1.3 million for the Year. Revenue from the China market remained at same level as the Previous Year.

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. In spite of an increase in revenue, our cost of sales decreased by approximately HK\$7.1 million, or 11.0% to approximately HK\$57.8 million for the Year; gross profit increased by HK\$8.2 million to HK\$29.3 million and gross profit margin improved to 33.6% for the Year from 24.5% for the Previous Year. The improvement in gross profit margin was resulted from a sales mix of products and services with higher profit margin, as the Group observed construction activities and market conditions in Hong Kong and overseas gradually picked up during the Year and focused effort on projects with favourable margins. The gross profit margin of tunnelling business segment improved to 33.3% for the Year from 26.6% for the Previous Year, while that of the foundation segment improved to 37.5% from 16.4%.

Other income

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

Selling expenses

Selling expenses mainly include freight charges and sales commission for our staff accounted for under the employee benefit expenses. Selling expenses increased by approximately HK\$0.8 million to HK\$4.0 million for the Year and was mainly attributable to rise in shipping expenses.

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\$5.5 million for the Year, which mainly comprised of (i) an exchange loss of approximately HK\$4.0 million as a result of the depreciation of Renminbi; (ii) an exchange loss of approximately HK\$1.4 million as a result of depreciation of Australian dollars.

Provision for impairment of trade receivables

While there is presently no indication of possible default on any of the Group's receivable balances, the management acknowledges there is general risk of default associated with receivables balances and has adopted a systematic approach in assessing the overall risk of default, which resulted in an additional provision of HK\$1.5 million made against the Group's receivable balances as at 31 December 2022.

Finance costs

The Group generated a cash flow of over HK\$7.9 million from operations during the Year which reduced its needs for external financing. However, given that the interest rates have been on the rise during the Year, the Group incurred a finance cost of approximately HK\$2.1 million for the Year, which is similar to the Previous Year.

Income tax credit/(expense)

Minimal amount of tax expense was recorded for the Year as the Group is in operating loss position.

Loss attributable to equity holders of our Company

Loss attributable to equity holders of the Company reduced by HK\$0.6 million to HK\$8.5 million for the Year, mainly as a result of the rise in gross profit of HK\$8.2 million, but partly offset by the increase in exchange loss of HK\$6.7 million and increase in provision of impairment of HK\$0.7 million.

Liquidity, financial resources and capital structure

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Current assets	153,469	156,839
Current liabilities	90,854	83,732
Current ratio	1.69	1.87

During the year ended 31 December 2022, the Group financed its operations by its internal resources and banking facilities. As at 31 December 2022, the Group had net current assets of approximately HK\$62.6 million (31 December 2021: HK\$73.1 million), including cash and cash equivalents of approximately HK\$28.2 million (31 December 2021: HK\$26.0 million). The Group's current ratio as at 31 December 2022 was 1.69 times (31 December 2021: 1.87 times).

As at 31 December 2022, the Group had a total available banking and other facilities of approximately HK\$37.9 million, of which approximately HK\$32.9 million was utilised and approximately HK\$5.0 million was unutilised and available for use.

The maturity profile of the Group's borrowings as at 31 December 2022 is set out below. The carrying amounts of the bank borrowings are denominated in the HK\$.

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

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
On demand or within 1 year	27,833	28,437
Later than 1 year but not exceeding 2 years	1,590	2,847
Later than 2 years but not exceeding 5 years	3,475	5,049
	32,898	36,333

There has been no change in capital structure of the Company during the year ended 31 December 2022. As at 31 December 2022, the equity attributable to equity holders of the Company amounted to approximately HK\$94.2 million (31 December 2021: approximately HK\$102.3 million).

Gearing ratio

As at 31 December 2022, the net gearing ratio was 11.7% (31 December 2021: 16.1%), based on bank borrowings, lease liabilities and the advance from a Director, less cash and cash equivalent totalling HK\$11.0 million (31 December 2021: HK\$16.5 million) as a percentage of equity attributable to equity holders of the Company of HK\$94.2 million (31 December 2021: HK\$102.3 million).

FOREIGN CURRENCY EXPOSURE AND TREASURY POLICY

During the year ended 31 December 2022, other than Hong Kong dollars, the major currencies of which our Group transacted in consisted primarily of Euro, Renminbi and Australian dollars (the “Major Foreign Currencies”).

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

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

CAPITAL COMMITMENT

As at 31 December 2022, the Group had no capital commitment.

USE OF PROCEEDS

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

	Estimated use of net proceeds as set out in the Prospectus	Adjusted use of net proceeds (note 1)	Up to 31 December 2022		Expected Completion Date
	HK\$'million	HK\$'million	utilised HK\$'million	unutilised HK\$'million	
To further develop fabricated construction steel works and equipment business in the PRC	16.0	0.2	0.2	—	
To acquire and/or partly finance the expansion of fleet of specialised construction machinery and equipment	13.6	22.0	17.0	5.0	On or before 31 December 2024 (note 2)
To expand repair and maintenance services in the PRC for tunnelling business	5.5	0.4	0.4	—	
To expand repair and maintenance services in Australia for tunnelling business	—	2.7	2.7	—	
To renew the wear-off facilities and machineries of the repair and maintenance centres of the Group in Hong Kong and Singapore	—	1.5	0.3	1.2	On or before 31 December 2023 (note 3)
General working capital	3.9	13.4	13.4	—	On or before 31 December 2023
	<u>39.0</u>	<u>40.2</u>	<u>34</u>	<u>6.2</u>	

Notes:

1. The adjusted use of net proceeds are adjusted in the same proportion to the estimated use of net proceeds as shown in the Prospectus based on the actual amount received by the Company, and in the same manner as shown in our announcements dated 21 December 2018, 28 July 2020 and 23 March 2022.
2. The planned usage and timeline of the unutilised net proceeds of HK\$5.0 million are as follows:
 - a) HK\$4.0 million for acquisition of one set of reverse circulation drilling (“RCD”) rig, manufacture of the steel structure by subcontractor and complete the assembly of the set of RCD rig in our Hong Kong warehouse, which will be made available for leasing and/or trading upon completion on or before 31 December 2024.

- b) HK\$1.0 million for acquisition of one set of vibrodriver from PTC or similar construction machineries, which will be made available for leasing and/or trading upon completion. We expect to complete the acquisition on or before 31 December 2024.
3. The planned usage and timeline of the unutilised net proceeds of HK\$1.2 million for renewal of wear-off facilities and machineries of the two repair and maintenance centres of the Group in Hong Kong and Singapore on or before 31 December 2023.

The unutilised net proceeds as at 31 December 2022 have been placed with licensed banks in Hong Kong.

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

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 2022.

CHARGES ON ASSETS

As at 31 December 2022, a life insurance policy to Mr. Ng Lai Ming with an insured sum of US\$1,582,862 has been assigned as security for certain banking facilities.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

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 2022 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.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees and remuneration policies

The number of staff of the Group by functions as at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
Directors	6	6
Sales & Engineering Solutions	10	10
Design & Development	3	3
Technical Services & Maintenance	11	11
Finance, Administration & Operations	14	14
	44	44

The total staff costs of the Group (including Directors' emoluments, salaries to staff, sales commission and other staff benefits included provident fund contributions and other staff benefits) for the year ended 31 December 2022 was approximately HK\$15.4 million (2021: 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 various countries in Asia-Pacific, Europe, Americas and the PRC, and we are well-positioned to capture opportunities in the construction industry. We believe that customer satisfaction is the key to our long-term success.

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

ENVIRONMENTAL POLICIES

The Group has established a set of management policies, mechanisms and measures on environmental protection to ensure the sustainable development and operation of the Group. The Group strives to enhance the efficiency in the usage of energy and resources and also complies with relevant environmental regulations in Hong Kong, the PRC, Singapore and Australia.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2022, which will be sent to shareholders in due course.

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 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 12 May 2023. The register of members of the Company will be closed from Tuesday, 9 May 2023 to Friday, 12 May 2023 (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 Monday, 8 May 2023 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

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 2022 and up to and including the date of this announcement.

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.

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 2022.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 and this results announcement. The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group’s external 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 and consequently no opinion or assurance conclusion 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 2022 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, 30 March 2023

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

This announcement will remain on the “Latest Listed Company Information” 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.