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Tak Lee Machinery Holdings Limited
德利機械控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2102)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 JULY 2022

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$395.2 million for the year ended 31 July 2022, representing a decrease of approximately 18.7% compared with approximately HK\$485.8 million reported for the year ended 31 July 2021.
- The Group's profit and total comprehensive income decreased by approximately 14.3% from approximately HK\$52.6 million for the year ended 31 July 2021 to approximately HK\$45.1 million for the year ended 31 July 2022.
- Earnings per share attributable to owners of the Company for the year ended 31 July 2022 was approximately HK4.51 cents (2021: approximately HK5.26 cents).
- The Board has recommended the payment of a final dividend of HK1.0 cent per ordinary share for the year ended 31 July 2022, which is subject to Shareholders' approval at the 2022 AGM. Together with the interim dividend of HK1.0 cent per ordinary share paid, the total cash dividend for the year ended 31 July 2022 will be HK2.0 cents (2021: HK3.5 cents) per ordinary share.

The board of directors (the “**Board**” and the “**Directors**”, respectively) of Tak Lee Machinery Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 July 2022, together with the audited comparative figures for the year ended 31 July 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2022

	<i>Note</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Revenue	4	395,182	485,797
Cost of revenue		<u>(308,152)</u>	<u>(395,219)</u>
Gross profit		87,030	90,578
Other income and net gains	4	7,227	9,262
Reversal of allowance for trade and lease receivables		119	1,092
Administrative and other operating expenses		<u>(40,145)</u>	<u>(38,566)</u>
Profit from operations		54,231	62,366
Finance costs	5	<u>(916)</u>	<u>(1,865)</u>
Profit before tax		53,315	60,501
Income tax expense	6	<u>(8,253)</u>	<u>(7,917)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	7	<u>45,062</u>	<u>52,584</u>
Earnings per share			
– Basic and diluted (HK cents per share)	9	<u>4.51</u>	<u>5.26</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		151,740	153,903
Right-of-use assets		21,440	19,354
Investment property		15,245	–
Deferred tax assets		1,578	–
Deposits paid for property, plant and equipment		–	1,230
		190,003	174,487
Current assets			
Inventories		138,223	104,685
Trade and lease receivables	10	96,808	103,240
Prepayments, deposits and other receivables		18,109	18,563
Current tax assets		–	214
Bank and cash balances		87,242	109,211
		340,382	335,913
Current liabilities			
Trade payables	11	7,993	6,204
Other payables and accruals	11	9,203	7,151
Contract liabilities	11	2,968	6,275
Lease liabilities		2,785	4,759
Current tax liabilities		8,608	–
Bank borrowings		29,070	30,464
		60,627	54,853
Net current assets		279,755	281,060
Total assets less current liabilities		469,758	455,547
Non-current liabilities			
Lease liabilities		1,066	2,929
Deferred tax liabilities		24,128	23,116
		25,194	26,045
NET ASSETS		444,564	429,502
Capital and reserves			
Share capital	12	10,000	10,000
Reserves		434,564	419,502
TOTAL EQUITY		444,564	429,502

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law of the Cayman Islands on 11 December 2015. Its issued shares were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 July 2017 and were transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020 (the “**Transfer of Listing**”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The address of its principal place of business is D.D.111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the sales of heavy equipment and spare parts, leasing of heavy equipment and provision of maintenance and ancillary services in Hong Kong.

In the opinion of the Directors, Generous Way Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate and ultimate parent, and Mr. Chow Luen Fat (“**Mr. Chow**”) and Ms. Cheng Ju Wen (“**Ms. Cheng**”) are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). Significant accounting policies adopted by the Group are disclosed below.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Items included in these consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is the Company’s functional and presentation currency, and all values are rounded to the nearest thousands (“**HK\$’000**”), except when otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 August 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	COVID-19–Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (the “**COVID-19 Related Rent Concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease. The amendments do not have an impact on these financial statements as the Group did not obtain any rent concessions during the year.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (the “**IBOR reform**”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 August 2021.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the year are as follows:

Disaggregation of revenue from contracts with customers

	Sales of heavy equipment and spare parts <i>HK\$'000</i>	Lease related operating services <i>HK\$'000</i>	Maintenance and ancillary services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 July 2022				
Timing of revenue recognition				
A point in time	187,473	–	10,744	198,217
Over time	–	64,890	–	64,890
Total	<u>187,473</u>	<u>64,890</u>	<u>10,744</u>	<u>263,107</u>
For the year ended 31 July 2021				
Timing of revenue recognition				
A point in time	257,203	–	11,464	268,667
Over time	–	82,701	–	82,701
Total	<u>257,203</u>	<u>82,701</u>	<u>11,464</u>	<u>351,368</u>

The contract periods for the above contracts with customers are one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. REVENUE AND SEGMENT INFORMATION (continued)

Set out below is the reconciliation of the revenue from contracts with customers disclosed in the segment information with the total revenue of the Group:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of heavy equipment and spare parts	187,473	257,203
Lease related operating services	64,890	82,701
Provision of maintenance and ancillary services	10,744	11,464
	<hr/>	<hr/>
Revenue from contracts with customers per segment	263,107	351,368
	<hr/>	<hr/>
Lease of heavy equipment	132,075	134,429
	<hr/>	<hr/>
Total revenue	395,182	485,797
	<hr/> <hr/>	<hr/> <hr/>
Other income and net gains		
Compensation income from suppliers	273	539
Net gain on disposals of property, plant and equipment	135	634
Interest income	— ⁽ⁱ⁾	— ⁽ⁱ⁾
Foreign exchange gain, net	1,688	45
Government grants	4,139	7,159
Others	992	885
	<hr/>	<hr/>
	7,227	9,262
	<hr/> <hr/>	<hr/> <hr/>

⁽ⁱ⁾ Representing an amount less than HK\$1,000.

Segment information

Management has determined the operating segments based on the reports reviewed by the Directors, the chief operating decision-maker, that are used to make strategic decisions. The Directors consider the business from a product/service perspective. Principal activities of the segments are as follows:

Sales of heavy equipment and spare parts	–	Trading of heavy equipment and spare parts in Hong Kong
Lease of heavy equipment	–	Leasing of heavy equipment and lease related operating services in Hong Kong
Provision of maintenance and ancillary services	–	Providing maintenance and ancillary services in Hong Kong

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The Directors assess the performance of the operating segments based on a measure of segment results. Unallocated income, unallocated corporate expenses, finance costs, income tax expense and other major items that are isolated and non-recurring in nature are not included in segment results.

4. REVENUE AND SEGMENT INFORMATION (continued)

(i) Information about reportable segment profit or loss:

	Sales of heavy equipment and spare parts <i>HK\$'000</i>	Lease of heavy equipment <i>HK\$'000</i>	Provision of maintenance and ancillary services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 July 2022					
External revenue	187,473	196,965	10,744	–	395,182
Segment results	<u>10,753</u>	<u>54,025</u>	<u>806</u>	<u>(12,269)</u>	<u>53,315</u>
Year ended 31 July 2021					
External revenue	257,203	217,130	11,464	–	485,797
Segment results	<u>10,274</u>	<u>63,343</u>	<u>676</u>	<u>(13,792)</u>	<u>60,501</u>

(ii) Geographical information

Since all of the Group's revenue was generated in Hong Kong and all of the Group's identifiable assets and liabilities were located in Hong Kong, no geographical information is presented.

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	56,152	76,121
Customer B	N/A ¹	67,409
Customer C	<u>40,614</u>	<u>N/A¹</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on borrowings		
– Wholly repayable within five years	781	1,720
Interest on lease liabilities	135	145
	<u>916</u>	<u>1,865</u>

6. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	8,867	8,217
Over-provision in prior years	(48)	(58)
	<u>8,819</u>	<u>8,159</u>
Deferred tax	(566)	(242)
	<u>8,253</u>	<u>7,917</u>

The Company was incorporated in the Cayman Islands and TLMC Company Limited, a wholly-owned subsidiary of the Company, was incorporated in the BVI. Both companies are tax exempted as no business was carried out in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying Group entity established in Hong Kong will be taxed at 8.25% (2021: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2021: 16.5%). The profits of other Group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a rate of 16.5% (2021: 16.5%).

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	720	720
Reversal of allowance for trade and lease receivables	(119)	(1,092)
(Reversal of allowance)/allowance for inventories (included in cost of inventories sold), net	(897)	1,949
(Reversal of impairment)/impairment on property, plant and equipment, net	(232)	259
Cost of inventories sold	153,667	221,995
Depreciation of property, plant and equipment	38,964	34,697
Depreciation of right-of-use assets	5,337	5,002
Depreciation of an investment property	255	–
Direct operating expense of an investment property that generates rental income	19	–
Foreign exchange gain, net	(1,688)	(45)
Net gain on disposals of property, plant and equipment	(135)	(634)
Written off of property, plant and equipment	23	–
Listing expenses	–	2,339
Short-term lease charges in respect of:		
– Office premises	699	410
– Machineries	17,922	20,146
	18,621	20,556
Staff costs (including Directors' remuneration) (<i>Note</i>)		
– Fees, salaries, allowances and bonus and others	96,644	112,749
– Retirement benefit scheme contributions	3,393	3,757
	100,037	116,506

Note:

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme. For the year ended 31 July 2022, there was no forfeited contribution available for the Group to reduce the existing level of contributions and at the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

8. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividend paid		
2021 final dividend of HK2.0 cents (2020: HK1.0 cent) per ordinary share	20,000	10,000
2022 interim dividend of HK1.0 cent (2021: HK1.5 cents) per ordinary share	<u>10,000</u>	<u>15,000</u>
	<u><u>30,000</u></u>	<u><u>25,000</u></u>
Dividend proposed		
2022 proposed final dividend of HK1.0 cent (2021: HK2.0 cents) per ordinary share (<i>note</i>)	<u>10,000</u>	<u>20,000</u>

Note:

The final dividend for the year ended 31 July 2022 was recommended by the Board at a Board meeting held on 19 October 2022. Such recommended final dividend is subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting of the Company (the “2022 AGM”). This recommended final dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 July 2023 after the approval at the 2022 AGM.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>45,062</u>	<u>52,584</u>
Number of shares		
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

The calculation of basic earnings per share is based on the weighted average 1,000,000,000 ordinary shares in issue during the year ended 31 July 2022 (2021: 1,000,000,000 ordinary shares in issue during the year).

The diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential ordinary share in issue during the years ended 31 July 2022 and 2021.

10. TRADE AND LEASE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and lease receivables	97,166	103,717
Less: Impairment loss	<u>(358)</u>	<u>(477)</u>
	<u>96,808</u>	<u>103,240</u>

The Group's credit terms generally range from 30 days to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required.

The ageing analysis of the Group's trade and lease receivables, based on the delivery date, and net of impairment loss, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	54,537	68,477
91 to 180 days	28,632	22,241
181 to 365 days	13,129	4,171
Over 365 days	<u>510</u>	<u>8,351</u>
	<u>96,808</u>	<u>103,240</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>7,993</u>	<u>6,204</u>
Other payables and accruals		
Accrued staff costs	5,831	5,991
Accrued administrative and operating expenses	889	1,160
Refundable rental deposits receipt in advance	<u>2,483</u>	<u>–</u>
	<u>9,203</u>	<u>7,151</u>
Contract liabilities	<u>2,968</u>	<u>6,275</u>
	<u>20,164</u>	<u>19,630</u>

**11. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES
(continued)**

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	3,331	5,309
31 to 90 days	3,647	831
91 to 180 days	945	64
Over 180 days	70	–
	<u>7,993</u>	<u>6,204</u>

The credit period ranges normally from 0 to 70 days.

12. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 August 2020, 31 July 2021, 1 August 2021 and 31 July 2022		
	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 August 2020, 31 July 2021, 1 August 2021 and 31 July 2022		
	<u>1,000,000,000</u>	<u>10,000</u>

13. EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Group after the reporting period up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 21 years of presence in the industry. The Group is principally engaged in (i) the sales of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. The Group also offers some heavy equipment other than earthmoving equipment for sales and for leasing.

BUSINESS REVIEW AND OUTLOOK

The Group recorded a decrease in profit attributable to owners of the Company for the year ended 31 July 2022 by approximately 14.3% to approximately HK\$45.1 million from approximately HK\$52.6 million for the year ended 31 July 2021.

The decrease in net profit of the Group for the year ended 31 July 2022 was mainly attributed to (i) the decrease in the non-recurring government grants by approximately HK\$3.0 million under the Employment Support Scheme of Hong Kong; and (ii) the decrease in the revenue of leasing business as the main reclamation and pavement works of the third runway of the Three Runway System of the Hong Kong International Airport (the “**Three Runway System**”) have been substantially completed during the year ended 31 July 2022. Nevertheless, the Group has continued to provide various types of heavy equipment for the associated projects such as the expansion of Terminal 2, the development of a new T2 Concourse, the Automated People Mover and the Baggage Handling System of the Three Runway System, as well as the Route 6 development and the Tung Chung New Town Extension development projects during the year ended 31 July 2022 and up to the date of this announcement. For the year ended 31 July 2022, the supply chain and the operations of the Group were not materially and adversely affected by the coronavirus disease 2019 (COVID-19) pandemic.

Earnings per share for the year ended 31 July 2022 was HK4.51 cents per share, representing a decrease of approximately 14.3% compared with HK5.26 cents per share for the year ended 31 July 2021. The basis of calculating the earnings per share is detailed in note 9 to the consolidated financial information above.

The new wave of COVID-19 infections continues to pose threats to the local economy. As the development of such epidemic remains to be unpredictable, the extent of its impact on the economy of Hong Kong is subject to many uncertainties. The industry in which the Group operates may be directly or indirectly affected. Nonetheless, based on the government’s plan, the Group remains cautiously optimistic on the outlook and the prospects for sales and leasing of heavy equipment. With the formulation of the Northern Metropolis Development Strategy and Lantau Tomorrow Vision by the Hong Kong Government, together with other infrastructures and projects in Hong Kong, the average annual capital works expenditure for infrastructure works is expected to exceed HK\$100 billion in the next few years according to the 2022-23 Budget Speech. Hence, the Group believes that the demand for its heavy equipment will remain strong in the coming years.

To capture business opportunities, the Group is committed to the diversification of its supplier base and product offering. For instance, with the growing demand of construction site safety products, the Group has introduced new technological products recently. In March 2022, the Group became the sole dealer of Xwatch Safety Solutions Ltd. (a United Kingdom brand) for the supply of machine safety and control systems for height and slew control, rated capacity index and stability of equipment. Furthermore, the Group also became the authorised dealer of VIA brand (a Taiwan brand) for the supply of Mobile360 heavy equipment safety system.

While monitoring closely the impact of COVID-19 on the industry in which the Group operates, the Group will continue to implement its corporate strategies to preserve and strive for the growth of the Group in the long term. The Group will continue to identify suitable suppliers and products in pursuit of more dealerships or distributorships of heavy equipment, which would further boost its competitive edge in the long run.

FINANCIAL REVIEW

Revenue

The Group generated its revenue from (i) the sales of new and used heavy equipment and spare parts; (ii) the leasing of heavy equipment; and (iii) the provision of machinery maintenance and ancillary services.

The Group generated a majority of its revenue from its sales and leasing business. For the year ended 31 July 2022, the total revenue of the Group amounted to approximately HK\$395.2 million, representing a decrease of approximately HK\$90.6 million or 18.7% from approximately HK\$485.8 million for the year ended 31 July 2021. Such decrease was mainly attributable to the decrease in sales of heavy equipment and spare parts of approximately HK\$69.7 million and the decrease in revenue from the leasing business of approximately HK\$20.1 million.

Revenue from the sales of heavy equipment and spare parts

The revenue from the sales of heavy equipment and spare parts decreased by approximately HK\$69.7 million or 27.1% from approximately HK\$257.2 million for the year ended 31 July 2021 to approximately HK\$187.5 million for the year ended 31 July 2022. Such decrease was mainly attributable to the decrease in sales of heavy vehicles, as the demand for heavy vehicles has slowed down in view of the uncertainties from the new wave of COVID-19 infections and in the economic outlook for the year ended 31 July 2022.

Revenue from the leasing of heavy equipment and lease related operating services

The revenue from leasing of heavy equipment and lease related operating services decreased by approximately HK\$20.1 million or 9.3% from approximately HK\$217.1 million for the year ended 31 July 2021 to approximately HK\$197.0 million for the year ended 31 July 2022. The decrease in revenue from the leasing business was mainly due to the substantial completion of the main reclamation and pavement works of the third runway of the Three Runway System during the year ended 31 July 2022. Meanwhile, the Group continued to provide various types of heavy equipment for the associated projects in relation to the expansion of Terminal 2, the development of a new T2 Concourse, the Automated People Mover and the Baggage Handling System of the Three Runway System, as well as the Route 6 development and the Tung Chung New Town Extension development projects.

Revenue from the provision of maintenance and ancillary services

The revenue from the provision of maintenance and ancillary services decreased by approximately HK\$0.8 million or 7.0% from approximately HK\$11.5 million for the year ended 31 July 2021 to approximately HK\$10.7 million for the year ended 31 July 2022 as the demand for repair services slowed down during the year.

Cost of revenue

The cost of revenue amounted to approximately HK\$308.2 million for the year ended 31 July 2022, representing a decrease of approximately HK\$87.0 million or 22.0% from approximately HK\$395.2 million for the year ended 31 July 2021. Cost of revenue mainly comprised cost of heavy equipment and spare parts, depreciation, repairs and maintenance costs and staff costs of operators and technicians. The decrease in the cost of revenue was mainly driven by a corresponding decrease in sales of heavy equipment and spare parts by approximately 27.1% for the year ended 31 July 2022, the lowered cost of heavy equipment imported from Japan as a result of the depreciation of Japanese Yen (“JPY”) by approximately 16.8% during the year, as well as the decrease in staff cost of operators by approximately 21.5% of the leasing segment for the year ended 31 July 2022.

Gross profit and gross profit margin

The gross profit decreased by approximately 4.0% from approximately HK\$90.6 million for the year ended 31 July 2021 to approximately HK\$87.0 million for the year ended 31 July 2022, with gross profit margin at approximately 22.0% for the year ended 31 July 2022 as compared with that of approximately 18.6% for the year ended 31 July 2021.

The decrease in gross profit was mainly attributable to a decrease in gross profit of the leasing business by approximately 8.5%. Despite the decrease in gross profit of the leasing business, the gross profit of sales business and the provision of maintenance and ancillary services increased by approximately 10.5%.

The overall increase in gross profit margin was mainly attributable to the increase of the gross profit margin of the sales segment from approximately 8.1% for the year ended 31 July 2021 to approximately 12.2% for the year ended 31 July 2022 as a result of the depreciation of JPY, which is mentioned in the section headed “Cost of revenue” above. The gross profit margin for the leasing segment also increased slightly from approximately 31.6% for the year ended 31 July 2021 to approximately 31.9% for the year ended 31 July 2022.

Other income and net gains

The other income and net gains decreased by approximately 22.6% from approximately HK\$9.3 million for the year ended 31 July 2021 to approximately HK\$7.2 million for the year ended 31 July 2022. The decrease was mainly due to the decrease in the receipt of government grants under the Employment Support Scheme of the Hong Kong Government of approximately HK\$3.0 million for the year ended 31 July 2022, which was partially offset by an increase in net foreign exchange gain of approximately HK\$1.7 million as a result of depreciation of JPY for the year ended 31 July 2022.

Reversal of allowance for trade and lease receivables

The Group has recognised reversal of allowance for trade and lease receivables of approximately HK\$0.1 million under the expected credit loss model for the year ended 31 July 2022 as a result of the improvement in its credit control and a decrease in expected credit losses for the year ended 31 July 2022.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately 3.9% from approximately HK\$38.6 million for the year ended 31 July 2021 to approximately HK\$40.1 million for the year ended 31 July 2022. The increase in administrative and other operating expenses was mainly attributable to an increase in depreciation expenses of property, plant and equipment, right of use assets and an investment property of approximately HK\$2.2 million, donation of approximately HK\$0.4 million, staff costs (including Directors’ emoluments but excluding quarters expenses) of approximately HK\$0.3 million and travelling expenses of approximately HK\$0.4 million, which was partially offset by the decrease in legal and professional fees of approximately HK\$1.8 million.

Finance costs

The finance costs decreased by approximately 52.6% from approximately HK\$1.9 million for the year ended 31 July 2021 to approximately HK\$0.9 million for the year ended 31 July 2022. The decrease was in line with the decrease in the average amount of bank borrowings for the year ended 31 July 2022 as compared to that of last year.

Income tax expense

The income tax expenses increased by approximately HK\$0.3 million or approximately 4.2% for the year ended 31 July 2022 compared with those of last year.

Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company decreased by approximately HK\$7.5 million or 14.3%, from approximately HK\$52.6 million for the year ended 31 July 2021 to approximately HK\$45.1 million for the year ended 31 July 2022. The net profit margin increased to 11.4% as compared to 10.8% for the year ended 31 July 2021.

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.0 cent per ordinary share for the year ended 31 July 2022 (the “**Final Dividend**”) to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Wednesday, 7 December 2022, subject to the approval of the Shareholders at the 2022 AGM. The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Wednesday, 21 December 2022.

Together with the interim dividend of HK1.0 cent per ordinary share paid to the Shareholders on 3 May 2022, the total cash dividend for the year ended 31 July 2022 will be HK2.0 cents (2021: HK3.5 cents) per ordinary share.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 July 2022 was approximately 5.6 times as compared to that of approximately 6.1 times as at 31 July 2021. The decrease was mainly due to the fact that the current assets as at 31 July 2022 did not increase as much as the current liabilities in terms of percentage. As at 31 July 2022, the Group had total bank and cash balances of approximately HK\$87.2 million (31 July 2021: approximately HK\$109.2 million). In addition, as at 31 July 2022, the Group had bank borrowings of approximately HK\$29.1 million (31 July 2021: approximately HK\$30.5 million).

The gearing ratio, calculated based on total debts (including bank borrowings and lease liabilities) divided by total equity at the end of the year ended 31 July 2022 and multiplied by 100%, was approximately 7.4% as at 31 July 2022 (31 July 2021: approximately 8.9%). The Group had unutilised banking facilities of approximately HK\$120.9 million as at 31 July 2022 (31 July 2021: approximately HK\$119.5 million). The Directors consider that the Group’s financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Group expects to fund its future operations and expansion plans primarily with cash generated from its operation and bank borrowings.

COMMITMENTS

As at 31 July 2022, the Group's operating lease commitments as lessee and lessor amounted to HK\$4,000 (31 July 2021: approximately HK\$0.7 million) and approximately HK\$11.7 million (31 July 2021: approximately HK\$19.8 million), respectively. As at 31 July 2022, the Group did not have any capital commitments contracted for, whereas as at 31 July 2021, the Group had capital commitments contracted for but not provided for of approximately HK\$1.4 million.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 July 2022, the Group did not have any charge on its assets (31 July 2021: nil).

As at 31 July 2022, the Group did not have any material contingent liabilities (31 July 2021: nil).

CAPITAL STRUCTURE

The issued shares of the Company were initially listed on GEM of the Stock Exchange on 27 July 2017. The listing was transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020. There has been no change in the Company's capital structure before and after the Transfer of Listing. The capital structure of the Group consists of equity attributable to the owners of the Company, which comprises issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will adjust its overall capital structure through the payment of dividends, issuance of new shares and inception or repayment of bank borrowings.

As at 31 July 2022, the Company's issued share capital amounted to HK\$10,000,000 and there were a total of 1,000,000,000 issued ordinary shares with a nominal value of HK\$0.01 each.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 4 to the consolidated financial information above.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 July 2022, the Group acquired 100% of the equity interest of Orange Treasure Limited. On 15 December 2021, a direct wholly-owned subsidiary of the Company (the "**Purchaser**") entered into a sale and purchase agreement with Mr. Chow and Ms. Cheng (the "**Vendors**"), pursuant to which the Purchaser agreed to acquire and the Vendors agreed to sell the sale shares (representing the entire equity interest in Orange Treasure Limited) and the sale debt (representing all debts owed by Orange Treasure Limited to the Vendors on the relevant completion date) at the consideration of HK\$22,000,000 in cash. Each of Mr. Chow and Ms. Cheng is a director of and is holding 50% of the equity interest in Generous Way Limited, the controlling shareholder of the Company.

The assets of Orange Treasure Limited comprise several pieces of land located in Yuen Long, Hong Kong. Therefore, the transaction was accounted for as acquisition of assets through acquisition of a subsidiary as the assets acquired do not meet the definition of a business.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 *Business Combinations* and concluded that the property is considered as a group of similar identifiable assets. The Group determined that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets and concluded that the acquired Orange Treasure Limited is not a business. Therefore, the transaction does not give rise to goodwill or bargain purchase gain.

The transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the transaction were set out in the Company's announcement dated 15 December 2021 and circular dated 13 January 2022. The ordinary resolution in relation to such connected transaction was duly passed by way of poll at the extraordinary general meeting of the Company held on 8 February 2022. The transaction was completed on 28 February 2022.

Other than that, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

EXPOSURE TO FOREIGN EXCHANGE RATE FLUCTUATION

The Group has certain exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in HK\$, JPY, Euro (“EUR”) and US dollars (“USD”). There is a currency difference between the Group's revenue receipts (which are denominated in HK\$) and some of the payments for purchases (which are denominated in JPY, EUR and USD). The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments or any other plans for material investments or capital assets as at 31 July 2022.

IMPORTANT EVENTS AFTER THE YEAR ENDED 31 JULY 2022

The Board is not aware of any important events affecting the Group, which have occurred subsequent to the end of the year ended 31 July 2022 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2022, the Group employed 180 (31 July 2021: 215) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK\$100.0 million for the year ended 31 July 2022 (2021: approximately HK\$116.5 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, the local market conditions and the Group's results. The remuneration policy is reviewed by the Board regularly. The remuneration package includes salary, allowances and bonus. The Group also makes contributions to the MPF Scheme.

The Company adopted a share option scheme on 30 June 2017 for the purpose of enabling the Company to grant options to, among others, the employees and directors of the Group as incentives or rewards for their contribution or potential contribution to the Group. The Group also arranges technical trainings to its existing employees on the operations of its existing and newly introduced heavy vehicles and other heavy equipment provided by the manufacturers.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all applicable code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “**CG Code**”) during the year ended 31 July 2022, save for the deviation from code provision C.2.1 (formerly code provision A.2.1 prior to the amendment of the CG Code which became effective on 1 January 2022).

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chow is the chairman of the Board and the chief executive officer of the Company. In view of the fact that Mr. Chow is one of the founders of the Group and has been operating and managing the Group since its establishment in 2001, all the other Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Chow is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by the said code provision.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries to all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 July 2022.

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 July 2022.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the audited consolidated financial statements of the Group for the year ended 31 July 2022 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Tuesday, 29 November 2022. A notice convening the 2022 AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules on or around 31 October 2022.

CLOSURE OF REGISTER OF MEMBERS

For the 2022 AGM

The Register of Members will be closed from Thursday, 24 November 2022 to Tuesday, 29 November 2022, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the "**Hong Kong Branch Share Registrar**") for registration no later than 4:30 p.m. on Wednesday, 23 November 2022.

For the Final Dividend

The Register of Members will be closed from Monday, 5 December 2022 to Wednesday, 7 December 2022, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to qualify for the proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar for registration no later than 4:30 p.m. on Friday, 2 December 2022.

ANNUAL REPORT

The annual report of the Company for the year ended 31 July 2022 containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company, and copies thereof will be despatched to the Shareholders in due course in the manner required by the Listing Rules.

By order of the Board
Tak Lee Machinery Holdings Limited
Chow Luen Fat
Chairman and Chief Executive Officer

Hong Kong, 19 October 2022

As at the date of this announcement, the executive Directors are Mr. Chow Luen Fat (chairman and chief executive officer), Ms. Liu Shuk Yee and Ms. Ng Wai Ying; the non-executive Director is Ms. Cheng Ju Wen; and the independent non-executive Directors are Sir Kwok Siu Man KR, Mr. Law Tze Lun and Dr. Wong Man Hin Raymond.