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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 JANUARY 2024

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK$132.6 million for the six months ended 31 January 2024, representing an increase of approximately 0.8% compared with approximately HK$131.6 million reported for the six months ended 31 January 2023.

- The Group's profit and total comprehensive income increased by approximately 57.4% from approximately HK$5.4 million for the six months ended 31 January 2023 to approximately HK$8.5 million for the six months ended 31 January 2024.

- Earnings per share for the six months ended 31 January 2024 was approximately HK0.85 cent (six months ended 31 January 2023: approximately HK0.54 cent).

The board of directors (the "**Directors**" and the "**Board**", respectively) of Tak Lee Machinery Holdings Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 January 2024, together with the comparative figures for the corresponding period in 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 January 2024

		Six months ended 31 January	
		2024	2023
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**132,583**	131,606
Cost of revenue		**(100,195)**	(101,793)
Gross profit		**32,388**	29,813
Other income and net gains	3	**866**	692
Impairment loss for trade and lease receivables		**(471)**	(97)
Administrative and other operating expenses		**(22,157)**	(23,227)
Profit from operations		**10,626**	7,181
Finance costs		**(484)**	(601)
Profit before tax		**10,142**	6,580
Income tax expense	4	**(1,632)**	(1,158)
Profit and total comprehensive income for the period attributable to owners of the Company	5	**8,510**	5,422
Earnings per share			
– Basic and diluted (HK cent per share)	7	**0.85**	0.54

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2024

	Note	**At 31 January 2024** *HK$'000* **(unaudited)**	At 31 July 2023 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	8	**126,429**	151,027
Right-of-use assets		**24,513**	22,887
Investment property		**14,327**	14,633
Deferred tax assets		**1,814**	1,709
Deposits paid for property, plant and equipment		**2,020**	–
		169,103	190,256
Current assets			
Inventories		**183,901**	145,602
Trade and lease receivables	9	**96,581**	103,085
Prepayments, deposits and other receivables		**14,065**	13,237
Current tax assets		**754**	–
Bank and cash balances		**45,278**	47,022
		340,579	308,946
Current liabilities			
Trade payables	10	**8,819**	10,468
Other payables and accruals		**7,326**	7,293
Contract liabilities		**1,450**	1,707
Lease liabilities		**4,802**	3,822
Current tax liabilities		**–**	4,009
Bank borrowings		**19,379**	5,476
		41,776	32,775
Net current assets		**298,803**	276,171
Total assets less current liabilities		**467,906**	466,427
Non-current liabilities			
Lease liabilities		**3,197**	2,164
Deferred tax liabilities		**19,558**	22,622
		22,755	24,786
NET ASSETS		**445,151**	441,641
Capital and reserves			
Share capital	11	**10,000**	10,000
Reserves		**435,151**	431,641
TOTAL EQUITY		**445,151**	441,641

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2024

	Share capital	**Share premium**	**Merger reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2023 (audited)	10,000	92,661	2,620	336,360	441,641
Profit and total comprehensive income for the period	–	–	–	8,510	8,510
Dividend paid *(note 6)*	–	–	–	(5,000)	(5,000)
At 31 January 2024 (unaudited)	**10,000**	**92,661**	**2,620**	**339,870**	**445,151**
At 1 August 2022 (audited)	10,000	92,661	2,620	339,283	444,564
Profit and total comprehensive income for the period	–	–	–	5,422	5,422
Dividend paid *(note 6)*	–	–	–	(10,000)	(10,000)
At 31 January 2023 (unaudited)	10,000	92,661	2,620	334,705	439,986

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 31 January 2024 (the "**Interim Condensed Consolidated Financial Statements**") are prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The preparation of the Interim Condensed Consolidated Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, as well as income and expenses on a year to date basis. Actual results may differ from these estimates.

2. PRINCIPAL ACCOUNTING POLICIES

These Interim Condensed Consolidated Financial Statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 July 2023, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**"). Except as described below, the accounting policies and methods of computation used in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those used in the Group's annual consolidated financial statements for the year ended 31 July 2023.

The Group has applied the following amendments to the HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 August 2023 for the preparation of the Interim Condensed Consolidated Financial Statements:

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

The adoption of the amended HKFRSs had no material impact on the results and financial position of the Group for the current and prior periods, which have been prepared and presented.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong Special Administrative Region gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition of the offsetting mechanism.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, Employee benefits, and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 July 2023. For the current and prior periods, consistent with the HKICPA guidance, the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. Management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim results announcement is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual consolidated financial statements for the year ending 31 July 2024.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by segment information is as follows:

	Six months ended 31 January	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Sales of heavy equipment and spare parts	**73,675**	62,686
Lease of heavy equipment	**38,057**	46,453
Lease related operating services	**11,368**	16,550
Provision of maintenance and ancillary services	**9,483**	5,917
Total revenue	**132,583**	131,606
Other income and net gains		
Compensation income from suppliers	**40**	355
Net gain on disposals of property, plant and equipment	**202**	51
Government grants	**19**	39
Bank interest income	**24**	2
Others	**581**	245
	866	692

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
Lease of heavy equipment	– Leasing of heavy equipment and lease related operating services in Hong Kong
Maintenance and ancillary services	– Providing maintenance and ancillary services

Segment revenue is measured in a manner consistent with that in the interim condensed 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.

3. REVENUE AND SEGMENT INFORMATION (continued)

(i) Information about reportable segment profit or loss:

	Sales of heavy equipment and spare parts	Lease of heavy equipment	Provision of maintenance and ancillary services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 31 January 2024					
Disaggregated by timing of revenue recognition					
A point in time	**73,675**	**–**	**9,483**	**–**	**83,158**
Over time	**–**	**49,425**	**–**	**–**	**49,425**
External revenue	**73,675**	**49,425**	**9,483**	**–**	**132,583**
Segment results	**6,043**	**9,066**	**922**	**(5,889)**	**10,142**
For the six months ended 31 January 2023					
Disaggregated by timing of revenue recognition					
A point in time	62,686	–	5,917	–	68,603
Over time	–	63,003	–	–	63,003
External revenue	62,686	63,003	5,917	–	131,606
Segment results	2,186	13,311	168	(9,085)	6,580

(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.

4. INCOME TAX EXPENSE

The income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 31 January	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**4,813**	3,399
Over-provision in prior year	**(12)**	(10)
	4,801	3,389
Deferred tax	**(3,169)**	(2,231)
	1,632	1,158

The Company was incorporated in the Cayman Islands and TLMC Company Limited, a wholly-owned subsidiary of the Company, was incorporated in the British Virgin Islands ("**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 assessable profits of qualifying group entity established in Hong Kong will be taxed at 8.25% (2023: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2023: 16.5%). The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% (2023: 16.5%).

5. PROFIT FOR THE PERIOD

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

	Six months ended 31 January	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Auditor's remuneration	**369**	369
Cost of inventories sold	**55,904**	47,038
Depreciation on property, plant and equipment	**16,181**	19,492
Depreciation on right-of-use assets	**2,594**	2,376
Depreciation on investment property	**306**	306
Direct operating expense of an investment property that generate rental income	**25**	22
Foreign exchange loss, net	**462**	446
Net gain on disposals of property, plant and equipment	**(202)**	(51)
Short-term lease charges in respect of:		
– Office premises	**1,402**	942
– Machineries	**491**	3,263
Reversal of impairment of property, plant and equipment, net	**(19)**	(27)
Write-off of trade and lease receivables	**48**	–
Staff costs (including Directors' remuneration)		
– Fees, salaries, allowances, bonus and others	**27,618**	33,902
– Retirement benefit scheme contributions	**971**	1,316
	28,589	35,218

6. DIVIDENDS

	Six months ended 31 January	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Dividend paid		
2023 final dividend of HK0.5 cent per ordinary share	**5,000**	–
2022 final dividend of HK1.0 cent per ordinary share	**–**	10,000
	5,000	10,000

The Board has resolved not to declare any interim dividend to its shareholders for the six months ended 31 January 2024 (six months ended 31 January 2023: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 31 January	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to owners of the Company	**8,510**	5,422
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for profit attributable to owners of the Company for the purpose of calculating basic earnings per share	**1,000,000**	1,000,000

Note:

The calculation of the basic earnings per share is based on the weighted average 1,000,000,000 ordinary shares (six months ended 31 January 2023: 1,000,000,000 ordinary shares) in issue during the period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the six months ended 31 January 2024 and 2023.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2024, the Group acquired items of property, plant and equipment with cost of approximately HK$572,000 (six months ended 31 January 2023: approximately HK$480,000). Items of property, plant and equipment with a net book value of approximately HK$6,000 were disposed of during the six months ended 31 January 2024, resulting in a net gain on disposal of approximately HK$202,000 (six months ended 31 January 2023: approximately HK$51,000).

During the six months ended 31 January 2024, property, plant and equipment of approximately HK$2,693,000 (six months ended 31 January 2023: approximately HK$16,813,000) were reclassified from inventories held for sale.

During the six months ended 31 January 2024, property, plant and equipment of approximately HK$11,694,000 (six months ended 31 January 2023: approximately HK$12,197,000) were reclassified to inventories held for sale.

9. TRADE AND LEASE RECEIVABLES

	At 31 January 2024 *HK$'000* (unaudited)	At 31 July 2023 *HK$'000* (audited)
Trade and lease receivables	**100,551**	106,584
Less: Impairment loss	**(3,970)**	(3,499)
	96,581	103,085

The Group's credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding balances. Overdue balances are reviewed regularly by the Directors.

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

	At 31 January 2024 *HK$'000* (unaudited)	At 31 July 2023 *HK$'000* (audited)
0 to 90 days	**40,577**	51,019
91 to 180 days	**23,497**	20,241
181 to 365 days	**17,235**	20,455
Over 365 days	**15,272**	11,370
	96,581	103,085

The Group applied simplified approach to provide the expected credit loss prescribed by HKFRS 9. The estimated loss rates are estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort.

10. TRADE PAYABLES

The credit period on trade payables ranges from 0 to 30 days.

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

	At 31 January 2024	At 31 July 2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 30 days	**2,361**	3,754
31 to 90 days	**2,371**	1,652
91 to 180 days	**4,015**	4,992
Over 180 days	**72**	70
	8,819	10,468

11. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 July 2022, 31 July 2023, 1 August 2023 and **31 January 2024 (unaudited)**	**10,000,000,000**	**100,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31 July 2022, 31 July 2023, 1 August 2023 and **31 January 2024 (unaudited)**	**1,000,000,000**	**10,000**

12. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

As at 31 January 2024, the outstanding lease commitments relating to short-term leases for office premises and machineries were approximately HK$553,000 (31 July 2023: HK$744,000).

The Group as lessor

As at 31 January 2024, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	Within one year	**In the second year**	**In the third year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 January 2024 (unaudited)				
Lease machineries	**7,109**	**–**	**–**	**7,109**
Investment property	**168**	**56**	**–**	**224**
	7,277	**56**	**–**	**7,333**
At 31 July 2023 (audited)				
Lease machineries	8,766	–	–	8,766
Investment property	168	140	–	308
	8,934	140	–	9,074

13. CAPITAL COMMITMENTS

As at 31 January 2024, the Group had capital commitments contracted, but not provided for in respect of the purchases of property, plant and equipment of approximately HK$1,568,000 (31 July 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 23 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 leasing.

The Group recorded an increase in profit attributable to owners of the Company for the six months ended 31 January 2024 (the "**Period**") by approximately 57.4% to approximately HK$8.5 million from approximately HK$5.4 million for the six months ended 31 January 2023.

The increase in net profit of the Group for the Period was mainly attributed to the increase in the sales of heavy equipment, which was driven by the demand arising from the various developments and works projects implemented by the Government of the Hong Kong Special Administrative Region.

Earnings per share for the Period was approximately HK0.85 cent, representing an increase of approximately 57.4% compared with approximately HK0.54 cent for the same period in 2023.

Over the past few years, the global economic landscape, including Hong Kong, has been deeply affected by the COVID-19 pandemic and the heavy equipment sales and leasing industry was no exception. The post-covid recovery has fallen short of what we had expected, but looking ahead, Hong Kong's economic growth is anticipated to keep positive in 2024. Based on the government's plan, with the formulation of the Northern Metropolis Development Strategy and Kau Yi Chau Artificial Islands Development, together with other infrastructures and projects in Hong Kong, the average annual capital works expenditure for infrastructure works is expected to be approximately HK$90 billion in the next few years according to the 2024-25 Budget Speech. Hence, the Group believes that the demand for its heavy equipment will remain strong in the coming years.

While monitoring closely the development of the industry in which the Group operates, going forward, 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 diversity its supplier base and source various technological safety system and smart products to bolster our sustainability, productivity and competitiveness in the industry.

FINANCIAL REVIEW

Revenue

The Group recorded an increase in revenue for the Period by approximately 0.8% to approximately HK$132.6 million from approximately HK$131.6 million for the six months ended 31 January 2023. The increase was mainly attributable to an increase in sales of heavy equipment and spare parts of approximately HK$11.0 million and an increase in income from provision of maintenance and ancillary services of approximately HK$3.6 million, which was partially offset by the decrease in leasing income of approximately HK$13.6 million.

Cost of revenue

The Group's cost of revenue amounted to approximately HK$100.2 million for the Period (six months ended 31 January 2023: approximately HK$101.8 million), representing a decrease of approximately 1.6%. Cost of revenue mainly comprised costs of machinery, equipment and spare parts, depreciation, freight and transportation costs, repairs and maintenance costs, staff costs for operators, technicians and inspectors and sub-leasing fee. The decrease was mainly driven by the decrease in the cost of revenue of leasing business, which was attributable to the decreases in staff cost of operators, depreciation and sub-leasing fee of the leasing segment for the Period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 8.7% from approximately HK$29.8 million for the six months ended 31 January 2023 to approximately HK$32.4 million for the Period, with gross profit margin at approximately 24.4% for the Period as compared with that of approximately 22.7% for the corresponding period last year.

The increase in gross profit was mainly attributable to increases in the gross profit of the sales business and the provision of maintenance and ancillary services by approximately 24.3%, which was partially offset by a decrease in gross profit of leasing business by approximately 7.4%.

The overall increase in gross profit margin was mainly attributable to the increase in the gross profit margin of the sales segment from approximately 13.8% for the six months ended 31 January 2023 to 20.1% for the Period although the gross profit margin of the leasing segment decreased slightly from approximately 32.4% to 31.8% for the Period.

Other income and net gains

Other income and net gains increased by approximately 28.6% from approximately HK$0.7 million for the six months ended 31 January 2023 to approximately HK$0.9 million for the Period. The increase was mainly due to the increase in net gain on disposals of property, plant and equipment during the Period.

Impairment loss for trade and lease receivables

The Group has recognised impairment loss for trade and lease receivables of approximately HK$0.5 million under the expected credit loss model for the Period in view of an increase in the expected credit losses.

Administrative and other operating expenses

The administrative and other operating expenses decreased by approximately HK$1.0 million or approximately 4.5% from approximately HK$23.2 million for the six months ended 31 January 2023 to approximately HK$22.2 million for the Period. The decrease was mainly attributable to the decreases in depreciation expenses of approximately HK$0.6 million and marketing expenses of approximately HK$0.7 million.

Finance costs

The finance costs decreased by approximately HK$0.1 million or approximately 16.7% from approximately HK$0.6 million for the six months ended 31 January 2023 to approximately HK$0.5 million for the Period. The decrease was mainly due to the decrease in average bank borrowings for the Period as compared to the corresponding period last year.

Income tax expense

The income tax expense increased by approximately HK$0.5 million or approximately 40.9% for the Period compared with the same period last year. The increase was mainly due to an increase in assessable profits for the Period.

Profit and total comprehensive income for the Period

As a result of the foregoing, the Group's profit and total comprehensive income for the Period increased by approximately 57.4% from approximately HK$5.4 million for the six months ended 31 January 2023 to approximately HK$8.5 million for the Period, with the net profit margin of the Group increased to approximately 6.4% for the Period as compared to approximately 4.1% for the six months ended 31 January 2023.

Liquidity and financial resources

The Group financed the operations primarily with cash flow from operations and bank borrowings. The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 January 2024 was approximately 8.2 times (31 July 2023: approximately 9.4 times). As at 31 January 2024, the Group had bank and cash balances of approximately HK$45.3 million (31 July 2023: approximately HK$47.0 million).

As at 31 January 2024, the Group had bank borrowings with maturity less than 1 year of approximately HK$19.4 million (31 July 2023: approximately HK$5.5 million). The gearing ratio, calculated based on the total debts (including bank borrowings and lease liabilities) divided by the total equity at the end of the period/year and multiplied by 100%, was approximately 6.2% as at 31 January 2024 (31 July 2023: approximately 2.6%). The Board considered 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 the funding requirements.

Capital structure

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 January 2024, 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.

Foreign exchange exposure

The Group has certain exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in Hong Kong dollar ("**HK$**"), Japanese Yen ("**JPY**"), Euro ("**EUR**") and United States dollar ("**USD**"). There is a currency difference between the Group's revenue receipts (which are denominated in HK$) and some of the payments for purchases (which are denominated in JPY, EUR and USD). The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Material acquisitions or disposals, significant investments, and plans for material investments or capital assets

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period. As at 31 January 2024, the Group did not have any significant investments or any plans for material investments or capital assets.

Charges of assets and contingent liabilities

As at 31 January 2024, the Group did not have any charges on the Group's assets for its bank borrowings (31 July 2023: Nil).

As at 31 January 2024, the Group did not have any material contingent liabilities (31 July 2023: Nil).

Employees and remuneration policies

As at 31 January 2024, the Group employed 107 (31 July 2023: 133) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK$28.6 million for the Period (six months ended 31 January 2023: approximately HK$35.2 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, 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 mandatory provident fund schemes. The Company adopted a share option scheme on 30 June 2017 (the "**Share Option Scheme**") 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.

Interim Dividend

The Board has resolved not to declare any interim dividend to its shareholders for the six months ended 31 January 2024 (six months ended 31 January 2023: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of good corporate governance and complied with all applicable code provisions as contained in Part 2 of Appendix C1 to the Listing Rules during the Period, save for the deviation from code provision C.2.1.

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 Luen Fat ("**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.

SHARE OPTION SCHEME

The Share Option Scheme is a share incentive scheme. No share options have been granted or agreed to be granted under the Share Option Scheme for the period from the date of its adoption to 31 January 2024 and up to the date of this announcement. As such, no share options were outstanding as at 31 January 2024 and no share options were exercised, cancelled or lapsed under the Share Option Scheme from the date of its adoption to the end of the Period on 31 January 2024 and up to the date of this announcement. As at both the beginning and the end of the Period, the maximum number of the shares of the Company in respect of which share options may be granted under the Share Option Scheme was 100,000,000.

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 listed securities of the Company during the Period.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all Directors regarding any non-compliance with the Model Code. All the Directors have confirmed that they had complied with the required standard set out in the Model Code during the Period.

IMPORTANT EVENTS AFTER THE PERIOD

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

REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period have not been reviewed by the external auditor, but have been reviewed by the audit committee of the Company (the "**Audit Committee**") comprising three independent non-executive Directors, namely Mr. Law Tze Lun, Sir Kwok Siu Man KR and Dr. Wong Man Hin Raymond. Mr. Law Tze Lun is the chairman of the Audit Committee.

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

Hong Kong, 26 March 2024

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.