TLMC

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 REPORT 2024

CONTENTS

CORPORATE INFORMATION AND KEY DATES

BOARD OF DIRECTORS

Executive Directors

Mr. CHOW Luen Fat *(Chairman and Chief Executive Officer)*
Ms. LIU Shuk Yee
Ms. NG Wai Ying

Non-executive Director

Ms. CHENG Ju Wen

Independent Non-executive Directors

Sir KWOK Siu Man KR
Mr. LAW Tze Lun
Dr. WONG Man Hin Raymond

COMPANY SECRETARY

Ms. NG Wai Ying

AUTHORISED REPRESENTATIVES

Mr. CHOW Luen Fat
Ms. NG Wai Ying

BOARD COMMITTEES

Audit Committee

Mr. LAW Tze Lun *(Chairman)*
Sir KWOK Siu Man KR
Dr. WONG Man Hin Raymond

Remuneration Committee

Dr. WONG Man Hin Raymond *(Chairman)*
Sir KWOK Siu Man KR
Mr. LAW Tze Lun

Nomination Committee

Sir KWOK Siu Man KR *(Chairman)*
Mr. LAW Tze Lun
Dr. WONG Man Hin Raymond

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P. O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

LEGAL ADVISER

As to Hong Kong Law
Loeb & Loeb LLP

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

D.D. 111, Lot No. 117,
Sheung Che Village,
Pat Heung,
Yuen Long,
New Territories,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

INDEPENDENT AUDITOR

RSM Hong Kong
Certified Public Accountants and
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

STOCK CODE

2102

COMPANY'S WEBSIT

www.tlmc-hk.com

KEY DATES

Closure of Register of Members for AGM
Thursday, 21 November 2024 to Tuesday, 26 November 2024

AGM date
Tuesday, 26 November 2024

Closure of Register of Members for Final Dividend
Tuesday, 3 December 2024 to Thursday, 5 December 2024

Proposed Payment of Final Dividend
Thursday, 19 December 2024

TLMC

HITACHI

Reliable solutions

In January 2012, the Group became the authorised dealer for various heavy equipment of *Hitachi* brand in Hong Kong and Macao.

ConSite
Consolidated Solution for Construction Sites

CITF 建造業創科基金
CITF Pre-approved Product

BELL

In August 2019, the Group became the authorised distributor in respect of articulated dump trucks and articulated trucks (water tankers) of *Bell* brand in Hong Kong.

CITF 建造業創科基金
CITF Pre-approved Product

AMMANN

In September 2016, the Group became the exclusive dealer for heavy vehicles of *Ammann* brand, a Swiss brand, in Hong Kong and Macao.

XWATCH SAFETY SOLUTIONS

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 in Hong Kong and Macao.

CITF 建造業創科基金
CITF Pre-approved Product

TLMC

HYUNDAI EVERDIGM

In November 2011, the Group was first granted the exclusive distributorship for various earthmoving attachments and spare parts of *Ramfos* brand, a Korean brand, in Hong Kong and Macao. From October 2022, the Group, as the exclusive distributor, also provides *Hyundai Everdigm* brand earthmoving attachments as a result of group reorganisation by Everdigm Corp.

LABOUNTY

In February 2006, the Group was first granted the exclusive distributorship for various earthmoving attachments and spare parts of *LaBounty* brand, a U.S. brand, in Hong Kong and Macao.

ROTOBEC

TOUGH HANDLING EQUIPMENT

In November 2018, the Group became the authorised dealer of *Rotobec* brand grapples and other earthmoving attachments in Hong Kong and Macao, and also the exclusive dealer for the supply of their Orange Peels product line in such territories.

AIRMAN®

In October 2017, the Group became the non-exclusive distributor for diesel engine generators of *AIRMAN* brand, a Japanese brand, in Hong Kong and Macao.

VIA

CITF 建造業創科基金

CITF Pre-approved Product

In March 2022, the Group became the authorised dealer of the *VIA* brand Mobile360 Surround View and Safety System Technology products series.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Director(s)" and the "Board", respectively) of Tak Lee Machinery Holdings Limited (the "Company"), it is my pleasure to present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 July 2024.

The Group has reported a stable consolidated net profit attributable to shareholders of the Company (the "Shareholders") for the year ended 31 July 2024 of approximately HK$7.1 million, which aligns with the net profit recorded for the year ended 31 July 2023. Earnings per share for the year ended 31 July 2024 was HK0.71 cent per share (2023: HK0.71 cent). Despite the challenging business environment in Hong Kong, characterised by geopolitical tensions and persistently high interest rates, our financial position remains robust, underpinned by strong liquidity and low gearing.

The Board has recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 July 2024, which is subject to Shareholders' approval at the forthcoming annual general meeting of the Company.

To capture maximum business opportunities, the Group continues to provide comprehensive "one-stop shop" to earthmoving equipment users and adopts a flexible fleet management strategy in operating its leasing business. Besides, the Group also provides earthmoving equipment with various advanced technologies and enhanced solutions to our customers to improve site safety, boost productivity and optimise asset management.

In view of a surge in demand for high quality products, the Group introduced the latest *Hitachi* brand ZAXIS-7 series hydraulic excavators, designed for improved efficiency and safety during the year. Equipped with an anti-collision safety system and Aerial Angle AI cameras, these excavators significantly reduce the risk of accidents by alerting operators automatically to any workers or other machines within their working range. The integrated ConSite® system also monitors abnormal operating conditions such as sudden changes in oil property, abnormality and overheat. Moreover, the Group also offers *Bell* brand articulated dump trucks equipped with Fleetm@tic®, a satellite based fleet management system which provides automated reports, alerts, production data, various packages to choose from and pole to pole satellite coverage to keep track of the equipment at the worksites on a continuous basis.

We believe that new technologies can bring significant benefits to the long-term development of construction industry of the Hong Kong Special Administrative Region (the "HKSAR") in all aspects. Aligned with this goal, an array of the Group's solutions has been shortlisted on the pre-approved list of Construction Innovation and Technology Fund, ranging from certain models of *Hitachi* brand ZAXIS-7 series excavator, *Bell* brand articulated dump truck (Model: B45E) to Smart Site Safety System, including *Xwatch* brand smart machine safety and control systems for height and slew control, rated capacity index and stability of equipment, as well as *VIA* brand smart Mobile360 system with AI cameras and smart phone app.

Looking ahead, given the various developments, works and railway projects implemented by the Government of the HKSAR, the Group remains cautiously optimistic on the outlook and the prospects for sales and leasing of heavy equipment. Going forward, the Directors will continue to diversify its supplier base and source various innovative safety systems and smart products to enhance our sustainability, productivity and competitiveness in the industry.

On behalf of the Board, I would like to extend my heartfelt gratitude to our management, staff, customers, and partners for their unwavering support, which has been instrumental in our achievements. The Group will continue to explore new opportunities, strive for excellence, and contribute positively to our community.

CHOW Luen Fat
Chairman

Hong Kong, 18 October 2024

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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 heavy equipment and spare parts, (ii) the leasing of heavy equipment, and (iii) the provision of repair, logistics and other ancillary services.

BUSINESS REVIEW AND OUTLOOK

The Group has reported a stable consolidated net profit attributable to Shareholders for the year ended 31 July 2024 of approximately HK$7.1 million, which aligns with the net profit recorded for the year ended 31 July 2023.

Earnings per share for the year ended 31 July 2024 was approximately HK0.71 cent (2023: HK0.71 cent).

For the year ended 31 July 2024, the Group has achieved total revenue of approximately HK$279.3 million, representing an increase of approximately HK$7.3 million or 2.7% from approximately HK$272.0 million for the year ended 31 July 2023. The increase in revenue was mainly attributable to an increase in sales of heavy vehicles arising from the various developments and works projects implemented by the Government of the Hong Kong Special Administrative Region.

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 2025. Based on the government's plan, with the implementation of the Northern Metropolis Development Strategy, together with other developments, works and railway projects in Hong Kong, the average annual capital works expenditure 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 diversify its supplier base and source various technological safety system and smart products to bolster its sustainability, productivity and competitiveness in the industry.

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 repair, logistics and other ancillary services.

The Group generated a majority of its revenue from its sales and leasing business. For the year ended 31 July 2024, the total revenue of the Group amounted to approximately HK$279.3 million, representing an increase of approximately HK$7.3 million or 2.7% from approximately HK$272.0 million for the year ended 31 July 2023. Such increase was mainly attributable to an increase in sales of heavy equipment and spare parts of approximately HK$16.1 million and an increase in income from provision of repair, logistics and other ancillary services of approximately HK$2.7 million, which was partially offset by a decrease in leasing income of approximately HK$11.5 million.

Revenue from the sales of heavy equipment and spare parts

The revenue from the sales of heavy equipment and spare parts increased by approximately HK$16.1 million or 11.3% from approximately HK$142.3 million for the year ended 31 July 2023 to approximately HK$158.4 million for the year ended 31 July 2024. Such increase was mainly attributable to an increase in sales of heavy vehicles arising from the various developments and works projects implemented by the Government of the Hong Kong Special Administrative Region.

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$11.5 million or 9.8% from approximately HK$116.8 million for the year ended 31 July 2023 to approximately HK$105.3 million for the year ended 31 July 2024. The decrease in revenue from the leasing business was mainly due to a decrease in the demand for heavy vehicles from customers. 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, the Relocation of Sha Tin Sewage Treatment works to Carvens and the Tung Chung New Town Extension development and railway projects.

Revenue from the provision of repair, logistics and other ancillary services

The revenue from the provision of repair, logistics and other ancillary services increased by approximately HK$2.7 million or 20.9% from approximately HK$12.9 million for the year ended 31 July 2023 to approximately HK$15.6 million for the year ended 31 July 2024. The increase was mainly due to an increase in the demand for logistics services.

Cost of revenue

The cost of revenue amounted to approximately HK$222.0 million for the year ended 31 July 2024, representing an increase of approximately HK$3.1 million or 1.4% from approximately HK$218.9 million for the year ended 31 July 2023. Cost of revenue mainly comprised costs of heavy equipment and spare parts, depreciation, repairs and maintenance costs, staff costs for operators, technicians and inspectors. The increase was mainly driven by an increase in the cost of heavy equipment and spare parts by approximately 12.8% and allowance for inventories by approximately 374.8%, which was partially offset by the decreases in staff cost of operators and depreciation of the leasing segment by approximately 30.3% and 15.2% respectively for the year ended 31 July 2024.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK$4.2 million or 7.9% from approximately HK$53.1 million for the year ended 31 July 2023 to approximately HK$57.3 million for the year ended 31 July 2024, with gross profit margin at approximately 20.5% for the year ended 31 July 2024 as compared with that of approximately 19.5% for the year ended 31 July 2023.

The overall increase in gross profit and gross profit margin was mainly attributable to an increase in the gross profit margin of the leasing segment from approximately 30.0% for the year ended 31 July 2023 to approximately 36.1% for the year ended 31 July 2024. Nevertheless, the gross profit margin of the sales segment decreased from approximately 11.8% for the year ended 31 July 2023 to approximately 11.2% for the year ended 31 July 2024, which was mainly due to an increase in allowance for inventories of approximately HK$4.3 million included in the cost of the sales segment for the year ended 31 July 2024.

Other income and other gains and losses

Other income and net gains decreased by approximately 78.9% from approximately HK$1.9 million for the year ended 31 July 2023 to approximately HK$0.4 million for the year ended 31 July 2024. The decrease was mainly due to a decrease in net gain on disposals of property, plant and equipment of approximately HK$1.0 million for the year ended 31 July 2024.

Allowance for trade and lease receivables

The Group has recognised an allowance for expected credit losses on trade and lease receivables of approximately HK$3.2 million for the year ended 31 July 2024, which was mainly due to an increase in credit risk and expected default risk in view of the economic conditions over the expected lives of the receivables and the payment history of customers. In respect of the aging analysis of the Group's trade and lease receivables as set out in note 20 to the notes to consolidated financial statements, among the trade and lease receivables over 365 days as at 31 July 2024, pursuant to a settlement agreement entered into with a single customer in September 2024, HK$7,000,000 was paid by this customer to the Group before the day of publication of the annual results announcement for the year ended 31 July 2024 on 18 October 2024 and the remaining sum of HK$7,478,000 will be settled by the end of October 2024.

Administrative and other operating expenses

The administrative and other operating expenses decreased by approximately HK$0.2 million or approximately 0.5% from approximately HK$42.3 million for the year ended 31 July 2023 to approximately HK$42.1 million for the year ended 31 July 2024.

Finance costs

The finance costs increased by approximately HK$0.2 million or approximately 22.2% from approximately HK$0.9 million for the year ended 31 July 2023 to approximately HK$1.1 million for the year ended 31 July 2024. The increase was mainly due to the increase in interest expense on lease liabilities arising from the new inception of lease liabilities during the year ended 31 July 2024.

Income tax expense

The income tax expense increased by approximately HK$2.6 million or approximately 158.4% for the year ended 31 July 2024 as compared with last year. The increase was mainly due to a reversal of deferred tax assets of approximately HK$1.7 million arising from tax losses previously recognised, which are charged to profit or loss for the year ended 31 July 2024.

Profit and total comprehensive income for the year ended 31 July 2024

As a result of the foregoing, the Group's profit and total comprehensive income for the year ended 31 July 2024 was approximately HK$7.1 million (2023: approximately HK$7.1 million), while the net profit margin of the Group decreased to approximately 2.5% for the year ended 31 July 2024 as compared to approximately 2.6% for the year ended 31 July 2023.

DIVIDEND

The Board has recommended the payment of a final dividend in the form of cash of HK1.5 cents per ordinary share for the year ended 31 July 2024 (the "Final Dividend") to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Thursday, 5 December 2024, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "2024 AGM"). The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Thursday, 19 December 2024. No interim dividend for the six months ended 31 January 2024 has been declared by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024 was approximately 12.6 times as compared to that of approximately 9.4 times as at 31 July 2023. As at 31 July 2024, the Group had total bank and cash balances of approximately HK$73.8 million (31 July 2023: approximately HK$47.0 million). In addition, as at 31 July 2024, the Group had no bank borrowings (31 July 2023: approximately HK$5.5 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 and multiplied by 100%, was approximately 1.3% as at 31 July 2024 (31 July 2023: approximately 2.6%). The Group had unutilised banking facilities of approximately HK$130.0 million as at 31 July 2024 (31 July 2023: approximately HK$144.5 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 2024, the Group's operating lease commitments as lessee and lessor amounted to HK$573,000 (31 July 2023: HK$744,000) and approximately HK$12.4 million (31 July 2023: approximately HK$9.1 million), respectively. As at 31 July 2023 and 2024, the Group did not have any capital commitments contracted for.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 July 2024, the Group did not have any charge on its assets (31 July 2023: nil).

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

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 July 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.

SEGMENT INFORMATION

Segment information is presented for the Group as disclosed in note 7 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 July 2024, 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$, Japanese Yen ("JPY"), Euro ("EUR") and US dollars ("USD"). There is a currency difference between the Group's revenue receipts (which are denominated in HK$) 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 2024.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible and has general powers for the management and conduct of the business of the Group. The senior management consists of sales and service support manager and parts and service support manager. The senior management is responsible for the day-to-day management of the business.

DIRECTORS

Executive Directors

Mr. CHOW Luen Fat (周聯發) ("Mr. Chow"), aged 51, is the chairman of the Board and the chief executive officer of the Company. Mr. Chow was appointed as a Director on 11 December 2015 and was re-designated as an executive Director on 4 August 2016. Mr. Chow also holds directorships in all the subsidiaries of the Company. Mr. Chow is primarily responsible for overall management, strategic planning, procurement and development of the Group. Mr. Chow is the spouse of Ms. Cheng Ju Wen ("Ms. Cheng"), the non-executive Director.

Mr. Chow has more than 26 years of experience in the heavy equipment industry. Prior to founding the Group, Mr. Chow worked for Shing Lee Construction Machinery Co. Limited from March 1998 to February 1999. From 1999 to 2001, Mr. Chow operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Mr. Chow co-founded Tak Lee Machinery Company Limited ("Tak Lee Machinery") with Ms. Cheng and acted as a director of Tak Lee Machinery. Mr. Chow is also a director and a shareholder of Generous Way Limited, a substantial shareholder of the Company.

Mr. Chow served on the Hong Kong Construction Machinery Association (which was subsequently incorporated as the Hong Kong Construction Machinery Association Company Limited on 24 December 2009) as the president from July 2005 to June 2006 and had served as the honorary president from July 2007 for a term of ten years ended in June 2017 and served as the honorary president from July 2017 to May 2024.

Mr. Chow obtained a bachelor's degree in engineering from Tohwa University in Japan in March 1998.

Ms. LIU Shuk Yee (廖淑儀) ("Ms. Liu"), aged 40, was appointed as an executive Director on 4 August 2016 and is primarily responsible for the sales and marketing, operation, procurement and development of the Group. Ms. Liu has approximately 22 years of experience in the heavy equipment industry. She joined the Group in August 2002 as a sales officer, and was promoted progressively over the years to manager in July 2009, and senior manager in December 2010.

Ms. Liu obtained a bachelor's degree of arts in business administration and management from De Montfort University in the United Kingdom through a distance learning course in September 2013.

Ms. NG Wai Ying (吳慧瑩) ("Ms. Ng"), CPA & FCCA, aged 51, was appointed as an executive Director and the company secretary of the Company on 4 August 2016. She has been appointed as the chief financial officer since May 2016. Ms. Ng is primarily responsible for the overall financial affairs and management and company secretarial matters of the Group.

Ms. Ng has over 29 years of experience in auditing and financial management. From July 1995 to March 1997, Ms. Ng worked as an audit assistant in Morison Heng CPA Limited. Ms. Ng joined Deloitte Touche Tohmatsu in August 1997 and her last position was senior accountant when she left in May 2000. From July 2000 to July 2001, Ms. Ng joined Sino-i.com Limited as an accountant. From July 2001, Ms. Ng worked as the accounting manager at Asia Aluminum Holdings Limited and her last position was financial controller when she left in March 2009. From August 2009 to November 2015, Ms. Ng was the financial controller in Trillion New HK Limited.

Ms. Ng graduated from The Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in October 1995. Ms. Ng has been admitted as a fellow member of The Association of Chartered Certified Accountants since October 2003. Ms. Ng has also been admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since October 1998.

Non-Executive Director

Ms. CHENG Ju Wen (鄭如雯) ("Ms. Cheng"), aged 52, was appointed as a Director on 11 December 2015 and was re-designated as the non-executive Director on 4 August 2016. Ms. Cheng also holds directorships in all the subsidiaries of the Company. Ms. Cheng is primarily responsible for strategic planning and business development of the Group. Ms. Cheng is the spouse of Mr. Chow Luen Fat ("Mr. Chow"), an executive Director.

From 1999 to 2001, Ms. Cheng operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Ms. Cheng co-founded Tak Lee Machinery Company Limited ("Tak Lee Machinery") with Mr. Chow and acted as a director of Tak Lee Machinery. Ms. Cheng is also a director and a shareholder of Generous Way Limited, a substantial shareholder of the Company.

Ms. Cheng obtained a bachelor's degree in engineering from Tohwa University in Japan in March 1998.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Sir KWOK Siu Man KR (郭兆文) ("Sir Seaman Kwok"), aged 65, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Nomination Committee of the Board and a member of both the Audit Committee and the Remuneration Committee of the Board. Sir Seaman Kwok has over 40 years of experience in legal, regulatory compliance and corporate secretarial matters and management gained from working as the company secretary of various groups (including the Hang Seng Index Constituent and Hang Seng Mid-cap 50 stock companies), the managing director of a top-notch financial printer in Hong Kong, an executive director of a corporate services provider and a director of a share registrar. Sir Seaman Kwok is presently the founder and director of SK2 Corporate Services (HK) Limited, the principal managing consultant of Cheng & Cheng Limited group and has been a director of a charity fund since its incorporation in May 1992.

Sir Seaman Kwok holds a professional diploma in company secretaryship and administration and a bachelor's degree of arts from The Hong Kong Polytechnic University. He has earned a post-graduate diploma in laws from the Manchester Metropolitan University in England and passed the Common Professional Examinations of England and Wales. Sir Seaman Kwok is a fellow member of each of The Chartered Governance Institute in England ("CGI"), The Institute of Financial Accountants in England, The Hong Kong Chartered Governance Institute ("HKCGI"). The Association of Hong Kong Accountants, The Hong Kong Institute of Directors and the Institute of Public Accountants in Australia. Sir Seaman Kwok is also a member of the Hong Kong Securities and Investment Institute and a Chartered Secretary and a Chartered Governance Professional of both the CGI and the HKCGI. Besides, he has been a council member of HKCGI for 18 years. Further, Sir Seaman Kwok was conferred as a Knight of Rizal of the Philippines in 2019 and elected as a Global Outstanding Chinese in August 2024.

Mr. LAW Tze Lun (羅子璘) ("Mr. Law"), aged 52, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Audit Committee of the Board and a member of both the Nomination Committee and the Remuneration Committee of the Board. Mr. Law has over 31 years of experience in auditing, accounting and finance. Since December 2010, Mr. Law has been a director of ANSA CPA Limited, which was principally engaged in the provision of auditing and accounting services.

Mr. Law has been serving as an independent non-executive director of Come Sure Group (Holdings) Limited (stock code: 794) since February 2009, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In March 1999, Mr. Law obtained a bachelor's degree in commerce (accounting) from Curtin University of Technology in Australia. Since August 2000, Mr. Law has been admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants (currently known as CPA Australia). Mr. Law has also been admitted as an associate and certified public accountant of the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in October 2000 and March 2003, respectively, and as a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2014.

Dr. WONG Man Hin Raymond (黃文顯) ("Dr. Wong"), aged 58, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Remuneration Committee of the Board and a member of both the Audit Committee and the Nomination Committee of the Board.

Dr. Wong has been serving as a director of companies listed on the Main Board of the Stock Exchange. Dr. Wong has been acting as an executive director since April 2002, the deputy chairman since April 2007 and the chairman since December 2021 of Raymond Industrial Limited (stock code: 229). Dr. Wong has also been serving as an independent non-executive director of Nan Nan Resources Enterprise Limited (stock code: 1229) since March 2008, Modern Healthcare Technology Holdings Limited (stock code: 919) since December 2009 and Guanze Medical Information Industry (Holding) Co., Ltd. (stock code: 2427) since December 2022.

Dr. Wong obtained a bachelor's degree in chemical engineering from Lehigh University in the United States in October 1988, a master's degree in economics from University of Hawaii at Manoa in December 1994 and a doctorate degree in business administration from The Hong Kong Polytechnic University in September 2018. Dr. Wong has been admitted a Certified Management Accountant and a member of American Institute of Certified Public Accountants since September 1998 and May 1999, respectively. Dr. Wong was also awarded a certificate in financial management by the Institute of Certified Management Accountants in April 1999.

SENIOR MANAGEMENT

Mr. SHANG-KUAN Cheuk Man (上官卓文) ("Mr. Shang Kuan"), aged 43, is the sales and service support manager. Mr. Shang Kuan oversees the day-to-day sales and leasing activities including procurement and after sales services. He joined the Group in October 2014.

Mr. Shang Kuan has experience of over 9 years in sales and service support management in the heavy equipment industry.

Mr. LEE Shun On (李順安) ("Mr. Lee"), aged 40, is the parts and service support manager. Mr. Lee is responsible for overseeing the sales of spare parts and after sales services. Mr. Lee has worked in the heavy equipment industry for over 10 years. He joined the Group in March 2014 as a technician and was promoted progressively over the years to parts and service support manager in May 2018.

REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 July 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements. There was no significant change in the Group's principal activities during the year ended 31 July 2024.

An analysis of the Group's performance for the year ended 31 July 2024 by operating segment is set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

Detailed business review is set out in the section headed "Management Discussion and Analysis" ("MD&A") of the annual report from pages 8 to 13. Future development of the Company's business is set out in the MD&A and the section headed "Chairman's Statement" in the annual report from pages 6 to 7.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53.

The Board has recommended the payment of a Final Dividend in the form of cash of HK1.5 cents per ordinary share for the year ended 31 July 2024 to the Shareholders whose names appear on the Register of Members on Thursday, 5 December 2024, subject to the approval of the Shareholders at the 2024 AGM. The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Thursday, 19 December 2024. No interim dividend for the six months ended 31 January 2024 has been declared by the Board.

DONATIONS

During the year ended 31 July 2024, the Group made charitable and other contributions totalling HK$54,000.

2024 AGM

The 2024 AGM will be held on Tuesday, 26 November 2024. A notice convening the 2024 AGM will be published in due course.

CLOSURE OF REGISTER OF MEMBERS

For the 2024 AGM

The Register of Members will be closed from Thursday, 21 November 2024 to Tuesday, 26 November 2024, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 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, 20 November 2024.

For the Final Dividend

The Register of Members will be closed from Tuesday, 3 December 2024 to Thursday, 5 December 2024, both days inclusive, during which period no transfer of the shares of the Company 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 Monday, 2 December 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to the Group's business have been set out in the section headed "Risk Factors" in the prospectus of the Company dated 17 July 2017, the section headed "Material Risks Associated With The Group's Business" in the announcement of the Company dated 24 September 2020 and the section headed "Chairman's Statement" in the annual report from pages 6 to 7. The Group believes that the risk management practices are important and uses its best effort to ensure they are sufficient to mitigate the risks present in the operations and financial position as efficiently and effectively as possible.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The business of the Group depends on, among others, its ability to meet its customers' requirements on safety, quality and environmental aspects. In order to meet customers' requirements, the Group has established safety, quality and environmental management systems. Through an effective control of its operations, compliance with safety, quality and environmental requirements can be further assured. Detailed discussion of the environmental policies and performance will be included in the Environmental, Social and Governance Report which will be published on the respective websites of the Stock Exchange and the Company in due course according to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 July 2024.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the year ended 31 July 2024, the Group has maintained a good relationship with its stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders. Detailed discussion of the key relationships with employees, customers and suppliers will be included in the Environmental, Social and Governance Report which will be published on the respective websites of the Stock Exchange and the Company in due course according to the Listing Rules.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 July 2024 are set out in the consolidated statement of changes in equity on page 55 of the annual report.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year ended 31 July 2024 are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 July 2024 are set out in note 16 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 120 of the annual report. This summary does not form part of the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 July 2024, the aggregate revenue attributable to the Group's five largest customers was less than 30% (2023: less than 30%) of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers was 69.6% (2023: 76.1%) of the Group's total purchases for the year ended 31 July 2024 with the largest supplier accounted for 42.5% (2023: 44.8%).

To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the Listing Rules) or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued shares) had any interests in any of the Group's five largest customers or suppliers.

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 2024.

SUFFICIENCY OF PUBLIC FLOAT

During the year ended 31 July 2024 and as at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year ended 31 July 2024 and thereafter up to the date of this report as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association (the "Articles of Association"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Scheme") is a share incentive scheme adopted on 30 June 2017. There were no share options granted or agreed to be granted under the Scheme for the period from the date of its adoption to 31 July 2024 and up to the date of this report. As such, no share options were outstanding as at 31 July 2024 and no share options were exercised, cancelled or lapsed under the Scheme for the period from the date of its adoption to the end of the year on 31 July 2024 and up to the date of this report.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant options to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries.

(b) Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following parties (collectively the "Eligible Participants") to subscribe for such number of new shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

(c) Amount payable on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company on or before the relevant acceptance date.

(d) Total number of shares available for issue under the Scheme together with the percentage of the issued shares that it represents as at the date of this report

The maximum number of the shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of the shares in issue (the "General Scheme Limit"). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew the General Scheme Limit at any time to 10% of the shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the General Scheme Limit to Eligible Participants specifically identified by the Board.

As at the beginning and the end of the year ended 31 July 2024, and the date of this report, the maximum number of the shares in respect of which share options may be granted under the Scheme and any other share option schemes of the Company were 100,000,000.

(e) Maximum entitlement of each participant under the Scheme

(i) Subject to (ii) below, total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

(ii) If the Board proposes to grant options to a substantial shareholder (as defined in the Listing Rules) or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue and having an aggregate value in excess of HK$5 million based on the official closing price of the shares at the date of each grant, such further grant of options will be subject to Shareholders' approval in advance in a general meeting.

(f) Basis of determining the exercise price

The exercise price in relation to each option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price shall not be less than the highest of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(g) Period within which the option may be exercised

An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which the option is deemed to be granted and accepted.

(h) Minimum period for which the option must be held before it can be exercised

The minimum period for which the option must be held before it can be exercised shall be notified by the Board to each grantee at the time of grant.

(i) Remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from 27 July 2017.

EQUITY-LINKED AGREEMENTS

Other than the Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 July 2024 or subsisted at the end of the year ended 31 July 2024.

DISTRIBUTABLE RESERVES

Share premium and retained profit of the Company may be available for distribution to the Shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. The Company's reserves available for distribution to the Shareholders as at 31 July 2024 amounted to approximately HK$91.8 million (31 July 2023: approximately HK$94.9 million).

DIRECTORS

During the year ended 31 July 2024 and up to the date of this report, the Board's composition is as follows:

Executive Directors
Mr. CHOW Luen Fat *(Chairman and Chief Executive Officer)*
Ms. LIU Shuk Yee
Ms. NG Wai Ying

Non-executive Director
Ms. CHENG Ju Wen

Independent non-executive Directors
Sir KWOK Siu Man KR
Mr. LAW Tze Lun
Dr. WONG Man Hin Raymond

The Director's biographical details are set out under the section headed "Directors and Senior Management".

In accordance with Article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires.

Ms. Liu Shuk Yee, Ms. Cheng Ju Wen and Sir Kwok Siu Man KR will retire by rotation and, being eligible, offer themselves for re-election at the 2024 AGM.

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for renewing his/her term of office for three years commencing on 27 July 2023 subject to renewal and termination in certain circumstances as stipulated in the relevant service agreement.

The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for renewing her/his term of office for one year commencing on 27 July 2024 subject to renewal and termination in certain circumstances as stipulated in the relevant letter of appointment.

Save as disclosed above, none of the Directors proposed for re-election at the 2024 AGM has a service agreement or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee of the Board has assessed the independence of the independent non-executive Directors and confirmed that all independent non-executive Directors remained independent.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 July 2024, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the "Model Code"), were set out as follows:

Interests in the Company

Long positions in the shares of the Company

Directors	Nature of interest	Number of shares held	Percentage of the Company's issued shares
Mr. CHOW Luen Fat ("Mr. Chow")	Interest in a controlled corporation (Note)	750,000,000	75%
Ms. CHENG Ju Wen ("Ms. Cheng")	Interest in a controlled corporation (Note)	750,000,000	75%

Note: These shares are held by Generous Way Limited ("Generous Way"), which is beneficially owned as to 50% by Mr. Chow, the chairman of the Board, the chief executive officer of the Company and an executive Director and 50% by Ms. Cheng, the non-executive Director. Mr. Chow and Ms. Cheng are spouses. Under the SFO, each of Mr. Chow and Ms. Cheng is deemed to be interested in the same number of shares held by Generous Way.

Interests in associated corporation of the Company

Long positions in the ordinary shares of an associated corporation

Directors	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of issued ordinary shares
Mr. CHOW Luen Fat	Generous Way Limited	Beneficial owner	50	50%
Ms. CHENG Ju Wen	Generous Way Limited	Beneficial owner	50	50%

Save as disclosed above, as at 31 July 2024, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

As at 31 July 2024, so far as the Directors were aware, the following entity (other than the Directors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Nature of interest	Number of shares held	Percentage of the Company's issued shares
Generous Way Limited	Beneficial owner	750,000,000	75%

Save as disclosed above, as at 31 July 2024, the Directors were not aware of any persons who or entities which had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Scheme, at no time during the year ended 31 July 2024 or at the end of the year ended 31 July 2024 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or its parent company was a party and in which a Director or an entity connected with any of them had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 July 2024 or at any time during the year ended 31 July 2024.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company (as defined in the Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted at the end of the year ended 31 July 2024 or at any time during the year ended 31 July 2024.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares of the Company. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares of the Company, they are advised to consult their professional advisers.

COMPETING INTEREST

During the year ended 31 July 2024, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the Listing Rules) that had competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

MANAGEMENT CONTRACTS

No contract relating to the management and/or administration of the whole or any substantial part of any business of the Group was entered into or subsisted during the year ended 31 July 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2024, the Group employed 107 (31 July 2023: 133) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK$55.0 million for the year ended 31 July 2024 (2023: approximately HK$66.0 million). The Group determines the Directors' and 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 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.

RETIREMENT SCHEME

The Group has established a mandatory provident fund scheme (the "MPF Scheme") for all of its employees in Hong Kong. All employees in Hong Kong are required to join the MPF Scheme and the employees and their employer are each required to contribute 5% of the employee's gross earnings with a ceiling of HK$1,500 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contribution under the MPF Scheme. The contribution charged to the consolidated statement of profit or loss and other comprehensive income represents the contribution payable to the MPF Scheme by the Group.

The total costs relating to the MPF Scheme charged to the profit or loss for the year ended 31 July 2024 was HK$1,844,000 (2023: HK$2,253,000). The Group does not forfeit any contributions on behalf of its employees who leave the MPF Scheme prior to full vesting. Accordingly, for the year ended 31 July 2024, there was no forfeited contribution available for the Group to reduce the existing level of contributions and at the end of the year ended 31 July 2024, there were no forfeited contributions available to reduce future obligations.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Related party transactions entered into by the Group during the year ended 31 July 2024 and the year ended 31 July 2023 are set out in note 33 to the consolidated financial statements.

The Directors consider that the related party transactions disclosed in note 33 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules requiring compliance with any of the reporting, announcement or independent Shareholders' approval requirements.

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 2024 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.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association provides, among others, that every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has also arranged proper insurance coverage in respect of legal actions against the Directors' liability.

REPORT OF THE DIRECTORS

EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS AND THE DIRECTORS

Details of the emoluments of the five highest paid individuals and the Directors for the year ended 31 July 2024 are set out in notes 12 and 13 to the consolidated financial statements, respectively.

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 year ended 31 July 2024, save for the deviation from code provision C.2.1.

Reasons for the derivation from code provision C.2.1 and further information on the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of the annual report from pages 31 to 45.

INDEPENDENT AUDITOR

RSM Hong Kong will retire at the conclusion of the 2024 AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the 2024 AGM to be held on Tuesday, 26 November 2024 to seek the Shareholders' approval on the re-appointment of RSM Hong Kong as the Company's independent auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

There has been no change in independent auditor of the Company in the preceding three years.

IMPORTANT EVENTS AFTER THE YEAR ENDED 31 JULY 2024

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 2024 and up to the date of this report.

On behalf of the Board
CHOW Luen Fat
Chairman

Hong Kong, 18 October 2024

The Company is committed to good corporate governance which it believes to be essential to the success of its business and operation.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on, among others, the principles of good corporate governance and the code provisions as contained in Part 2 of Appendix C1 to the Listing Rules (the "CG Principles" and the "Code Provision(s)" respectively).

The Company has applied the CG Principles and complied with all applicable Code Provisions during the year ended 31 July 2024, save for the deviation from Code Provision C.2.1. Information on the Company's corporate governance practices are set out in this report. Reasons for the deviation from Code Provision C.2.1 are set out in the paragraph headed "Chairman and Chief Executive" in this report.

COMPANY CULTURE

The Company has its well-established mission, values and strategy with the principal objective to enhance the interests of Shareholders through maintaining and growing a successful development of business with consistent long-term financial returns. In pursuit of its objectives, the Group believes that it is important to operate its business with high standard of integrity through complying with all relevant laws, rules and regulations and implementing sound risk management. All Directors, lead by example, always act with integrity and are committed to promote a culture of integrity for the purpose of instilling and continually reinforcing across all levels of the Group values of acting lawfully, ethically and responsibly. The Code of Conduct in the Group's Human Resources Manual and the Anti-Fraud and Anti-Bribery Policy are in place to ensure proper professional and ethical conduct across all aspects of the Group's operations.

BOARD OF DIRECTORS

Responsibilities, Accountabilities and Contributions of the Board

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include, among others, formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Articles of Association. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The responsibilities of these Board committees include, among others, monitoring the Group's operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place. The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense. Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

Composition

The Company has been maintaining a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors (the "INEDs")) so that there is a strong independent element on the Board, enabling the Board to exercise effective independent judgement.

As at the date of the annual report, the Board comprises the following seven Directors, of which the non-executive Directors (including INEDs) in aggregate represent over 50% of the Board members. The Board also achieved gender diversity with three female Directors out of a total of seven Directors during the year ended 31 July 2024 and up to the date of the annual report:

Executive Directors
Mr. CHOW Luen Fat *(Chairman and Chief Executive Officer)*
Ms. LIU Shuk Yee
Ms. NG Wai Ying

Non-executive Director
Ms. CHENG Ju Wen

Independent non-executive Directors
Sir KWOK Siu Man KR
Mr. LAW Tze Lun
Dr. WONG Man Hin Raymond

Note: Mr. Chow Luen Fat, the chairman of the Board (the "Chairman") and the chief executive officer of the Company, and Ms. Cheng Ju Wen, the non-executive Director, are spouses.

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of the annual report.

Save as disclosed above, there was no financial, business, family or other material relationship among the Directors during the year ended 31 July 2024 and up to the date of the annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through their active participation in Board meetings and serving on various Board committees, all INEDs continue to make various contributions to the Company.

Throughout the year ended 31 July 2024 and up to the date of the annual report, the Company fulfilled the requirements set out in Rules 3.10 and 3.10A of the Listing Rules that the Board must include at least three INEDs and they must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation and after the assessment made by the Nomination Committee, the Board considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Mechanism for Independent Views and Input to the Board

The Company has established its mechanisms to ensure independent views and input are available to the Board. Directors are encouraged to proactively and feel at ease to express his/her independent views and input to the Board. The Chairman always promotes a culture of openness and debate by facilitating the effective communication of the non-executive Directors (including INEDs) in particular. All Directors are given an opportunity to include matters in the agenda for Board meetings. The Chairman at least annually holds meetings with the independent non-executive Directors without the presence of other Directors. When necessary, INEDs can request for additional meeting(s) with the Chairman individually or jointly with other INEDs to express their view and input. The Nomination Committee of the Board assesses the independence of the INEDs annually to ensure that they can continually exercise independent judgement. Directors are required to declare interest in the matters for consideration at Board meetings. Directors, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them in the performance of their duties to the Company. The Board also sets up procedures for Directors to seek independent professional advice. In July 2024, the Chairman met all INEDs without presence of other Directors as required under the mechanisms and Code Provision C.2.7.

After reviewing the above, the Board considers that the mechanisms were effectively implemented during the year ended 31 July 2024.

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 year ended 31 July 2024.

The Model Code is also applicable to dealings in the securities of the Company by other employees of the Group who, because of their offices or employments in the Group, are likely to be in possession of inside information in relation to the securities of the Company.

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

The Company from time to time funds and arranges suitable training to all Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses.

During the year ended 31 July 2024, the record of the trainings of the Directors is set out in the table below.

	Type of trainings
Mr. CHOW Luen Fat	A and B
Ms. LIU Shuk Yee	A and B
Ms. NG Wai Ying	A and B
Ms. CHENG Ju Wen	A and B
Sir KWOK Siu Man KR	A and B
Mr. LAW Tze Lun	A and B
Dr. WONG Man Hin Raymond	A and B

A: Attending training sessions, including but not limited to, seminars, briefings, conferences, forums, webcast training and workshops relevant to regulatory and governance updates.

B: Reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing on 27 July 2023.

Each of the non-executive Directors (including INEDs) has entered into a letter of appointment with the Company for a term of one year commencing on 27 July 2024.

All the Directors, including INEDs, are subject to retirement by rotation and, being eligible, may offer themselves for re-election in accordance with the Articles of Association. At each annual general meeting ("AGM") of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the first AGM of the Company after his appointment and shall then be eligible for re-election.

Nomination Policy

The Board has formalised its existing practices into a Nomination Policy. The Nomination Policy sets out the criteria, procedures and process for the selection, appointment and re-election of the Directors.

The Nomination Committee, if having consideration of the current Board composition and size and shareholder structure of the Company recommends the addition of new director, or at the time where casual vacancy arises, shall determine the required skill set, relevant expertise and experience for the new director.

The Nomination Committee may invite nominations of candidates from Board members for its consideration prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

The Nomination Committee will consider, among others, the following factors when assessing the suitability of a proposed candidate:

- reputation for integrity;
- accomplishment and experience (in particular those with expertise in the industry or listed companies);
- commitment in terms of time and interest;
- gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- potential contribution to board diversity;
- independence with reference to the independence guidelines set out in the Listing Rules if the potential candidates will be appointed as INEDs; and
- number of directorships in other listed/public companies if the potential candidates will be appointed as INEDs.

The Nomination Committee has the discretion to nominate any person as it considers appropriate. Once the Nomination Committee agrees on a preferred candidate, for new addition to the Board or filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval; whereas for proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

In cases of re-election of existing Directors who will retire at AGMs, the Nomination Committee will review, among others, the performance, independence (in the case of INED), skill, knowledge, experience, capability and various diversity aspects of the retiring Directors in the industry or listed companies and make recommendations to the Board accordingly.

Board Diversity Policy

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experiences and varying perspectives appropriate for the Company's business. The Board Diversity Policy adopted by the Board sets out all measurable objectives to achieve and maintain diversity on the Board to enhance effectiveness of the Board.

All Board appointments are made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates are based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

After reviewing the Board Diversity Policy, the Nomination Committee considers that it was effectively implemented during the year ended 31 July 2024.

BOARD MEETINGS AND ATTENDANCE RECORDS

The Board is scheduled to meet at least four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the Board meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company is responsible for recording and keeping all minutes of Board meetings. Draft and final versions of the minutes will be circulated to all Directors for their comments and records respectively within a reasonable time after each Board meeting and the final version is open for the Directors' inspection.

During the year ended 31 July 2024, four Board meetings were held. The attendance of each Director at Board meetings during the year ended 31 July 2024 is as follows:

	No. of attendance/No. of meetings
Mr. CHOW Luen Fat	4/4
Ms. LIU Shuk Yee	4/4
Ms. NG Wai Ying	4/4
Ms. CHENG Ju Wen	4/4
Sir KWOK Siu Man KR	4/4
Mr. LAW Tze Lun	4/4
Dr. WONG Man Hin Raymond	4/4

CHAIRMAN AND CHIEF EXECUTIVE

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 is the chairman of the Board and the chief executive officer of the Company. In view of the fact that Mr. Chow Luen Fat 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 Luen Fat 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 Code Provision C.2.1.

Mr. Chow Luen Fat provides leadership to the Company and is responsible for overall management, strategic planning and supervision of operations of the Group.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee with their respective written terms of reference which deal clearly with their authority and duties. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference of the Board committees are posted on the respective websites of the Stock Exchange and the Company.

Audit Committee

The Audit Committee was established on 30 June 2017 with written terms of reference in compliance with the Code Provisions. It comprises three INEDs, namely Mr. Law Tze Lun (chairman of the Audit Committee), Sir Kwok Siu Man KR and Dr. Wong Man Hin Raymond.

The duties of the Audit Committee include, but not limited to reviewing the Group's financial reports, internal control and risk management systems in order to ensure the presentation of a true and balanced assessment of the Group's financial position and corporate governance, reviewing the effectiveness of the Company's internal audit function, making recommendation to the Board on the appointment of auditor, and reviewing financial and accounting policies and practices adopted by the Group.

The Audit Committee shall meet with the Company's external auditor at least twice a year. During the year ended 31 July 2024, three Audit Committee meetings were held. At the meetings, the Audit Committee met the Company's external auditor and, among other matters, (i) reviewed the report from the external auditor regarding the audit on the Group's annual consolidated financial statements; (ii) reviewed the annual and interim results announcements and reports; (iii) discussed with the management and the external auditor the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters; (iv) reviewed the risk management and internal control systems; (v) made recommendation to the Board on the re-appointment of auditor; and (vi) reviewed the internal control review reports from the external consultant.

The attendance records of members at the Audit Committee meetings are as follows:

	No. of attendance/No. of meetings
Mr. LAW Tze Lun *(Committee Chairman)*	3/3
Sir KWOK Siu Man KR	3/3
Dr. WONG Man Hin Raymond	3/3

The annual report for the year ended 31 July 2024 has been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee was established on 30 June 2017 with written terms of reference in compliance with the Code Provisions. The Remuneration Committee comprises three INEDs, namely Dr. Wong Man Hin Raymond (chairman of the Remuneration Committee), Sir Kwok Siu Man KR and Mr. Law Tze Lun.

The duties of the Remuneration Committee include, but not limited to making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the Remuneration Policy, assessing performance of executive Directors and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

During the year ended 31 July 2024, one Remuneration Committee meeting was held. At the meeting, the Remuneration Committee, among other matters, reviewed and recommended to the Board for consideration the Remuneration Policy and certain remuneration-related matters of the Directors and senior management.

The attendance records of members at the Remuneration Committee meeting are as follows:

	No. of attendance/No. of meetings
Dr. WONG Man Hin Raymond *(Committee Chairman)*	1/1
Sir KWOK Siu Man KR	1/1
Mr. LAW Tze Lun	1/1

Nomination Committee

The Nomination Committee was established on 30 June 2017 with written terms of reference in compliance with the Code Provisions. It comprises three INEDs, namely Sir Kwok Siu Man KR (chairman of the Nomination Committee), Mr. Law Tze Lun and Dr. Wong Man Hin Raymond.

The duties of the Nomination Committee include, but not limited to reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, monitoring and reviewing the implementation of the Company's Nomination Policy and Board Diversity Policy, and reviewing the measurable objectives that the Board has set for implementing the Company's Board Diversity Policy.

During the year ended 31 July 2024, one Nomination Committee meeting was held. At the meeting, the Nomination Committee, among other matters, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs; (iii) reviewed the effectiveness of the Board Diversity Policy; and (iv) reviewed the particulars of the retiring Directors, their various diversity aspects and performance and recommended to the Board for consideration their re-election at the 2023 AGM.

The attendance records of members at the Nomination Committee meeting are as follows:

	No. of attendance/No. of meetings
Sir KWOK Siu Man KR *(Committee Chairman)*	1/1
Mr. LAW Tze Lun	1/1
Dr. WONG Man Hin Raymond	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for establishing, maintaining and implementing good corporate governance practices and procedures of the Company. The Corporate Governance Policy adopted by the Board provides benchmarks and best practice guidance for the delivery of good corporate governance.

During the year ended 31 July 2024, the Board (i) reviewed the mechanisms for independent views and input to the Board; (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management; (iii) conducted an annual review of the Shareholders' Communication Policy; and (iv) reviewed the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report.

The Board will periodically review the Corporate Governance Policy with a view to continuously improving the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 July 2024 are set out in note 13 to the consolidated financial statements. The remuneration of the Directors is determined with reference to the Group's operating results, the responsibilities, duties and individual performance of the Directors.

Pursuant to Code Provision E.1.5, the remuneration of the members of the senior management (other than the Directors), whose particulars are contained in the section headed "Directors and Senior Management" of the annual report, for the year ended 31 July 2024 by band is set out below:

Remuneration band (in HK$)	Number of individuals
Nil to 1,000,000	1

INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid or payable to RSM Hong Kong, being the independent auditor of the Company, in respect of the audit services related to the audit of the Group's financial statements for the year ended 31 July 2024 amounted to HK$0.8 million.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company which give a true and fair view of the state of affairs of the Group. In preparing such financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. A discussion and analysis of the Group's performance, the explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives are set out in the section headed "Chairman's Statement" from pages 6 to 7 and the MD&A from pages 8 to 13 in the annual report.

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 46 to 52 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is currently of the view that there is no immediate need to set up an internal audit function within the Group considering the Group's size, nature and complexity of operations. The Board will review the need for an internal audit function on an annual basis.

The Board has delegated to the Audit Committee the responsibility for providing oversight of risk management and internal control systems. The Audit Committee should discuss the risk management and internal control systems with management to ensure that management has established and maintained appropriate and effective risk management and internal control systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee should also consider performing investigation on major findings on risk management and internal control matters as delegated by the Board.

To facilitate the Board and the Audit Committee in overseeing the risk management and internal control systems of the Group and to conduct an annual review on their effectiveness covering all material controls, including financial, operational and compliance controls as well as risk management for the year ended 31 July 2024, the Group engaged an external consultant, BT Corporate Governance Limited, to assist in identifying and assessing the risks of the Group through a series of interviews, and conduct an internal control review on the adequacy and effectiveness of the risk management and internal control systems of the Group. Through the risk identification and assessment processes, risks are identified, assessed and prioritised, and treatments are allocated. The relevant risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The internal control review covers certain business cycles and procedures undertaken by the Group, and makes recommendations for improving and strengthening the internal control system. For the year ended 31 July 2024, no significant area of concern that may affect the financial, operational and compliance controls and risk management of the Group has been identified. The Board considers that the Group's risk management and internal control systems are adequate and effective. The Board also considers that the resources, staff qualifications and experience of relevant staff are adequate and the training programs and budget provided are sufficient.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Environmental, Social and Governance Report of the Group for the year ended 31 July 2024 will be prepared according to the Environmental, Social and Governance Reporting Guide under Appendix C2 to the Listing Rules and published as a separate report at the same time as the publication of the annual report for the year ended 31 July 2024.

DISCLOSURE OF INSIDE INFORMATION

The Company acknowledges its responsibility for ensuring that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the SFO, Listing Rules and all applicable laws, rules and regulations. Procedures and internal controls for handling and dissemination of inside information are in place, which include, but not limited to conducting the Group's affairs with close regard to the disclosure requirement under the SFO, Listing Rules and all applicable laws, rules and regulations; taking all reasonable steps to maintain strict confidentiality of inside information until it is announced; and establishing and implementing procedures for responding to external enquiries about the Group's affairs. The executive Directors, the company secretary and the financial controller of the Company are authorised to communicate with parties outside the Group regarding dissemination of inside information.

DIVIDEND POLICY

The Group does not have any pre-determined dividend distribution ratio. The declaration of any dividends depends on the results of operations, cash flows and financial condition, cash requirements and other relevant factors that the Directors deem relevant from time to time. Dividends may be paid only out of the Company's distributable reserves as permitted under the relevant laws. Final dividend for any financial year will in addition be subject to Shareholders' approval.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is Ms. Ng Wai Ying ("Ms. Ng"), whose biographical details are set out on page 15 of the annual report. Ms. Ng has sound understanding of the operations of the Board and the Group. During the year ended 31 July 2024, Ms. Ng has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules. As the Company Secretary, Ms. Ng has been reporting to the Chairman who is also the chief executive officer of the Company. All members of the Board have access to her advice and services. The appointment and removal of the Company Secretary will be subject to the Board's approval.

WORKFORCE DIVERSITY

The workforce of the Group comprises full-time management, office employees, technicians and operators, of which (i) technicians and operators represent more than 65% of the total workforce and (ii) male staff represents more than 75% of the total workforce. The Board considers that capability is more important than gender and due to the Group's business nature and the workforce availability in the market for technicians and operators, the Board is of the view that any plan or measureable objectives for achieving a gender diversity across the workforce is not necessary for the year ended 31 July 2024. More details about the workforce diversity are contained in the Environmental, Social and Governance Report which will be published at the same time as the publication of the annual report for the year ended 31 July 2024.

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

There are no provisions allowing Shareholders to make proposals or move resolutions at the AGMs under the Memorandum and Articles of Association of the Company or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

According to Article 58 of the Articles of Association, any one or more Shareholders (including a recognised clearing house (or its nominees)) holding as at the date of deposit of the requisition not less than one-tenth of the voting rights at general meetings (on a one vote per share basis) in the share capital of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition and add resolutions to the EGM agenda.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (presently D.D. 111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong) for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding(s) in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the Company's branch share registrar in Hong Kong will verify the identity and shareholding(s) of the Eligible Shareholder(s). If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to hold an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the requisitionist(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures for Shareholders to Send Enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong (presently at D.D. 111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong) for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Board is committed to maintaining an on-going dialogue with Shareholders. The Company has adopted a Shareholders' Communication Policy with the objective of ensuring that appropriate steps are taken to provide effective communication with the Shareholders. The Board reviews the implementation and effectiveness of the Shareholders' Communication Policy on an annual basis.

Information of the Company are provided in various forms, such as announcements, annual and interim reports, circulars and corporate notices, etc., under the Listing Rules and published on the respective websites of the Stock Exchange and the Company in a timely manner. Shareholders may choose to receive printed copies of corporate communication (as defined under the Listing Rules) or notification of publication of corporate communication; or provide their email addresses for receiving notifications of publication of corporate communication electronically.

AGM is a principal communication channel with Shareholders. Shareholders have the opportunity to communicate face to face/directly with the Directors. To ensure an effective communication with Shareholders, the Chairman, the respective chairmen or members of the Audit Committee, the Remuneration Committee and the Nomination Committee, and representatives of the external auditor of the Company will attend AGM to answer questions raised by Shareholders. Mr. Chow Luen Fat, Ms. Liu Shuk Yee, Ms. Ng Wai Ying, Ms. Cheng Ju Wen and Sir Kwok Siu Man KR attended the 2023 AGM in person, and Mr. Law Tze Lun and Dr. Wong Man Hin Raymond attended the 2023 AGM by electronic means.

The Articles of Association also allows the Company to convene and hold electronic or hybrid general meetings of the Shareholders so that Shareholders can attend and participate in the meetings either in person or virtually.

The Company's website is another principal communication channel with Shareholders. In addition to the information and documents published on the Company's website as required under the Listing Rules, information on the Group's products, services, projects and activities is also available on the Company's website. Information on the Company's website is updated on a regular basis.

The Shareholders' Communication Policy also provides procedures for Shareholders to send enquires to the Board as described in the above section headed "Shareholders' Rights".

After reviewing the above, the Board considers that the Shareholders' Communication Policy was effectively implemented during the year ended 31 July 2024.

CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company during the year ended 31 July 2024.

The Memorandum and Articles of Association of the Company is available on the respective websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF TAK LEE MACHINERY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tak Lee Machinery Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 119, which comprise the consolidated statement of financial position as at 31 July 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of net realisable value of inventories Refer to notes 4(g) and 19 to the consolidated financial statements respectively. As at 31 July 2024, the carrying amount of the Group's inventories amounted to approximately HK$134,513,000, net of allowance for inventories of approximately HK$7,752,000, which represented 27.4% of the Group's total assets. Inventories are carried at the lower of cost and net realisable value. Net realisable value is determined based on the estimated selling price less the estimated costs of completion, if relevant, other costs necessary to make the sale for attachment and spare parts. We focused on this area because of the significance of the inventories balance and the management judgements involved in identifying inventories subject to write-down and determining their net realisable value.	Our procedures in relation to the estimation of net realisable value included: • Obtaining an understanding of the internal control and assessment process of allowance for inventories and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Testing the effectiveness of the controls over the estimated net realisable value of inventories, including the review of historical sales data and the calculation of inventory valuation allowance; • Performing a retrospective review by comparing subsequent actual realised value with historical estimates to assess the effectiveness of management's evaluation process; • Noting any slow moving and obsolete inventories during our attendance of the physical inventory counts at year end; • Testing inventories to assess if they are stated at the lower of cost or net realisable value by comparing the actual sales value to the carrying value of selected samples of inventories; • Testing the accuracy of the Group's inventory aging analysis, on a sample basis, to purchase invoices; and • Challenging management's assessment of the adequacy of the inventory valuation allowance based on the results of our procedures.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade and lease receivables Refer to notes 4(k), 4(t) and 20 to the consolidated financial statements respectively. As at 31 July 2024, the carrying amount of the Group's trade and lease receivables amounted to approximately HK$81,631,000, net of allowance for doubtful debts of approximately HK$6,648,000 which represented 16.6% of the Group's total assets. The Group's trading terms with customers are ranged from 30 days to 90 days, depending on the creditworthiness of customers and the existing relationship with the Group. Loss allowances for trade and lease receivables are based on management's estimate of the lifetime expected credit losses ("ECL") to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue, customers' repayment history and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the recoverability of trade and lease receivables as key audit matter because the assessment of the recoverability of trade and lease receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	Our procedures in relation to the impairment assessment of trade and lease receivables included: • Understanding and evaluating the design and implementation of key controls over the collection and the impairment assessment of the trade and lease receivables, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • Challenging management's basis and judgement in determining ECL on trade and lease receivables as at 31 July 2024, including the basis of individual assessment, the reasonableness of management's grouping of trade and lease receivables into different categories, and the basis of estimated loss rate applied in each category (with reference to historical default rates and forward-looking information); • Performing a retrospective review to evaluate the outcome of prior period assessment of ECL of trade and lease receivables to assess the effectiveness of management's estimation process; • Engaging our external valuation expert as auditor's expert to assist in reviewing the calculation model on the ECL of trade and lease receivables prepared by management's expert, in particular the underlying assumptions and methodology adopted;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade and lease receivables (continued)	Our procedures in relation to the impairment assessment of trade and lease receivables included: (continued) • Evaluating the independence, competence, capabilities and objectivity of the management and auditor's expert; • Testing the accuracy and completeness of the data used by the management's expert, on a sample basis, to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; • Testing the accuracy of the aging of trade and lease receivables, on a sample basis, to supporting documents; • Inspecting subsequent settlement of the trade and lease receivables, on a sample basis, to bank receipt slips; and • Testing the calculation of ECL provisions applying the provision rates to the age categories of the trade and lease receivables outstanding at the reporting date.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to estimate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants
Hong Kong
18 October 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2024

	Note	2024 HK$'000	2023 HK$'000
Revenue	7	279,335	271,997
Cost of revenue	8	(222,018)	(218,895)
Gross profit		57,317	53,102
Other income and other gains and losses	7	402	1,927
Allowance for trade and lease receivables		(3,203)	(3,141)
Administrative and other operating expenses		(42,058)	(42,288)
Profit from operations		12,458	9,600
Finance costs	9	(1,082)	(863)
Profit before tax		11,376	8,737
Income tax expense	10	(4,290)	(1,660)
Profit and total comprehensive income for the year attributable to owners of the Company	11	7,086	7,077
Earnings per share			
– Basic and diluted (HK cents per share)	15	0.71	0.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 July 2024

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	16	149,214	151,027
Right-of-use assets	17	21,906	22,887
Investment property	18	14,021	14,633
Deferred tax assets	25	–	1,709
		185,141	190,256
Current assets			
Inventories	19	134,513	145,602
Trade and lease receivables	20	81,631	103,085
Prepayments, deposits and other receivables	21	15,021	13,237
Current tax assets		1,630	–
Bank and cash balances	22	73,765	47,022
		306,560	308,946
Current liabilities			
Trade payables	23	4,303	10,468
Other payables and accruals	23	7,730	7,293
Contract liabilities	23	8,729	1,707
Lease liabilities	24	3,499	3,822
Current tax liabilities		–	4,009
Bank borrowings	26	–	5,476
		24,261	32,775
Net current assets		282,299	276,171
Total assets less current liabilities		467,440	466,427
Non-current liabilities			
Lease liabilities	24	2,265	2,164
Deferred tax liabilities	25	21,448	22,622
		23,713	24,786
NET ASSETS		443,727	441,641
Capital and reserves			
Share capital	27	10,000	10,000
Reserves		433,727	431,641
TOTAL EQUITY		443,727	441,641

Approved by the Board of Directors on 18 October 2024 and are signed on its behalf by:

Mr. Chow Luen Fat
Director

Ms. Ng Wai Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2024

	Share capital HK$'000	Share premium HK$'000 *(Note 29(b)(i))*	Merger reserve HK$'000 *(Note 29(b)(ii))*	Retained earnings HK$'000	Total HK$'000
At 1 August 2022	10,000	92,661	2,620	339,283	444,564
Profit and total comprehensive income for the year	–	–	–	7,077	7,077
Payment of 2022 final dividend *(Note 14)*	–	–	–	(10,000)	(10,000)
At 31 July 2023 and 1 August 2023	10,000	92,661	2,620	336,360	441,641
Profit and total comprehensive income for the year	–	–	–	7,086	7,086
Payment of 2023 final dividend *(Note 14)*	–	–	–	(5,000)	(5,000)
At 31 July 2024	10,000	92,661	2,620	338,446	443,727

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2024

	Note	2024 HK$'000	2023 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		11,376	8,737
Adjustments for:			
Allowance for trade and lease receivables	6(b)(i)	3,203	3,141
Allowance for prepayments		187	–
Allowance for inventories, net	19	5,470	1,152
Depreciation on property, plant and equipment	16	31,422	37,268
Depreciation on right-of-use assets	17	5,504	4,466
Depreciation on investment property	18	612	612
Impairment on property, plant and equipment, net	16	490	386
Net gain on disposals of property, plant and equipment	7	(895)	(1,943)
Write-off of property, plant and equipment	7	6	–
Interest income	7	(40)	(16)
Finance costs	9	1,082	863
Unrealised foreign exchange loss, net		620	1,185
Operating profit before working capital changes		59,037	55,851
Decrease/(increase) in trade and lease receivables		18,251	(9,418)
Increase in inventories		(10,460)	(30,948)
Increase in prepayments, deposits and other receivables		(11,172)	(9,609)
(Decrease)/increase in trade payables		(6,096)	2,481
Increase/(decrease) in other payables and accruals		437	(1,910)
Increase/(decrease) in contract liabilities		7,022	(1,261)
Cash generated from operations		57,019	5,186
Hong Kong Profits Tax paid		(9,394)	(7,896)
Finance costs paid		(1,082)	(863)
Net cash generated from/(used in) operating activities		46,543	(3,573)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2024

	Note	2024 HK$'000	2023 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	16 & 30(a)	(5,204)	(522)
Proceeds from disposal of property, plant and equipment		1,274	2,275
Interest received		40	16
Net cash (used in)/generated from investing activities		(3,890)	1,769
CASH FLOW FROM FINANCING ACTIVITIES			
Principal elements of lease payments	30(b)	(4,745)	(3,778)
Bank borrowings raised	30(b)	23,936	27,019
Repayment of bank borrowings	30(b)	(29,412)	(50,857)
Dividends paid	14	(5,000)	(10,000)
Net cash used in financing activities		(15,221)	(37,616)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(689)	(800)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,743	(40,220)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		47,022	87,242
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		73,765	47,022
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		73,765	47,022

1. GENERAL INFORMATION

Tak Lee Machinery Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands on 11 December 2015. Its 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 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 Company and its subsidiaries (collectively the "Group") now comprising the Group are principally engaged in providing sales of heavy equipment and spare parts, leasing of heavy equipment and provision of repair, logistics and other ancillary services in Hong Kong. Details of the principal activities of its subsidiaries are set out on Note 34 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

In the opinion of the directors of the Company, Generous Way Limited ("Generous Way"), 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).

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 new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
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 – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has 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.

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

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

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non–current	1 January 2024
Amendments to HKAS 1 – Non–current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group presents and discloses financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-generally accepted accounting principles performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

Other than the above, the directors of the Company anticipate that the application of other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 July. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intra-group transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the 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 "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, for rental to others, or for administrative purpose. Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease term
Plant and machinery	10% or 20%
Machinery for lease	10% or 24%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	30% – 37.5%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

The Group, in the course of its ordinary activities, sells its machinery from time to time that it has held for leasing income. Such assets will be transferred to inventories at their carrying amount when they cease to be leased and become held for sale.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The property is depreciated over its estimated useful life using the straight-line method, at the rate of 3.95% per annum.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 4(n).

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(f) Leases (continued)

(i) The Group as a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by individual lessee, which do not have recent third-party financing, and

- makes adjustments specific to the lease including term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(f) Leases (continued)

(i) The Group as a lessee (continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

When the Group is an intermediate lessor, the subleases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 4(f)(i) to the consolidated financial statements, then the Group classifies the sub-lease as an operating lease.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost is determined using the first-in-first-out basis except for machinery and breaker which are determined on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 4(t) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Recognition and derecognition of financial instruments (continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(k) Trade and lease and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade and lease receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and lease receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(m) Financial liabilities and equity instruments (continued)

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of heavy equipment and spare parts is recognised at a point in time when control of the goods has transferred to a customer, which generally coincides with the time when the goods picked up by logistics company designated by customer or the Group arrange for logistics company on behalf of customer at their own risk and costs or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue recognition for leasing of heavy equipment is recognised over the time on a straight-line basis over the term of the relevant lease.

Service income from lease related operating services is recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Service income from repair, logistics and other ancillary services is recognised at a point in time when services rendered, and the Group has present right to payment and the collection of the consideration is probable.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(n) Revenue and other income (continued)

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Interest income is recognised as it accrues using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(q) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(r) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(t) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and lease receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(t) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; or

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default;

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(t) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(t) Impairment of financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and lease receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(t) Impairment of financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivables in accordance with HKFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in Note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in Note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(a) Net realisation value of inventories

The Group's management writes down for slow moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventory will be written down where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgment and estimates in inventory provision policy. Where the expectation is different from the original estimate, such difference will impact carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed.

In making this estimation, the Group's management carry out an inventory review on a category-by-category basis at the end of each reporting period. During the year, certain inventories written down in prior years have been sold. The Group recognised reversal of write-down of inventory of approximately HK$97,000 (2023: HK$73,000) for the year.

(b) Impairment of trade and lease receivables

The Group uses practical expedient in estimating ECL on trade and lease receivables using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and lease receivables are disclosed in Note 6(b).

As at 31 July 2024, the carrying amount of trade and lease receivables was approximately HK$81,631,000 (net of allowance for doubtful debts of HK$6,648,000) (2023: HK$103,085,000 (net of allowance for doubtful debts of HK$3,499,000)).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HKD, Japanese Yen ("JPY"), Euro ("EUR") and United Stated Dollars ("USD"). The Group currently does not have a formal foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates of JPY to which the Group has significant exposure at the end of the year. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

	Increase/(decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK$'000
At 31 July 2024		
JPY	7%	324
JPY	(7%)	(324)
At 31 July 2023		
JPY	7%	836
JPY	(7%)	(836)

As HKD is pegged to USD, the directors considered that the foreign currency risk exposure between HKD and USD is limited.

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and lease receivables) and from its financing activities, including deposits with banks and financial institutions.

(i) Credit risk of trade and lease receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 9% (2023: 12%) and 23% (2023: 30%) of the trade and lease receivables was due from the Group's largest customer and the five largest customers respectively.

The Group has policies and procedures to monitor the collection of the trade and lease receivables to limit the exposure to non-recovery of the receivables. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and lease receivables are usually due within 30 days to 90 days from the date of billing. Debtors with balances past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and lease receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk of trade and lease receivables (continued)

The following table provided information about the Group's exposure to credit risk and ECL for trade and lease receivables:

At 31 July 2024	ECL rate %	Gross carrying amount HK$'000	ECL amount HK$'000	Net carrying amount HK$'000
Rental segment				
Collective assessment				
– Current	2.10	19,685	(414)	19,271
– 1 to 90 days	2.45	11,078	(271)	10,807
– 91 to 180 days	5.52	4,691	(259)	4,432
– 181 to 365 days	13.17	486	(64)	422
– Over 365 days	33.33	3	(1)	2
Individual assessment	22.26	19,944	(4,439)	15,505
Sub-total		55,887	(5,448)	50,439
Sales segment				
Collective assessment				
– Current	0.34	5,832	(20)	5,812
– 1 to 90 days	0.45	12,124	(55)	12,069
– 91 to 180 days	1.15	8,707	(100)	8,607
– 181 to 365 days	1.58	1,014	(16)	998
– Over 365 days	7.32	41	(3)	38
Individual assessment	21.52	4,674	(1,006)	3,668
Sub-total		32,392	(1,200)	31,192
Total		88,279	(6,648)	81,631

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk of trade and lease receivables (continued)

The following table provided information about the Group's exposure to credit risk and ECL for trade and lease receivables: (continued)

At 31 July 2023	ECL rate %	Gross carrying amount HK$'000	ECL amount HK$'000	Net Carrying amount HK$'000
Rental segment				
Collective assessment				
– Current	0.78	18,783	(147)	18,636
– 1 to 90 days	0.98	14,202	(139)	14,063
– 91 to 180 days	2.27	9,214	(209)	9,005
– 181 to 365 days	13.54	11,531	(1,561)	9,970
– Over 365 days	17.05	7,691	(1,311)	6,380
Sub-total		61,421	(3,367)	58,054
Sales segment				
Collective assessment				
– Current	0.12	6,683	(8)	6,675
– 1 to 90 days	0.17	20,051	(34)	20,017
– 91 to 180 days	0.39	8,546	(33)	8,513
– 181 to 365 days	0.57	9,867	(56)	9,811
– Over 365 days	6.25	16	(1)	15
Sub-total		45,163	(132)	45,031
Total		106,584	(3,499)	103,085

The impairment of trade and lease receivables included the amount of specific trade and lease receivable which is considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full.

Expected loss rates are based on actual loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk of trade and lease receivables (continued)

Movement in the loss allowance for trade and lease receivables during the year is as follows:

	2024 HK$'000	2023 HK$'000
At 1 August	3,499	358
Written off	(54)	–
Allowance recognised for the year	3,203	3,141
At 31 July	6,648	3,499

(ii) Credit risk of bank and cash balances

For bank and cash balances, the Group has assessed that they are mainly placed with banks with high credit rating with no recent history of default in relation to these financial institutions and concluded that the ECL rate for these balances is immaterial.

(c) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Maturity Analysis – undiscounted cash outflows					
	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 July 2024						
Trade payables	4,303	–	–	–	4,303	4,303
Other payables and accruals	7,730	–	–	–	7,730	7,730
Lease liabilities	3,673	1,489	869	–	6,031	5,764
At 31 July 2023						
Trade payables	10,468	–	–	–	10,468	10,468
Other payables and accruals	7,293	–	–	–	7,293	7,293
Lease liabilities	3,950	2,185	–	–	6,135	5,986
Bank borrowings	5,599	–	–	–	5,599	5,476

(d) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank deposits. These deposits bear interest at variable rates that vary with the then prevailing market condition.

6. FINANCIAL RISK MANAGEMENT (continued)

(e) Categories of the financial instruments at 31 July

	2024 HK$'000	2023 HK$'000
Financial assets:		
Financial assets at amortised cost	156,809	152,722
Financial liabilities:		
Financial liabilities at amortised cost	12,033	23,237
Lease liabilities	5,764	5,986

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE AND SEGMENT INFORMATION

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

Disaggregation of revenue from contracts with customers

	Sales of heavy equipment and spare parts HK$'000	Lease related operating services HK$'000	Repair, logistics and other ancillary services HK$'000	Total HK$'000
For the year ended 31 July 2024				
Timing of revenue recognition				
A point in time	158,430	–	15,626	174,056
Over time	–	20,999	–	20,999
Total	158,430	20,999	15,626	195,055
For the year ended 31 July 2023				
Timing of revenue recognition				
A point in time	142,298	–	12,857	155,155
Over time	–	30,127	–	30,127
Total	142,298	30,127	12,857	185,282

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.

7. REVENUE AND SEGMENT INFORMATION (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the total revenue of the Group.

	2024 HK$'000	2023 HK$'000
Sales of heavy equipment and spare parts	158,430	142,298
Lease related operating services	20,999	30,127
Repair, logistics and other ancillary services	15,626	12,857
Revenue from contracts with customers	195,055	185,282
Lease of heavy equipment	84,280	86,715
Total revenue	279,335	271,997

	2024 HK$'000	2023 HK$'000
Other income and other gains and losses		
Compensation income from suppliers	464	390
Net gain on disposals of property, plant and equipment	895	1,943
Interest income	40	16
Foreign exchange loss, net	(1,982)	(1,021)
Government grants *(note)*	462	253
Write-off of property, plant and equipment	(6)	–
Others	529	346
	402	1,927

Note:

Government grants mainly relate to various subsidies related to employment and procurement supported from the government. The Group has complied all attached conditions before 31 July 2024.

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

Information reported to the Chief Executive Officer of the Group ("CEO"), being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the types of goods delivered, or service provided. The CEO has chosen to organise the Group's results according to the category of the business segment and differences in nature of the goods and services that each segment delivers

The Group has three operating segments 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
Repair, logistics and other ancillary services	–	Providing repair, logistics and other ancillary services in Hong Kong

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements. Segment results do not include unallocated administrative expenses, other income, other gains and losses and finance costs that are not directly attributable to segments and income tax expense.

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

(i) *Information about reportable segment results:*

	Sales of heavy equipment and spare parts HK$'000	Lease of heavy equipment HK$'000	Repair, logistics and other ancillary services HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 July 2024					
External revenue	158,430	105,279	15,626	–	279,335
Segment results	(101)	23,036	277	(11,836)	11,376
Depreciation on property, plant and equipment	420	27,861	–	3,141	31,422
Depreciation on right-of-use assets	2,329	1,548	–	1,627	5,504
Depreciation on an investment property	–	–	–	612	612
Interest income	–	–	–	40	40
Finance costs	–	–	–	1,082	1,082
Other material non-cash items:					
Allowance for trade and lease receivables	1,069	2,134	–	–	3,203
Allowance for inventories, net	5,470	–	–	–	5,470
Impairment on property, plant and equipment, net	–	490	–	–	490
Year ended 31 July 2023					
External revenue	142,298	116,842	12,857	–	271,997
Segment results	1,501	18,881	87	(11,732)	8,737
Depreciation on property, plant and equipment	1,174	33,493	–	2,601	37,268
Depreciation on right-of-use assets	1,304	1,071	–	2,091	4,466
Depreciation on an investment property	–	–	–	612	612
Interest income	–	–	–	16	16
Finance costs	–	–	–	863	863
Other material non-cash items:					
Allowance for trade and lease receivables	3,067	74	–	–	3,141
Allowance for inventories, net	1,152	–	–	–	1,152
Impairment on property, plant and equipment, net	–	386	–	–	386

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

(ii) Reconciliation of reportable segment results:

	2024 HK$'000	2023 HK$'000
Total segment results of reportable segments	23,212	20,469
Unallocated amounts:		
Unallocated income	569	409
Unallocated corporate expenses	(16,695)	(13,801)
Profit for the year	7,086	7,077

(iii) 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.

7. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

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

	2024 HK$'000	2023 HK$'000
Customer A	28,317	N/A[1]

[1] *The corresponding revenue did not contribute over 10% of the total revenue of the Group*

8. COST OF REVENUE

	2024 HK$'000	2023 HK$'000
Costs of heavy equipment and spare parts	128,738	114,167
Allowance for inventories, net	5,470	1,152
Impairment on property, plant and equipment, net	490	386
Depreciation on machinery for lease included in property, plant and equipment *(Note 16)*	27,582	32,529
Repairs and maintenance	12,487	11,088
Staff costs	35,739	46,918
Others	11,512	12,655
	222,018	218,895

9. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest expense on borrowings	796	749
Interest expense on lease liabilities	286	114
	1,082	863

10. INCOME TAX EXPENSE

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

	2024 HK$'000	2023 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	3,772	3,320
Over-provision in prior years	(17)	(23)
	3,755	3,297
Deferred tax *(Note 25)*	535	(1,637)
	4,290	1,660

The Company was incorporated in the Cayman Islands and TLMC Company Limited ("TLMC") 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% (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 a rate of 16.5% (2023: 16.5%)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2024 HK$'000	2023 HK$'000
Profit before tax	11,376	8,737
Tax at the Hong Kong Profits Tax rate of 16.5% or 8.25% (2023: 16.5% or 8.25%)	1,712	1,277
Tax effect of income that is not taxable	(7)	(133)
Tax effect of expenses that are not deductible	626	546
Tax effect of temporary differences not recognised	31	–[(i)]
Tax effect of temporary differences previously not recognised	–	–[(i)]
Tax effect of utilisation of tax losses previously not recognised	–	(7)
Tax losses not recognised	236	–
Reversal of tax losses previously recognised	1,709	–
Over-provision in prior years	(17)	(23)
Income tax expense	4,290	1,660

[(i)] *Represent the amount less than HK$1,000.*

11. PROFIT FOR THE YEAR

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

	2024 HK$'000	2023 HK$'000
Auditor's remuneration	755	738
Allowance for trade and lease receivables	3,203	3,141
Allowance for prepayments	187	–
Allowance for inventories (included in cost of inventories sold), net	5,470	1,152
Impairment on property, plant and equipment, net	490	386
Cost of inventories sold	128,738	114,167
Depreciation:		
– Property, plant and equipment	31,422	37,268
– Right-of-use assets	5,504	4,466
– Investment property	612	612
	37,538	42,346
Direct operating expense of an investment property that generates rental income	50	36
Foreign exchange loss, net	1,982	1,021
Net gain on disposals of property, plant and equipment	(895)	(1,943)
Write-off of property, plant and equipment	6	–
Short-term lease charges in respect of:		
– Office and warehouse premises	2,126	2,533
– Machineries	2,835	5,319
	4,961	7,852

12. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2024 HK$'000	2023 HK$'000
Salaries and allowances	50,434	61,037
Retirement benefit scheme contributions	1,844	2,253
Quarter expenses	1,724	1,727
Others	453	453
	54,455	65,470

(a) Defined contribution retirement plans

The Group contributes to defined contribution retirement plans which are available for all eligible employees.

The Group operates a Mandatory Provident Fund ("MPF") scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "Employment Ordinance"). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

12. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

(a) Defined contribution retirement plans (continued)

During the years ended 31 July 2024 and 2023, the Group had no forfeited contributions which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 July 2024 and 2023 which may be used by the Group to reduce the contribution payable in future years.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2023: four) directors whose emoluments are reflected in the analysis presented in Note 13. The emoluments of the remaining one (2023: one) individual are set out below:

	2024 HK$'000	2023 HK$'000
Salaries and allowances	782	719
Retirement benefit scheme contributions	18	18
	800	737

The emoluments fell within the following band:

	Number of individuals 2024	2023
Nil to HK$1,000,000	1	1

During the year, no emoluments were paid by the Group to the above highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive emoluments

The remunerations of each director were as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Quarter expenses HK$'000	Retirement benefit scheme contributions HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2024						
Executive director:						
Mr. Chow *(Chairman and CEO)*	–	2,640	–	18	453	3,111
Ms. Liu Shuk Yee	–	734	–	18	–	752
Ms. Ng Wai Ying	–	1,066	–	18	–	1,084
	–	4,440	–	54	453	4,947
Non-executive director:						
Ms. Cheng	–	600	1,724	18	–	2,342
Independent non-executive director:						
Sir Kwok Siu Man KR	180	–	–	–	–	180
Mr. Law Tze Lun	180	–	–	–	–	180
Dr. Wong Man Hin Raymond	180	–	–	–	–	180
	540	–	–	–	–	540
	540	5,040	1,724	72	453	7,829

13. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executive emoluments (continued)

The remunerations of each director were as follows: (continued)

	Fees HK$'000	Salaries and allowances HK$'000	Quarter expenses HK$'000	Retirement benefit scheme contributions HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2023						
Executive director:						
Mr. Chow *(Chairman and CEO)*	–	2,640	–	18	453	3,111
Ms. Liu Shuk Yee	–	715	–	18	–	733
Ms. Ng Wai Ying	–	1,040	–	18	–	1,058
	–	4,395	–	54	453	4,902
Non-executive director:						
Ms. Cheng	–	600	1,727	18	–	2,345
Independent non-executive director:						
Sir Kwok Siu Man KR	180	–	–	–	–	180
Mr. Law Tze Lun	180	–	–	–	–	180
Dr. Wong Man Hin Raymond	180	–	–	–	–	180
	540	–	–	–	–	540
	540	4,995	1,727	72	453	7,787

During the years ended 31 July 2024 and 2023, no emoluments were paid or payable by the Group to chief executive or any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the year ended 31 July 2024 (2023: Nil).

(b) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 July 2024 and 2023.

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 July 2024 and 2023.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 July 2024 and 2023, the Company did not pay consideration to any third parties for making available director's services.

14. DIVIDENDS

	2024 HK$'000	2023 HK$'000
Dividend paid		
2023 final dividend of HK0.5 cent (2022: HK1.0 cent) per ordinary share	5,000	10,000
Dividend proposed		
2024 proposed final dividend of HK1.5 cent (2023: HK0.5 cent) per ordinary share *(note)*	15,000	5,000

Note:

The final dividend for the year ended 31 July 2024 was recommended by the Board at a Board meeting held on 18 October 2024 (for the year ended 31 July 2023: 19 October 2023). Such recommended final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. This recommended final dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 July 2025 (2023: 31 July 2024) after the approval at the forthcoming annual general meeting.

15. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK$7,086,000 (2023: HK$7,077,000) and the number of ordinary shares of 1,000,000,000 (2023: 1,000,000,000) in issue during the year.

Diluted earnings per share

The diluted earnings per share was the same as the basic earnings per share for the years ended 31 July 2024 and 2023 as the Company had no potentially dilutive ordinary shares in issue during the respective years.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Machinery for lease HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Costs							
At 1 August 2022	2,094	1,061	212,176	1,506	857	16,108	233,802
Additions	–	457	60,607	37	185	300	61,586
Disposals	–	–	–	–	–	(3,088)	(3,088)
Reclassification to inventories	–	–	(46,916)	–	–	–	(46,916)
At 31 July 2023 and 1 August 2023	2,094	1,518	225,867	1,543	1,042	13,320	245,384
Additions	–	36	49,662	–	92	5,076	54,866
Disposals	–	–	–	–	–	(2,835)	(2,835)
Write-off	–	–	–	(2)	–	(103)	(105)
Reclassification to inventories	–	–	(56,077)	–	–	–	(56,077)
At 31 July 2024	2,094	1,554	219,452	1,541	1,134	15,458	241,233

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Machinery for lease HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation and impairment							
At 1 August 2022	1,058	228	71,555	1,446	469	7,306	82,062
Charge for the year	350	244	32,529	47	158	3,940	37,268
Disposals	–	–	–	–	–	(2,756)	(2,756)
Impairment for the year	–	–	1,089	–	–	–	1,089
Reversal of impairment loss for the year	–	–	(703)	–	–	–	(703)
Reclassification to inventories	–	–	(22,603)	–	–	–	(22,603)
At 31 July 2023 and 1 August 2023	1,408	472	81,867	1,493	627	8,490	94,357
Charge for the year	288	244	27,582	21	153	3,134	31,422
Disposals	–	–	–	–	–	(2,456)	(2,456)
Write-off	–	–	–	(2)	–	(97)	(99)
Impairment for the year	–	–	490	–	–	–	490
Reclassification to inventories	–	–	(31,695)	–	–	–	(31,695)
At 31 July 2024	1,696	716	78,244	1,512	780	9,071	92,019
Net book value							
At 31 July 2024	398	838	141,208	29	354	6,387	149,214
At 31 July 2023	686	1,046	144,000	50	415	4,830	151,027

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Office and warehouse premises HK$'000	Director's quarter HK$'000	Total HK$'000
At 1 August 2022	17,679	2,673	1,088	21,440
Additions	–	2,659	3,254	5,913
Depreciation	(709)	(2,127)	(1,630)	(4,466)
At 31 July 2023 and 1 August 2023	16,970	3,205	2,712	22,887
Additions	–	4,523	–	4,523
Depreciation	(709)	(3,168)	(1,627)	(5,504)
At 31 July 2024	16,261	4,560	1,085	21,906

Lease liabilities of HK$5,764,000 (2023: HK$5,986,000) are recognised with related right-of-use assets of HK$5,645,000 as at 31 July 2024 (2023: HK$5,917,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2024 HK$'000	2023 HK$'000
Depreciation on right-of-use assets	5,504	4,466
Interest expense on lease liabilities (included in finance costs)	286	114
Expenses relating to short-term lease (included in cost of revenue)	2,835	5,319
Expenses relating to short-term lease (included in administrative and operating expenses)	2,126	2,533

Details of total cash outflow for leases is set out in Note 30(c).

For both years, the Group leases several premises for its administration, operations and director's quarter. Lease contracts are entered into for fixed term ranging from 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. INVESTMENT PROPERTY

	2024 HK$'000	2023 HK$'000
Cost		
At 31 July	15,500	15,500
Accumulated depreciation		
At 1 August	867	255
Charge for the year	612	612
At 31 July	1,479	867
Net carrying amount	14,021	14,633

The Group leases out a land under operating lease with rentals payable monthly. The lease typically run for an initial period of 5 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in HKD. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The investment property was stated at cost less accumulated depreciation, and the fair value of the Group's investment property at 31 July 2024 was HK$14,100,000 (2023: HK$15,400,000) based on a valuation carried out by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group, using the direct comparison approach assuming sales of the real property interest in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. The Group appoints an external valuer to conduct valuation on the Group's investment property, and the selection criteria include market knowledge, reputation, independence and maintenance of professional standards. The Group has adopted the cost model under HKAS 40 to account for its investment property, and accordingly, the carrying amount of the investment property was not adjusted to the revaluated amount at the year end.

The investment property is leased to third party under operating lease, further details of operating lease arrangement which is included in Note 32 to the consolidated financial statements.

The fair value of the Group's investment property falls under Level 3 of the three-level fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used valuation technique.

18. INVESTMENT PROPERTY (continued)

Below is a summary of the valuation technique used and key inputs to the valuation of investment property:

	Valuation technique	Significant unobservable inputs
Land	Direct comparison approach	Price per square feet, using market direct comparable and taking into account of location and other individual factors which is HK$1,160 (2023: HK$1,260) per square feet.

19. INVENTORIES

	2024 HK$'000	2023 HK$'000
Finished goods	142,265	146,385
Goods-in-transit	–	1,452
Allowance for inventories	(7,752)	(2,235)
	134,513	145,602

Reconciliation of allowance for inventories:

	2024 HK$'000	2023 HK$'000
At beginning of the year	2,235	1,051
Reclassification from property, plant and equipment	47	32
Reversal of allowance for inventories	(97)	(73)
Allowance for the year	5,567	1,225
At end of the year	7,752	2,235

20. TRADE AND LEASE RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade and lease receivables	88,279	106,584
Less: Allowance of ECL	(6,648)	(3,499)
	81,631	103,085

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 Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2024 HK$'000	2023 HK$'000
0 to 90 days	42,238	51,019
91 to 180 days	18,083	20,241
181 to 365 days	3,913	20,455
Over 365 days	17,397	11,370
	81,631	103,085

The Group does not hold any collateral as security or other credit enhancements over these balances.

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9. The impairment methodology is set out in Note 4 to the consolidated financial statements.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

All trade and lease receivables are denominated in HKD.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Prepayments		
Goods purchased	12,962	9,791
Administrative and operating expenses	646	831
	13,608	10,622
Deposits		
Rental deposits	814	999
Utility deposits	121	111
Trade deposits	233	233
Others	245	185
	1,413	1,528
Other receivables		
Government grant receivables	–	107
Compensation receivable	–	980
	–	1,087
	15,021	13,237

22. BANK AND CASH BALANCES

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2024 HK$'000	2023 HK$'000
HKD	68,206	32,750
USD	51	6
JPY	5,508	14,266
AUD	–[i]	–[i]
	73,765	47,022

[i] *Represent the amount less than HK$1,000.*

23. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2024 HK$'000	2023 HK$'000
Trade payables	4,303	10,468
Other payables and accruals		
Accrued staff costs	3,711	4,367
Accrued administrative and operating expenses	2,051	1,128
Refundable rental deposits receipt in advance	1,968	1,798
	7,730	7,293
Contract liabilities	8,729	1,707
	20,762	19,468

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

	2024 HK$'000	2023 HK$'000
0 to 30 days	1,844	3,754
31 to 90 days	2,389	1,652
91 to 180 days	–	4,992
Over 180 days	70	70
	4,303	10,468

The credit period ranges normally from 0 to 120 days.

23. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES (continued)

Contract liabilities represent receipt in advance from customers and the significant changes in the contract liabilities balances during the reporting period are as follow:

	2024 HK$'000	2023 HK$'000
At 1 August	1,707	2,968
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(400)	(2,968)
Increase in contract liabilities as a result of billing in advance of sales of goods	7,422	1,707
At 31 July	8,729	1,707

The carrying amounts of the Group's trade and other payables and accruals and contract liabilities are denominated in the following currencies:

	2024 HK$'000	2023 HK$'000
HKD	16,495	10,284
USD	3,701	7,969
RMB	419	1,215
CAD	147	–
EUR	–	–[(i)]
	20,762	19,468

(i) *Represent the amount less than HK$1,000.*

24. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2024	2023	2024	2023
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	3,673	3,950	3,499	3,822
More than one year, but not exceeding two years	1,489	2,185	1,408	2,164
More than two years, but not more than five years	869	–	857	–
	6,031	6,135	5,764	5,986
Less: Future finance charges	(267)	(149)	N/A	N/A
Present value of lease obligations	5,764	5,986	5,764	5,986
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,499)	(3,822)
Amount due for settlement after 12 months			2,265	2,164

The weighted average incremental borrowing rate applied to lease liabilities was 2.72% (2023: 1.17%) per annum.

All lease liabilities are denominated in HKD.

25. DEFERRED TAX

The following are deferred tax recognised by the Group.

	Accelerated tax depreciation HK$'000	Allowance for inventories HK$'000	Tax loss HK$'000	Allowance for trade and lease receivables HK$'000	Total HK$'000
At 1 August 2022	24,402	(173)	(1,620)	(59)	22,550
Charge/(credit) to profit or loss for the year *(Note 10)*	(834)	(196)	(89)	(518)	(1,637)
At 31 July 2023 and 1 August 2023	23,568	(369)	(1,709)	(577)	20,913
Charge/(credit) to profit or loss for the year *(Note 10)*	256	(910)	1,709	(520)	535
At 31 July 2024	23,824	(1,279)	–	(1,097)	21,448

The following is the analysis of the deferred tax balances for consolidated statement of financial position purposes:

	2024 HK$'000	2023 HK$'000
Deferred tax liabilities	23,824	23,568
Deferred tax assets	(2,376)	(2,655)
	21,448	20,913

As at 31 July 2024, the Group has unused tax losses of approximately HK$11,936,000 (2023: HK$10,503,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

26. BANK BORROWINGS

	2024 HK$'000	2023 HK$'000
Import loans	–	5,476

Note:

(i) The bank borrowings as at 31 July 2023 are repayable within one year.

(ii) As at 31 July 2023, the carrying amount of the Group's bank borrowings is denominated HKD.

(iii) The Group's bank borrowings as at 31 July 2023 were secured by the corporate guarantee executed by the Company.

(iv) As at 31 July 2023, the average interest rate per annum at the end of the reporting period was 8.06%.

(v) The Group's bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

27. SHARE CAPITAL

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

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the Shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is the Group's total debts (comprising lease liabilities and borrowings) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios during the year was 1.3% (2023: 2.6%). The decrease in the gearing ratio of the Group is primarily due to the decrease in the balances of both lease liabilities and bank borrowings as at 31 July 2024.

The externally imposed capital requirement for the Group are: (i) in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares and (ii) to comply with financial covenants attached to the banking facilities granted.

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, the Company has maintained sufficient public float with at least 25% of the shares held by the public as required under the Listing Rules.

Breaches of the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants of any interest-bearing borrowing during the years ended 31 July 2024 and 2023.

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Investment in a subsidiary		60,000	60,000
Deferred tax assets		–	1,709
		60,000	61,709
Current assets			
Prepayments		75	120
Amounts due from subsidiaries		35,333	35,835
Bank and cash balances		6,065	6,916
		41,473	42,871
Current liabilities			
Accruals		81	84
Net current assets		41,392	42,787
NET ASSETS		101,392	104,496
Capital and reserves			
Share capital		10,000	10,000
Reserves	28(b)	91,392	94,496
TOTAL EQUITY		101,392	104,496

Approved by the Board of Directors on 18 October 2024 and are signed on its behalf by:

Mr. Chow Luen Fat
Director

Ms. Ng Wai Ying
Director

28. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium HK$'000 *(Note 29(b)(i))*	Merger reserve HK$'000 *(Note 29(b)(ii))*	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
At 1 August 2022	92,661	(380)	3,010	95,291
Profit and total comprehensive income for the year	–	–	9,205	9,205
Payment of 2022 final dividend *(Note 14)*	–	–	(10,000)	(10,000)
At 31 July 2023 and 1 August 2023	92,661	(380)	2,215	94,496
Profit and total comprehensive income for the year	–	–	1,896	1,896
Payment of 2023 final dividend *(Note 14)*	–	–	(5,000)	(5,000)
At 31 July 2024	92,661	(380)	(889)	91,392

29. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

29. RESERVES (continued)

(b) Nature and purpose of reserves (continued)

(ii) Merger reserve

The merger reserve of the Company represents the difference between the cost of investment in TLMC pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The merger reserve of the Group represents the difference between the nominal value of shares of Tak Lee Machinery Company Limited ("Tak Lee Hong Kong"), Econsmart Limited ("Econsmart") and Success Sky Corporation Limited ("Success Sky") acquired pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) Certain addition of property, plant and equipment of approximately HK$49,662,000 (2023: HK$61,064,000) were reclassified from inventories held for sale at the end of the reporting period.

(ii) Property, plant and equipment of approximately HK$24,382,000 (2023: HK$24,313,000) were reclassified to inventories held for sale at the end of the reporting period.

(iii) Purchases of inventories of approximately HK$9,201,000 during the year ended 31 July 2024 (2023: HK$14,334,000) were settled by offsetting prepayment brought forward from the year ended 31 July 2023 (2023: 31 July 2022).

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 August 2023 HK$'000	Cash flows HK$'000	Finance costs recognised HK$'000 *(Note 9)*	Additions of right-of-use assets HK$'000 *(Note 17)*	31 July 2024 HK$'000
Lease liabilities *(Note 24)*	5,986	(5,031)	286	4,523	5,764
Bank borrowings *(Note 26)*	5,476	(6,272)	796	–	–
	11,462	(11,303)	1,082	4,523	5,764

			Non-cash changes			
	1 August 2022 HK$'000	Cash flows HK$'000	Finance costs recognised HK$'000 *(Note 9)*	Additions of right-of-use assets HK$'000 *(Note 17)*	Foreign exchange HK$'000	31 July 2023 HK$'000
Lease liabilities *(Note 24)*	3,851	(3,892)	114	5,913	–	5,986
Bank borrowings *(Note 26)*	29,070	(24,587)	749	–	244	5,476
	32,921	(28,479)	863	5,913	244	11,462

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2024 HK$'000	2023 HK$'000
Within operating cash flows	5,247	7,966
Within financing cash flows	4,745	3,778
	9,992	11,744

These amounts relate to the following:

	2024 HK$'000	2023 HK$'000
Lease rental paid	9,992	11,744

31. CONTINGENT LIABILITIES

As at 31 July 2024, the Group did not have any significant contingent liabilities.

32. OPERATING LEASE ARRANGEMENT

The Group as lessee

During the year ended 31 July 2024, the Group entered into short-term leases for warehouse and office in Hong Kong. As at 31 July 2024, the outstanding lease commitments relating to the warehouse and office are approximately HK$573,000 (2023: HK$744,000).

32. OPERATING LEASE ARRANGEMENT (continued)

The Group as lessor

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Total future minimum lease payments			
	Within one year HK$'000	In the second year HK$'000	In the third year HK$'000	Total HK$'000
At 31 July 2024				
Lease machineries *(Note(i))*	12,223	–	–	12,223
Investment property *(Note(ii))*	140	–	–	140
	12,363	–	–	12,363
At 31 July 2023				
Lease machineries *(Note(i))*	8,766	–	–	8,766
Investment property *(Note(ii))*	168	140	–	308
	8,934	140	–	9,074

Note:

(i) The Group leases machineries to its customers under operating lease arrangements which normally run for an initial period of minimum one month, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Rentals are fixed over the lease terms and do not include contingent rentals.

(ii) Operating leases relate to an investment property owned by Group with a lease term of 5 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

Compensation of key management personnel of the Group:

	2024 HK$'000	2023 HK$'000
Salaries and allowances	1,196	1,200
Retirement benefit scheme contributions	36	36
	1,232	1,236

Further details of the emoluments of directors are included in Note 13.

34. INVESTMENTS IN SUBSIDIARIES

Particulars of subsidiaries as at 31 July 2024 are as follows:

Name of subsidiaries	Date and place of incorporation and operation/kind of legal entity	Particulars of issued share capital	Equity interests attributable to the Group	Principal activities
Directly held by the Company				
TLMC	4 January 2016 BVI/Limited liability company	USD1	100%	Investment holding
Indirectly held by the Company				
Tak Lee Hong Kong	5 March 2001 Hong Kong/Limited company	3,000,000 ordinary shares	100%	Trading of heavy equipment and spare parts, leasing of heavy equipment and provision of repair, logistics and other ancillary services
Econsmart	19 September 2001 Hong Kong/Limited company	2 ordinary shares	100%	Provision of motor vehicles services
Success Sky	7 October 2010 Hong Kong/Limited company	2 ordinary shares	100%	Provision of warehouse services and after-sales and in-house management support services
Creative Day Limited	13 October 2017 Hong Kong/Limited company	1 ordinary share	100%	Provision of operator services
Orange Treasure Limited	14 December 2011 Hong Kong/Limited company	2 ordinary shares	100%	Holding of leasehold lands
T-Smart Logistics Limited	19 November 2020 Hong Kong/Limited company	10,000 ordinary shares	100%	Provision of logistics services

35. OBLIGATION TO PAY LONG SERVICE PAYMENT UNDER EMPLOYMENT ORDINANCE

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payment ("LSP") in accordance with the Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined by reference to the employee's final salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to the MPF Scheme (see Note 12), with an overall cap of HK$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the government of the Hong Kong Special Administrative Region ("HKSAR") gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The abolition will officially take effect on 1 May 2025 (the "Transition Date"). Separately, the government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date long service payment obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP liability with respect to Hong Kong employees that participate in the MPF Scheme and has confirmed that the abolition has no material impact on the financial position of the Group as at 31 July 2024.

36. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this report.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 July 2024

	For the year ended 31 July				
	2020	2021	2022	2023	2024
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	628,798	485,797	395,182	271,997	279,335
Profit before tax	62,660	60,501	53,315	8,737	11,376
Income tax expense	(11,375)	(7,917)	(8,253)	(1,660)	(4,290)
Profit and total comprehensive income for the year	51,285	52,584	45,062	7,077	7,086

	At 31 July				
	2020	2021	2022	2023	2024
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	540,353	510,400	530,385	499,202	491,701
Total liabilities	(138,435)	(80,898)	(85,821)	(57,561)	(47,974)
Net assets	401,918	429,502	444,564	441,641	443,727