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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8142)

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 APRIL 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of Tak Lee Machinery Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the nine months ended 30 April 2019. This announcement, containing the full text of the 2019 third quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of quarterly results.

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

Hong Kong, 10 June 2019

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of its publication. This announcement will also be published on the Company’s website at [www.tlmc-hk.com](http://www.tlmc-hk.com).*

# 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 : 8142

THIRD QUARTERLY REPORT

**2018-2019**



RESULTS FOR THE NINE MONTHS ENDED 30 APRIL 2019

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (collectively the “Directors” or individually a “Director”) of Tak Lee Machinery Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

**THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 APRIL 2019**

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 April 2019, together with the comparative figures for the corresponding period in 2018.

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the three months and nine months ended 30 April 2019

	Notes	Three months ended 30 April		Nine months ended 30 April	
		2019 HK\$ '000 (unaudited)	2018 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)	2018 HK\$ '000 (unaudited)
<b>Revenue</b>	3	136,702	217,207	403,347	420,287
Cost of sales		(117,864)	(181,318)	(346,111)	(353,401)
<b>Gross profit</b>		18,838	35,889	57,236	66,886
Other income and net gains		380	124	854	1,616
Administrative and other operating expenses		(6,588)	(6,050)	(20,208)	(16,821)
<b>Profit from operations</b>		12,630	29,963	37,882	51,681
Finance costs		(1,229)	(845)	(2,926)	(1,951)
<b>Profit before tax</b>		11,401	29,118	34,956	49,730
Income tax expense	4	(785)	(4,950)	(5,829)	(8,454)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>	5	<u>10,616</u>	<u>24,168</u>	<u>29,127</u>	<u>41,276</u>
<b>Earnings per share</b>					
– Basic and diluted (HK cents per share)	7	<u>1.06</u>	<u>2.42</u>	<u>2.91</u>	<u>4.13</u>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 April 2019

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 August 2018 (audited)	10,000	92,661	2,620	226,801	332,082
Profit and total comprehensive income for the period	-	-	-	29,127	29,127
Dividend paid (note 6)	-	-	-	(5,000)	(5,000)
<b>At 30 April 2019 (unaudited)</b>	<b><u>10,000</u></b>	<b><u>92,661</u></b>	<b><u>2,620</u></b>	<b><u>250,928</u></b>	<b><u>356,209</u></b>
At 1 August 2017 (audited)	10,000	92,661	2,620	171,854	277,135
Profit and total comprehensive income for the period	-	-	-	41,276	41,276
<b>At 30 April 2018 (unaudited)</b>	<b><u>10,000</u></b>	<b><u>92,661</u></b>	<b><u>2,620</u></b>	<b><u>213,130</u></b>	<b><u>318,411</u></b>

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law of the Cayman Islands on 11 December 2015. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is D.D.111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong.

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

In the opinion of the Directors, the immediate and ultimate holding company of the Company is Generous Way Limited, a company incorporated in the British Virgin Islands (“BVI”).

### 2. BASIS OF PRESENTATION AND PREPARATION

The unaudited consolidated financial statements of the Group for the nine months ended 30 April 2019 (the “**Unaudited Consolidated Financial Statements**”) have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Unaudited Consolidated Financial Statements are consistent with those used in the annual financial statements of the Group for the year ended 31 July 2018, except for adoption of the new and revised HKFRSs. Details of changes in the accounting policies are disclosed in the unaudited interim condensed consolidated financial statements of the Group for the six months ended 31 January 2019.

For those new and revised HKFRSs which are relevant to the Group’s operations and effective for its accounting period beginning 1 August 2018, the adoption has no significant changes on the Group’s accounting policies as well as the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group’s results and financial position.

The Unaudited Consolidated Financial Statements have been prepared under the historical cost basis. The preparation of the Unaudited Consolidated Financial Statements in conformity with the HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The Unaudited Consolidated Financial Statements should be read in conjunction with the Group’s audited consolidated financial statements and notes thereto for the year ended 31 July 2018.

The Unaudited Consolidated Financial Statements have not been audited by the Company’s independent auditor, but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

**3. REVENUE**

Revenue from contracts with customers by major products or service lines is summarised as follows:

	Three months ended 30 April		Nine months ended 30 April	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sales of heavy equipment and spare parts	119,317	204,769	357,144	382,140
Lease of heavy equipment	16,341	9,624	43,130	31,438
Provision of maintenance and ancillary services	1,044	2,814	3,073	6,709
Total	<u>136,702</u>	<u>217,207</u>	<u>403,347</u>	<u>420,287</u>

**4. INCOME TAX EXPENSE**

	Three months ended 30 April		Nine months ended 30 April	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax – Hong Kong Provision for the period	1,354	4,226	2,745	5,354
Deferred tax	(569)	724	3,084	3,100
	<u>785</u>	<u>4,950</u>	<u>5,829</u>	<u>8,454</u>

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

Upon the introduction of the two-tiered profits tax rates regime effective on 28 March 2018, the profits tax rate for the first HK\$2 million of assessable profits has been lowered to 8.25% of a qualifying group entity, and assessable profits above HK\$2 million will continue to be subject to the rate of 16.5%. For other group entities not qualifying for the two-tiered profits tax regime, Hong Kong profits tax has been provided at a rate of 16.5% (nine months ended 30 April 2018: 16.5%) on the estimated assessable profits for the nine months ended 30 April 2019.

**5. PROFIT FOR THE PERIOD**

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

	Three months ended 30 April		Nine months ended 30 April	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Auditor's remuneration	166	125	497	375
Cost of inventories sold	103,909	171,484	309,250	320,686
Depreciation	5,177	2,867	13,039	8,048
Foreign exchange (gain)/loss, net	(360)	931	(112)	1,486
Net gain on disposals of property, plant and equipment	2	-	(520)	(250)
Operating lease charges in respect of:				
– Director's quarters	768	504	1,776	1,512
– Office premises	483	234	1,368	630
	<u>1,251</u>	<u>738</u>	<u>3,144</u>	<u>2,142</u>
Reversal of allowance for trade receivables	-	-	-	(810)
Reversal of allowance for inventories (included in cost of inventories sold) (note)	(41)	-	(372)	-
Staff costs (including Directors' emoluments)				
– Salaries, allowances and bonus	6,039	5,033	18,823	16,766
– Retirement benefit scheme contributions	211	156	621	530
– Quarters expenses	909	513	1,937	1,540
	<u>7,159</u>	<u>5,702</u>	<u>21,381</u>	<u>18,836</u>

Note: Allowance for inventories is written back when the relevant inventory is sold.



**6. DIVIDEND**

	Three months ended 30 April		Nine months ended 30 April	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interim dividend declared and paid for HK0.5 cent (2018: Nil) per ordinary share	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>

At a board meeting of the Company on 9 March 2019, the Board declared an interim dividend of HK0.5 cent per ordinary share for the six months ended 31 January 2019, amounting to HK\$5.0 million (six months ended 31 January 2018: Nil). Such declared interim dividend of HK\$5.0 million was paid to the shareholders of the Company on 17 April 2019.

The Board has resolved not to declare any dividend for the three months ended 30 April 2019 (three months ended 30 April 2018: Nil).

**7. EARNINGS PER SHARE**

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

	Three months ended 30 April		Nine months ended 30 April	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<b>Earnings:</b>				
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>10,616</u>	<u>24,168</u>	<u>29,127</u>	<u>41,276</u>
	'000	'000	'000	'000
<b>Number of shares:</b>				
Weighted average number of ordinary shares for profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

*Note:*

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the nine months ended 30 April 2019 of HK\$29,127,000 (nine months ended 30 April 2018: HK\$41,276,000) and the weighted average 1,000,000,000 ordinary shares (nine months ended 30 April 2018: 1,000,000,000 ordinary shares) in issue during the period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue for the nine months ended 30 April 2018 and 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is an earthmoving equipment sales and leasing service provider in Hong Kong with over 18 years of presence in the industry. The Group is principally engaged in (i) the sales of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. The Group also offers some heavy equipment other than earthmoving equipment for sales and for leasing.

The Group recorded a decrease in profit attributable to owners of the Company for the nine months ended 30 April 2019 by approximately 29.5% to approximately HK\$29.1 million from approximately HK\$41.3 million for the nine months ended 30 April 2018, which was mainly attributable to (i) the decrease in sales of used heavy equipment, as the demand of used heavy vehicles has slowed down compared to that of the corresponding period in 2018 in view of the looming uncertainties from the Sino-US trade war, and (ii) the increased administrative expenses incurred owing to the expansion of the Group's office and workshop. Although the sales of used heavy vehicles decreased by approximately 43.1%, the sales of new heavy vehicles increased by approximately 93.0% due to the strong market demand arising from the commencement of various infrastructure, reclamation and building projects in Hong Kong as detailed below.

The Group is confident about the outlook and the prospects for sales and leasing of heavy equipment. With the Hong Kong government setting aside approximately HK\$79.1 billion on public expenditure on infrastructure as outlined in the 2019-20 Budget Speech, the implementation of the ten major infrastructure projects and the land enhancement strategy by reclamation and rock cavern development proposed by the Hong Kong government, and the commencement of several other large-scale infrastructure projects such as the Three Runway System of the Hong Kong International Airport, Tseung Kwan O-Lam Tin Tunnel, Route 6 Development, North East New Territories New Development Areas and the Tung Chung New Town Development Extension, the Group is expecting a stable growth in the heavy equipment industry in Hong Kong in the coming future. Hence, the Group believes that the demand for its heavy equipment will remain strong in the coming years. To capture business opportunities, the Group is committed to the diversification of supplier base and product offering. For instance, during the nine months ended 30 April 2019, the Group became an authorised dealer of Rotobec Inc. for the supply of *Rotobec* brand grapples and other earthmoving attachments in Hong Kong and

Macau, and also the exclusive dealer for the supply of their Orange Peels product line in such territories. Going forward, the Group will continue to identify suitable suppliers and products in pursuit of more dealerships or distributorships, which would further boost its competitive edge in the long run.

## FINANCIAL REVIEW

### Revenue

The Group recorded a decrease in revenue for the nine months ended 30 April 2019 by approximately 4.0% to approximately HK\$403.3 million as compared with the revenue of approximately HK\$420.3 million for the nine months ended 30 April 2018. The decrease was mainly attributable to the decrease in sales of heavy equipment and spare parts of approximately HK\$25.0 million and the decrease in machinery maintenance and ancillary services income of approximately HK\$3.6 million, which was partially offset by the increase in leasing income of approximately HK\$11.7 million.

### Cost of sales

The Group's cost of sales amounted to approximately HK\$346.1 million for the nine months ended 30 April 2019, representing a decrease of approximately 2.1% (nine months ended 30 April 2018: approximately HK\$353.4 million). Cost of sales mainly comprised cost of machinery, equipment and spare parts, depreciation, freight and transportation costs, repairs and maintenance costs, and staff costs for operators, technicians and inspectors. The decrease was mainly driven by the decrease in revenue for the nine months ended 30 April 2019.

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately 14.5% from approximately HK\$66.9 million for the nine months ended 30 April 2018 to approximately HK\$57.2 million for the nine months ended 30 April 2019, with gross profit margin at approximately 14.2% (nine months ended 30 April 2018: approximately 15.9%). The decrease in gross profit was mainly attributable to the decrease in gross profit of the sales of heavy equipment and spare parts by approximately HK\$12.3 million associated with the decrease in gross profit margin to approximately 9.7% for the nine months ended 30 April 2019. The gross profit of the leasing business increased by approximately HK\$3.8 million whereas the gross profit of the machinery maintenance and ancillary services decreased by approximately HK\$1.1 million for the nine months ended 30 April 2019.

**Other income**

The Group recognised other income of approximately HK\$1.6 million and approximately HK\$0.9 million for the nine months ended 30 April 2018 and 2019, respectively. The decrease was mainly due to the absence of reversal of allowance for trade receivables for the nine months ended 30 April 2019 and there was such reversal of approximately HK\$0.8 million for the nine months ended 30 April 2018.

**Administrative and other operating expenses**

The administrative expenses increased by approximately HK\$3.4 million (or approximately 20.2%) from approximately HK\$16.8 million for the nine months ended 30 April 2018 to approximately HK\$20.2 million for the nine months ended 30 April 2019. The increase in administrative expenses was mainly attributable to the increases in depreciation of approximately HK\$0.3 million, marketing expenses of approximately HK\$0.4 million, operating lease charges of approximately HK\$1.0 million, staff costs (including Directors' emoluments but excluding quarters expenses) of approximately HK\$1.3 million, as a result of the expansion of office and workshop and the increase in number of sales and administrative staff.

**Finance costs**

The finance costs increased by approximately HK\$0.9 million (or approximately 45.0%) from approximately HK\$2.0 million for the nine months ended 30 April 2018 to approximately HK\$2.9 million for the nine months ended 30 April 2019. The increase was in line with the increase in average amount of bank borrowings for the nine months ended 30 April 2019 as compared to those of the same period last year.

**Income tax expense**

The income tax expenses decreased by approximately HK\$2.7 million or approximately 31.8% for the nine months ended 30 April 2019 compared with the same period last year and the decrease was in line with the decrease in profit before tax.

### Profit and total comprehensive income for the period

As a result of the foregoing, the Group's profit and total comprehensive income decreased by approximately 29.5% from approximately HK\$41.3 million for the nine months ended 30 April 2018 to approximately HK\$29.1 million for the nine months ended 30 April 2019. The net profit margin of the Group decreased to approximately 7.2% for the nine months ended 30 April 2019 as compared to approximately 9.8% for the nine months ended 30 April 2018.

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 April 2019, the interests or short positions of the Directors and the 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 (the "SFO")), (i) which were 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) which were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were set out as follows:

#### Interests in the Company

*Long position in the ordinary shares of the Company (the "Shares")*

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 ( <i>Note</i> )	750,000,000	75%
Ms. Cheng Ju Wen ("Ms. Cheng")	Interest in a controlled corporation ( <i>Note</i> )	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 position in the ordinary shares of the 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 30 April 2019, 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), (i) which were 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) which were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

**INTERESTS OF SUBSTANTIAL SHAREHOLDER**

As at 30 April 2019, so far as the Directors are 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, 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 position in the Shares*

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 30 April 2019, the Directors were not aware of any persons who or entities which had interests or short positions in the Shares or underlying Shares, 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.

## CORPORATE GOVERNANCE PRACTICES

Code provision A.2.1 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the “CG Code”) stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chow Luen Fat (“Mr. Chow”) is the chairman of the Board and the chief executive officer of the Company. In view of the fact that Mr. Chow is one of the founders of the Group and has been operating and managing the Group since its establishment in 2001, all the other Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Chow is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required by the said code provision.

Save for the deviation from code provision A.2.1 as mentioned above, the Board is satisfied that the Company had complied with all applicable code provisions of the CG Code during the nine months ended 30 April 2019.

## SHARE OPTION SCHEME

The share option scheme of the Company (the “Share Option Scheme”) is a share incentive scheme established in accordance with Chapter 23 of the GEM Listing Rules. The Share Option Scheme was adopted on 30 June 2017. No share options were granted or agreed to be granted under the Share Option Scheme from the date of its adoption to 30 April 2019 and up to the date of this report.

## INTERESTS IN COMPETING BUSINESS

During the nine months ended 30 April 2019, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.



### INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Southwest Securities (HK) Capital Limited (“**Southwest Securities**”) as its compliance adviser. As at 30 April 2019, as notified by Southwest Securities, save for the compliance adviser agreement entered into between the Company and Southwest Securities dated 4 July 2017, neither Southwest Securities nor any of its directors, employees or close associates had any interest in relation to the Company.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 30 April 2019.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as contained in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”) as its required standard for Directors’ dealing in the securities of the Company. Following a specific enquiry made by the Company on each of the Directors, each Director has confirmed that he/she had complied with the Required Standard of Dealings during the nine months ended 30 April 2019.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Law Tze Lun, Mr. Kwok Siu Man and Dr. Wong Man Hin Raymond. Mr. Law Tze Lun is the chairman of the Audit Committee. The Audit Committee has reviewed the Unaudited Consolidated Financial Statements and this report, and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

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

Hong Kong, 10 June 2019

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

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