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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 JANUARY 2020**

The board of directors (the “**Board**” or the “**Director(s)**”) of Tak Lee Machinery Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 31 January 2020. This announcement, containing the full text of the 2019-2020 interim 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 interim results.

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

Hong Kong, 10 March 2020

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

*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).*

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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.*

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## CORPORATE INFORMATION

### 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

### COMPLIANCE OFFICER

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

### 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

### LEGAL ADVISER

*As to Hong Kong Law*  
Loeb & Loeb LLP

### INDEPENDENT AUDITOR

RSM Hong Kong  
29/F, Lee Garden Two,  
28 Yun Ping Road,  
Causeway Bay, Hong Kong

### PRINCIPAL BANKERS

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

### 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  
Level 54, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### STOCK CODE

8142

### COMPANY'S WEBSITE

[www.tlmc-hk.com](http://www.tlmc-hk.com)

## FINANCIAL HIGHLIGHTS

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2020

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 31 January 2020, together with the comparative figures for the corresponding period in 2019.

The Group recorded an increase in profit attributable to owners of the Company for the six months ended 31 January 2020 by approximately 49.7% to approximately HK\$27.7 million from approximately HK\$18.5 million for the six months ended 31 January 2019.

The increase in net profit of the Group for the six months ended 31 January 2020 was mainly attributed to the growth in the leasing business of the Group, which was driven by the demand arising from the commencement and progress of large-scale infrastructure and reclamation projects in Hong Kong such as the Three Runway System of the Hong Kong International Airport and the Tung Chung New Town Extension.

Earnings per share for the six months ended 31 January 2020 was HK2.77 cents per share, representing an increase of approximately 49.7% compared with HK1.85 cents per share for the same period in 2019.

At a Board meeting held on 17 February 2020, having considered the financial position and cash flow position of the Group, the Board declared the payment of a special dividend of HK1.5 cents per ordinary share of the Company (the “**Special Dividend**”), payable to the shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) at the close of business on Friday, 6 March 2020. It is expected that the Special Dividend will be paid in cash on or about Thursday, 19 March 2020.



## INDEPENDENT REVIEW REPORT



**RSM Hong Kong**

29th Floor, Lee Garden Two, 28 Yun Ping Road,  
Causeway Bay, Hong Kong

羅申美會計師事務所

香港銅鑼灣恩平道二十八號  
利園二期二十九字樓

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

### INTRODUCTION

We have reviewed the interim financial information set out on pages 7 to 25 which comprises the condensed consolidated statement of financial position of the Company as at 31 January 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## OTHER MATTER

The condensed consolidated interim financial information includes comparative information as required by HKAS 34. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 July 2019. The comparative information for the interim condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows, and related explanatory notes, for the three months and six months ended 31 January 2019 has not been audited or reviewed.

**RSM Hong Kong**

*Certified Public Accountants Hong Kong*

10 March 2020



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

For the three months and six months ended 31 January 2020

	Notes	Three months ended 31 January		Six months ended 31 January	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	172,162	123,208	351,002	266,645
Cost of revenue		<u>(149,347)</u>	<u>(104,888)</u>	<u>(294,681)</u>	<u>(228,247)</u>
<b>Gross profit</b>		<b>22,815</b>	<b>18,320</b>	<b>56,321</b>	<b>38,398</b>
Other income and net gains		1,351	107	1,560	722
Allowance for trade and lease receivables		(685)	–	(685)	–
Administrative and other operating expenses		<u>(9,904)</u>	<u>(8,458)</u>	<u>(20,106)</u>	<u>(13,868)</u>
<b>Profit from operations</b>		<b>13,577</b>	<b>9,969</b>	<b>37,090</b>	<b>25,252</b>
Finance costs		<u>(1,618)</u>	<u>(907)</u>	<u>(3,566)</u>	<u>(1,697)</u>
<b>Profit before tax</b>		<b>11,959</b>	<b>9,062</b>	<b>33,524</b>	<b>23,555</b>
Income tax expense	4	<u>(1,921)</u>	<u>(2,728)</u>	<u>(5,836)</u>	<u>(5,044)</u>
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>	5	<b><u>10,038</u></b>	<b><u>6,334</u></b>	<b><u>27,688</u></b>	<b><u>18,511</u></b>
<b>Earnings per share</b>					
– Basic and diluted (HK cents per share)	6	<b><u>1.00</u></b>	<b><u>0.63</u></b>	<b><u>2.77</u></b>	<b><u>1.85</u></b>



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 January 2020*

	Note	At 31 January 2020 HK\$'000 (unaudited)	At 31 July 2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	7	156,567	168,509
Right-of-use assets	8	3,247	–
Deposits paid for property, plant and equipment		501	447
		<u>160,315</u>	<u>168,956</u>
<b>Current assets</b>			
Inventories		178,444	186,736
Trade and lease receivables	9	128,715	89,569
Prepayments, deposits and other receivables		29,819	31,306
Bank and cash balances		56,520	66,940
		<u>393,498</u>	<u>374,551</u>
<b>Current liabilities</b>			
Trade payables	10	9,097	8,505
Other payables and accruals		8,605	4,045
Contract liabilities		9,597	9,919
Lease liabilities		2,659	–
Current tax liabilities		1,902	3,180
Bank borrowings		105,411	134,095
		<u>137,271</u>	<u>159,744</u>
<b>Net current assets</b>		<u>256,227</u>	<u>214,807</u>
<b>Total assets less current liabilities</b>		<u>416,542</u>	<u>383,763</u>
<b>Non-current liabilities</b>			
Lease liabilities		627	–
Deferred tax liabilities		22,594	18,130
		<u>23,221</u>	<u>18,130</u>
<b>NET ASSETS</b>		<u>393,321</u>	<u>365,633</u>
<b>Capital and reserves</b>			
Share capital	11	10,000	10,000
Retained earnings		383,321	355,633
<b>TOTAL EQUITY</b>		<u>393,321</u>	<u>365,633</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2020

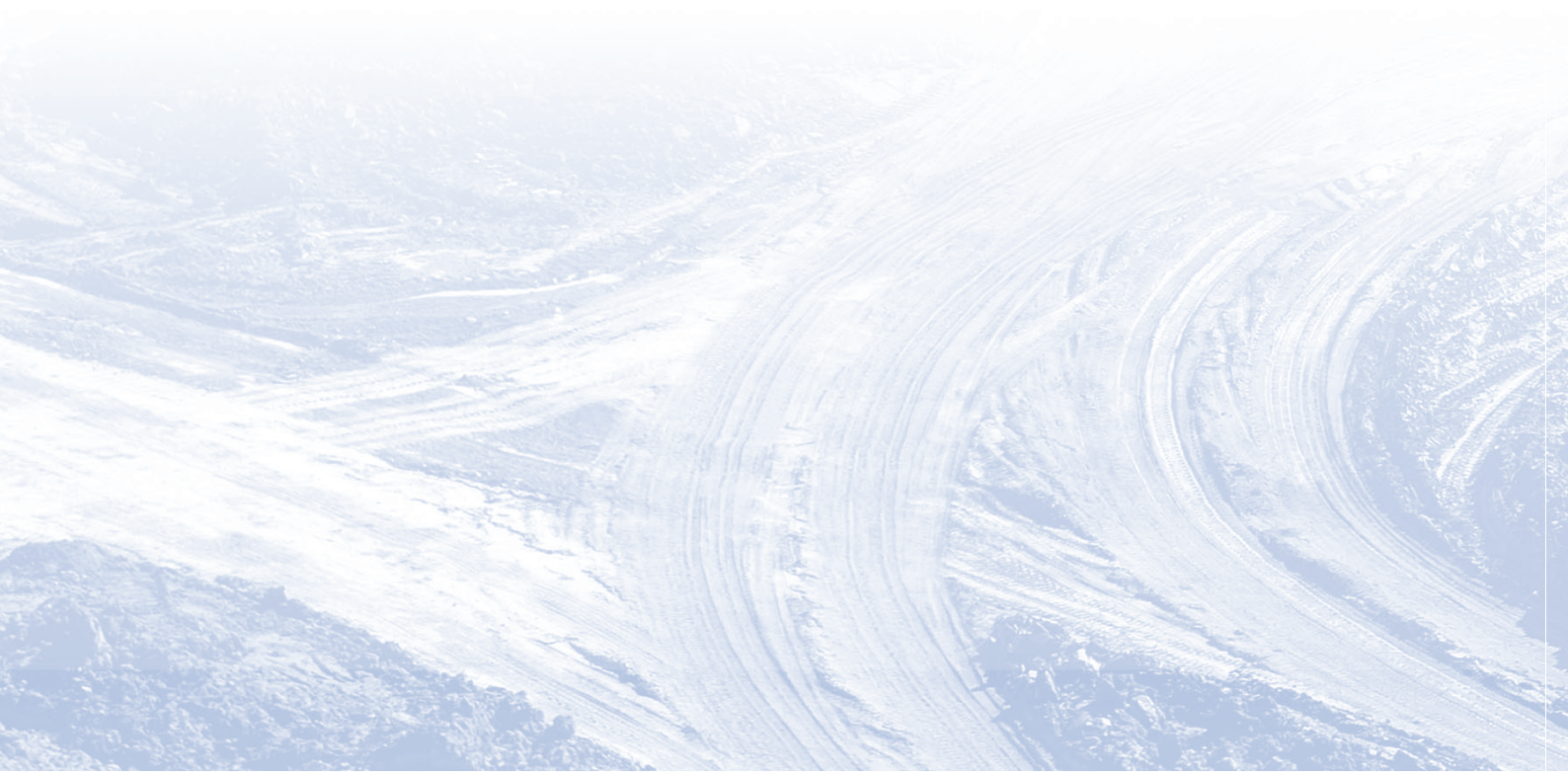
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2019 (audited)	10,000	92,661	2,620	260,352	365,633
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>27,688</u>	<u>27,688</u>
<b>At 31 January 2020 (unaudited)</b>	<b><u>10,000</u></b>	<b><u>92,661</u></b>	<b><u>2,620</u></b>	<b><u>288,040</u></b>	<b><u>393,321</u></b>
At 1 August 2018 (audited)	10,000	92,661	2,620	226,801	332,082
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>18,511</u>	<u>18,511</u>
<b>At 31 January 2019 (unaudited)</b>	<b><u>10,000</u></b>	<b><u>92,661</u></b>	<b><u>2,620</u></b>	<b><u>245,312</u></b>	<b><u>350,593</u></b>





**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 31 January 2020*

	Six months ended 31 January	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Net cash generated from operating activities	21,122	1,789
Net cash (used in)/generated from investing activities	(1,574)	180
Net cash used in financing activities	(29,122)	(3,768)
Effect of foreign exchange rate changes	(846)	338
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(10,420)	(1,461)
Cash and cash equivalents at beginning of the period	66,940	45,253
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank and cash balances	<u>56,520</u>	<u>43,792</u>



## NOTES TO THE INTERIM CONDENSED 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").

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2019 except as stated below.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 August 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 August 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.



**HKFRS 16 Leases**

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 August 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

**(a) Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**(b) As a lessee**

The Group leases many assets, including office premises and director's quarter.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

The recognised right-of-use assets relate to the following types of assets:

	<b>Balance as at</b>	
	<b>31 January</b>	<b>1 August</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Office premises	1,026	1,397
Director's quarter	2,221	3,173
	<hr/>	<hr/>
Total right-of-use assets	<u>3,247</u>	<u>4,570</u>

***Significant accounting policies***

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.



The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

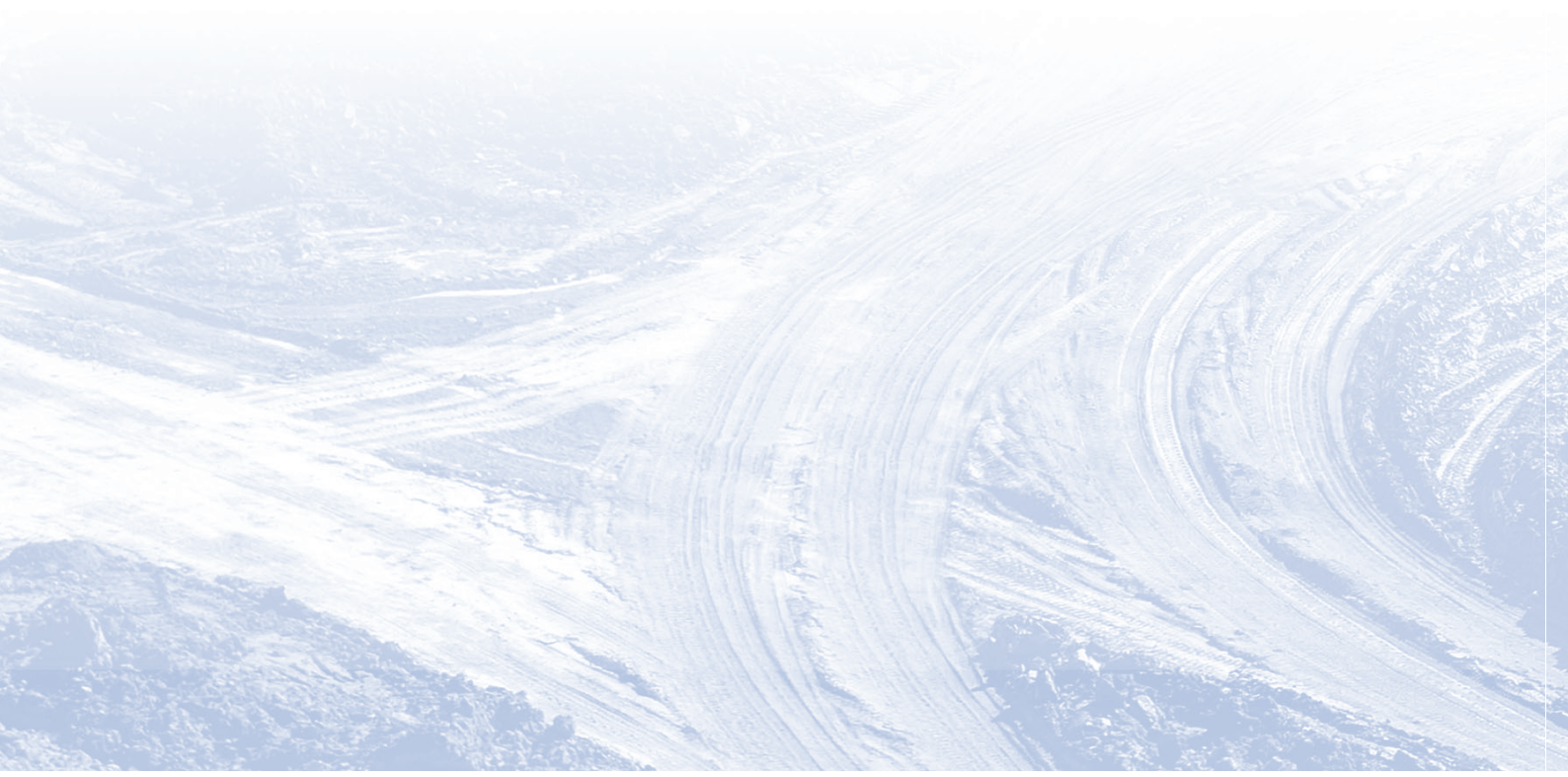
***Transition***

Previously, the Group classified property leases as operating leases under HKAS 17. These include office premises and director's quarter. The leases typically run for a period from 2 to 3 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 August 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.



**(c) As a lessor**

The Group leases out its heavy equipment. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

In cases where the Group is an intermediate lessor, the head lease and the sublease are accounted for separately. The classification of a sublease is determined upon referring, not to the underlying asset, but to the right- of-use asset that arise from the head lease. If the head lease is a short-term lease to be accounted for by applying the provision for exemption as above, the sublease is classified as an operating lease.

**(d) Impacts of financial statements**

*Impact on transition*

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 August 2019, the Group recognised additional right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. The Group has recognised lease liabilities of approximately HK\$4,570,000 and right-of-use assets of approximately HK\$4,570,000 at 1 August 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied was 4.85% per annum.



	At 1 August 2019 HK\$'000
Operating lease commitments at 31 July 2019 as disclosed in Group's consolidated financial statements	<u>4,533</u>
Less: Recognition exemption for lease with less than 12 months of leases term at transition	(240)
Add: Adjustments as a result of a different treatment of extension and termination option	460
Less: Total future interest expenses	<u>(183)</u>
<b>Lease liability recognised as at 1 August 2019</b>	<b><u><u>4,570</u></u></b>
Of which are:	
Current lease liabilities	2,600
Non-current lease liabilities	<u>1,970</u>
	<b><u><u>4,570</u></u></b>

### Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised approximately HK\$3,247,000 of right-of-use assets and approximately HK\$3,286,000 of lease liabilities as at 31 January 2020.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 31 January 2020, the Group recognised depreciation charges of HK\$1,323,000 and finance costs of HK\$92,000 from these leases.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and shall be adjusted to reflect the discounting effect at transition. In view of the amount involved is insignificant, no adjustment was made to refundable rental deposits paid or right-of-use assets.

### 3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Three months ended 31 January		Six months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sales of heavy equipment and spare parts	133,153	105,945	264,775	237,827
Lease of heavy equipment	37,908	16,062	83,904	26,789
Provision of maintenance and ancillary services	1,101	1,201	2,323	2,029
Total	<u>172,162</u>	<u>123,208</u>	<u>351,002</u>	<u>266,645</u>

#### Segment information

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

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

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

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



## (i) Information about reportable segment profit or loss:

	Sales of heavy equipment and spare parts <i>HK\$'000</i> (unaudited)	Lease of heavy equipment <i>HK\$'000</i> (unaudited)	Maintenance and ancillary services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>For the six months ended 31 January 2020</b>					
Disaggregated by timing of revenue recognition					
Point in time	264,775	–	2,323	–	267,098
Over time	–	83,904	–	–	83,904
External revenue	<u>264,775</u>	<u>83,904</u>	<u>2,323</u>	<u>–</u>	<u>351,002</u>
Segment results	<u>15,764</u>	<u>30,080</u>	<u>183</u>	<u>(12,503)</u>	<u>33,524</u>
<b>For the six months ended 31 January 2019</b>					
Disaggregated by timing of revenue recognition					
Point in time	237,827	–	2,029	–	239,856
Over time	–	26,789	–	–	26,789
External revenue	<u>237,827</u>	<u>26,789</u>	<u>2,029</u>	<u>–</u>	<u>266,645</u>
Segment results	<u>15,753</u>	<u>12,938</u>	<u>194</u>	<u>(5,330)</u>	<u>23,555</u>

## (ii) Geographical information

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

#### 4. INCOME TAX EXPENSE

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

	Three months ended 31 January		Six months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Current tax – Hong Kong</b> Provision/(over-provision) for the period	1,142	(941)	1,373	1,391
<b>Deferred tax</b>	779	3,669	4,463	3,653
	<u>1,921</u>	<u>2,728</u>	<u>5,836</u>	<u>5,044</u>

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

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The two-tiered profits tax regime is applicable to the Group for the six months ended 31 January 2020 and only one subsidiary in the Group could elect for the two-tiered profits tax rates regime and the election, once made, is irrevocable.



**5. PROFIT FOR THE PERIOD**

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

	Three months ended 31 January		Six months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Auditor's remuneration	342	165	511	331
Allowance for trade and lease receivables	685	–	685	–
Cost of inventories sold	112,849	91,776	225,552	205,341
Depreciation				
– Property, plant and equipment	8,082	4,853	17,016	7,862
– Right-of-use assets	662	–	1,323	–
Foreign exchange (gain)/loss, net	(761)	811	(870)	248
Legal and professional fees for the proposed transfer of listing of the shares of the Company from GEM to Main Board of the Stock Exchange	–	–	2,004	–
Net gain on disposals of property, plant and equipment	(315)	–	(315)	(522)
Operating lease charges in respect of:				
– Director's quarter	–	504	–	1,008
– Office premises	322	484	720	885
	<u>322</u>	<u>988</u>	<u>720</u>	<u>1,893</u>
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold) ( <i>note</i> )	440	(27)	179	(331)
Impairment of property, plant and equipment	177	–	177	–
Staff costs (including Directors' emoluments)				
– Salaries, allowances and bonus	21,344	7,170	39,573	12,784
– Retirement benefit scheme contributions	570	223	1,211	410
– Quarter expenses	993	510	1,002	1,028
	<u>22,907</u>	<u>7,903</u>	<u>41,786</u>	<u>14,222</u>

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

## 6. 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 31 January		Six months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Earnings:</b>				
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>10,038</u>	<u>6,334</u>	<u>27,688</u>	<u>18,511</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 six months ended 31 January 2020 of HK\$27,688,000 (six months ended 31 January 2019: HK\$18,511,000) and the weighted average 1,000,000,000 ordinary shares (six months ended 31 January 2019: 1,000,000,000 ordinary shares) in issue during the period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the six months ended 31 January 2019 and 2020.



**7. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 31 January 2020, the Group acquired items of property, plant and equipment with cost of approximately HK\$3,439,000 (six months ended 31 January 2019: HK\$421,000). Items of property, plant and equipment with a net book value of approximately HK\$1,550,000 (six months ended 31 January 2019: HK\$79,000) were disposed of during the six months ended 31 January 2020, resulting in a net gain on disposal of approximately HK\$315,000 (six months ended 31 January 2019: approximately HK\$522,000).

During the six months ended 31 January 2020, the Group reclassified some of the inventories to property, plant and equipment as machinery for lease when the relevant heavy equipment was leased to its customers. The value of heavy equipment reclassified amounted to approximately HK\$45,987,000 (six months ended 31 January 2019: approximately HK\$94,633,000).

During the six months ended 31 January 2020, the Group reclassified machinery for lease under property, plant and equipment to inventories held for sale at their carrying amounts of approximately HK\$42,307,000 (six months ended 31 January 2019: approximately HK\$65,878,000) when the machinery for lease ceased to be leased and became held for sale.

**8. RIGHT-OF-USE ASSETS**

	Office premises <i>HK\$'000</i>	Director's quarter <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2019	1,397	3,173	4,570
Depreciation	<u>(371)</u>	<u>(952)</u>	<u>(1,323)</u>
At 31 January 2020	<u><u>1,026</u></u>	<u><u>2,221</u></u>	<u><u>3,247</u></u>

Lease liabilities of HK\$3,286,000 are recognised with related right-of-use assets of HK\$3,247,000 as at 31 January 2020. 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.

## 9. TRADE AND LEASE RECEIVABLES

	At 31 January 2020 HK\$'000 (unaudited)	At 31 July 2019 HK\$'000 (audited)
Trade and lease receivables	132,851	93,020
Allowance for doubtful debts	(4,136)	(3,451)
	<u>128,715</u>	<u>89,569</u>

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

The ageing analysis of trade and lease receivables, based on the invoice date, before provision for impairment, is as follows:

	At 31 January 2020 HK\$'000 (unaudited)	At 31 July 2019 HK\$'000 (audited)
0 to 90 days	82,597	42,346
91 to 180 days	38,990	38,547
181 to 365 days	6,922	7,313
Over 1 year	4,342	4,814
	<u>132,851</u>	<u>93,020</u>

## 10. TRADE PAYABLES

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

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

	At 31 January 2020 HK\$'000 (unaudited)	At 31 July 2019 HK\$'000 (audited)
0 to 90 days	5,900	5,400
91 to 180 days	73	1,144
Over 180 days	3,124	1,961
	<u>9,097</u>	<u>8,505</u>



**11. SHARE CAPITAL**

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
<b>Ordinary shares of HK\$0.01 each</b>		
As at 31 July 2018, 31 July 2019, 1 August 2019 and 31 January 2020 (unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
<b>Ordinary shares of HK\$0.01 each</b>		
As at 31 July 2018, 31 July 2019, 1 August 2019 and 31 January 2020 (unaudited)	<u>1,000,000,000</u>	<u>10,000</u>

**12. DIVIDEND**

	Six months ended 31 January	
	2020 HK\$'000	2019 HK\$'000
Interim dividend declared and paid after the interim period of nil per ordinary share (six months ended 31 January 2019: HK0.5 cent)	<u>–</u>	<u>5,000</u>

**Special dividend declaration**

On 17 February 2020, the Board of the Company considered and approved the declaration and payment of a special dividend of HK1.5 cents per ordinary share of the Company (the "Special Dividend"). The Special Dividend will be paid in cash on or about 19 March 2020 to the shareholders whose names appear on the register of members of the Company at the close of business on 6 March 2020, being the record date for determination of entitlements to the Special Dividend.

### 13. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

At 31 July 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK\$'000
Within one year	2,760
In the second to fifth years inclusive	1,773
	<u>4,533</u>

Operating lease payments represent rentals payable by the Group for its office premises, warehouse and director's quarter. Leases are negotiated for term ranging from 2 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

#### The Group as lessor

Income earned from leasing of heavy equipment during the period is disclosed in note 3. Leases are negotiated on a monthly basis.

At the end of the period, the Group had contracted with customers for the following future minimum lease payments:

	As at 31 January 2020 HK\$'000	As at 31 July 2019 HK\$'000
Within one year	<u>6,576</u>	<u>14,173</u>

### 14. CAPITAL COMMITMENTS

	As at 31 January 2020 HK\$'000 (unaudited)	As at 31 July 2019 HK\$'000 (audited)
Contracted but not provided for: Purchase of plant and machinery	<u>1,641</u>	<u>1,625</u>

### 15. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 10 March 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

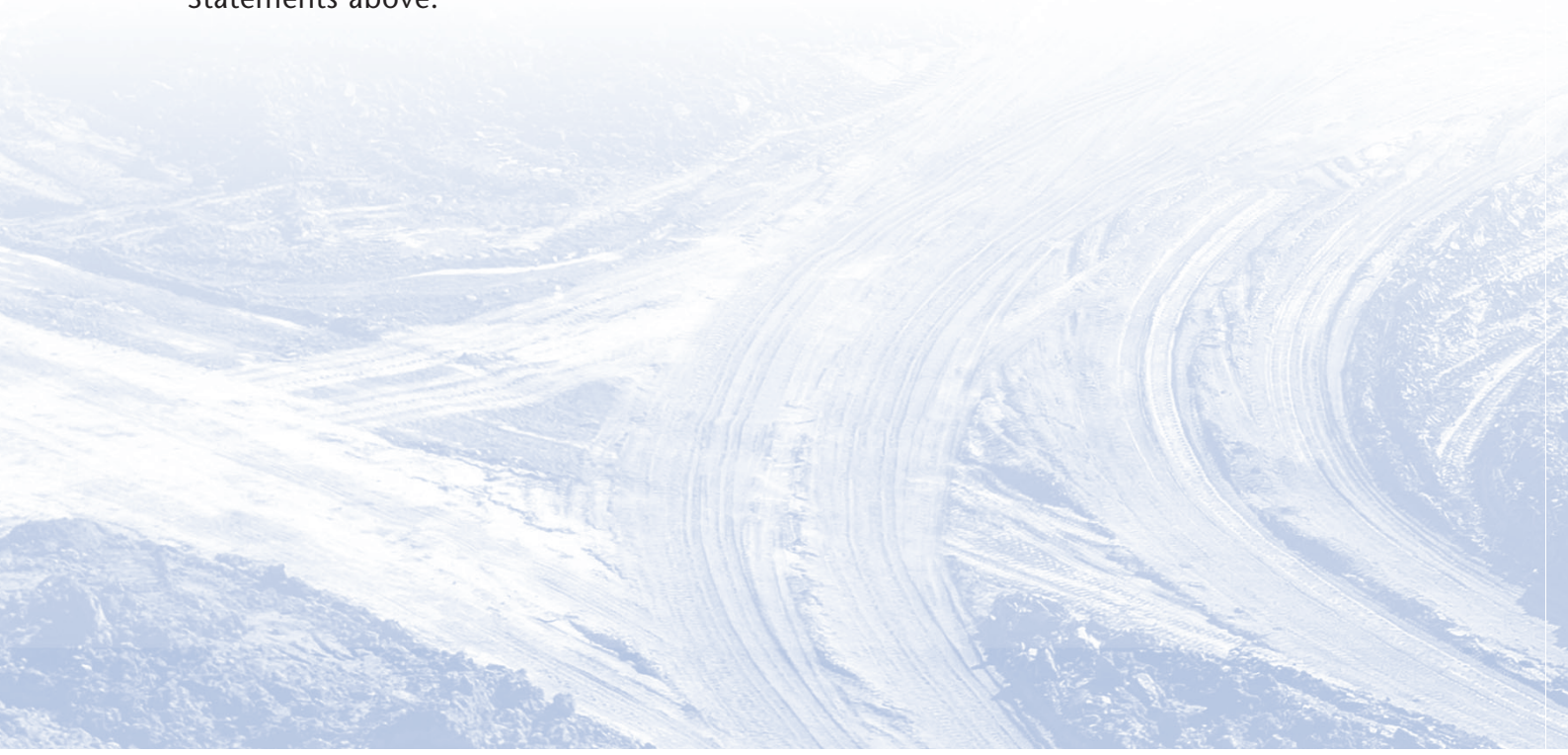
### BUSINESS REVIEW AND OUTLOOK

The Group is a heavy 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 an increase in profit attributable to owners of the Company for the six months ended 31 January 2020 (the “**Period**”) by approximately 49.7% to approximately HK\$27.7 million from approximately HK\$18.5 million for the six months ended 31 January 2019.

The increase in net profit of the Group for the six months ended 31 January 2020 was mainly attributed to the growth in the leasing business of the Group, which was driven by the demand arising from the commencement and progress of large-scale infrastructure and reclamation projects in Hong Kong such as the Three Runway System of the Hong Kong International Airport and the Tung Chung New Town Extension.

Earnings per share for the six months ended 31 January 2020 was HK2.77 cents per share, representing an increase of approximately 49.7% compared with HK1.85 cents per share for the same period in 2019. The basis of calculating the earnings per share is detailed in Note 6 to the Interim Condensed Consolidated Financial Statements above.



The recent outbreak of coronavirus in China which spread to Hong Kong poses threats to the local economy. As the development of such epidemic remains to be highly unpredictable, the extent of its impact on the economy of Hong Kong is subject to much uncertainties. The industry which the Group operates in may be directly or indirectly affected. Nonetheless, based on the government's plan, the Group remains cautiously optimistic on the outlook and the prospects for sales and leasing of heavy equipment. According to the 2020-21 Budget Speech, the Government will continue to invest in infrastructure projects. In the next few years, the annual capital works expenditure is expected to reach HK\$100 billion on average, and the annual total construction output will increase to around HK\$300 billion. Besides, due to 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, Route 6 Development and the Tung Chung New Town 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 opportunities, the Group is committed to the diversification of its supplier base and product offering. For instance, during the six months ended 31 January 2020, the Group entered into a new dealership agreement under which the Group was granted the dealership for foundation equipment. While monitoring closely the impact of the coronavirus on the industry the Group operates in, the Group endeavours not to compromise its corporate strategies to preserve and grow the value of the Group in the long term. The Group will continue to identify suitable suppliers and products in pursuit of more dealerships or distributorships of heavy equipment, which would further boost its competitive edge in the long run.

## FINANCIAL REVIEW

### Revenue

The Group recorded an increase in revenue for the six months ended 31 January 2020, by approximately 31.7% to approximately HK\$351.0 million from approximately HK\$266.6 million for the six months ended 31 January 2019. The increase was mainly attributable to the increases in sales of heavy equipment and spare parts of approximately HK\$26.9 million and leasing income of approximately HK\$57.1 million.



**Cost of revenue**

The Group's cost of revenue amounted to approximately HK\$294.7 million for the six months ended 31 January 2020, representing an increase of approximately 29.1% (six months ended 31 January 2019: approximately HK\$228.2 million). Cost of revenue mainly comprised costs of machinery, equipment and spare parts, depreciation, freight and transportation costs, repairs and maintenance costs, staff costs for operators, technicians and inspectors and sub-leasing fee. The increase was mainly driven by the increase in revenue for the six months ended 31 January 2020 as well as the increases in depreciation and staff costs of operators and technicians.

**Gross profit and gross profit margin**

The Group's gross profit increased by approximately 46.6% from approximately HK\$38.4 million for the six months ended 31 January 2019 to approximately HK\$56.3 million for the six months ended 31 January 2020, with gross profit margin at approximately 16.0% (six months ended 31 January 2019: approximately 14.4%). The increases in gross profit and gross profit margin were mainly attributable to the increase in gross profit of the leasing business by approximately HK\$19.3 million for the six months ended 31 January 2020. The gross profit of the sales of heavy equipment and spare parts decreased by approximately HK\$1.4 million and the gross profit of the provision of maintenance and ancillary services remained stable for the six months ended 31 January 2020.

**Other income**

The Group recognised other incomes of approximately HK\$0.7 million and approximately HK\$1.6 million for the six months ended 31 January 2019 and 2020, respectively. The increase was mainly due to the increase in net foreign exchange gain of approximately HK\$0.9 million for the six months ended 31 January 2020.

**Administrative and other operating expenses**

The administrative expenses increased by approximately HK\$6.2 million or approximately 44.6% from approximately HK\$13.9 million for the six months ended 31 January 2019 to approximately HK\$20.1 million for the six months ended 31 January 2020. The increase in administrative expenses was mainly attributable to the non-recurring legal and professional fees for the proposed transfer of listing of the shares of the Company from GEM to Main Board of the Stock Exchange of approximately HK\$2.0 million, depreciation of approximately HK\$1.6 million and staff costs (including Directors' emoluments) of approximately HK\$1.9 million.

### **Finance costs**

The finance costs increased by approximately HK\$1.9 million or approximately 111.8% from approximately HK\$1.7 million for the six months ended 31 January 2019 to approximately HK\$3.6 million for the six months ended 31 January 2020. The increase was in line with the increase in average bank borrowings and average interest rate for the six months ended 31 January 2020 as compared to those of the same period last year.

### **Income tax expense**

The income tax expense increased by approximately HK\$0.8 million or approximately 15.7% for the six months ended 31 January 2020 compared with the same period last year. The increase was mainly due to an increase in deferred tax liabilities of approximately HK\$0.8 million as a result of an increase in accelerated tax depreciation charge for the six months ended 31 January 2020.

### **Profit and total comprehensive income for the Period**

As a result of the foregoing, the Group's profit and total comprehensive income for the Period increased by approximately 49.7% from approximately HK\$18.5 million for the six months ended 31 January 2019 to approximately HK\$27.7 million for the six months ended 31 January 2020, while the net profit margin of the Group increased to approximately 7.9% for the six months ended 31 January 2020 as compared to approximately 6.9% for the six months ended 31 January 2019.

### **Liquidity and financial resources**

The Group financed the operations primarily with cash flow from operations and bank borrowings. The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 January 2020 was approximately 2.87 (31 July 2019: approximately 2.34). As at 31 January 2020, the Group had bank and cash balances of approximately HK\$56.5 million (31 July 2019: approximately HK\$66.9 million). The decrease in cash and cash balances was mainly due to the repayment of import loans during the Period.



As at 31 January 2020, the Group had bank borrowings with maturity less than 1 year or on demand of approximately HK\$105.4 million (31 July 2019: approximately HK\$134.1 million). The gearing ratio, calculated based on the total bank borrowings divided by the total equity at the end of the period/year and multiplied by 100%, was approximately 26.8% as at 31 January 2020 (31 July 2019: approximately 36.7%). The Group's financial position is sound and strong. With available bank balances and cash and banking facilities, the Group has sufficient liquidity to satisfy the funding requirements.

### Capital structure

The issued shares of the Company were initially listed on GEM of the Stock Exchange (the "Listing") on 27 July 2017 (the "Listing Date"). There has been no change in the Company's capital structure since the Listing. The capital structure of the Group consists of equity attributable to the owners of the Company, which comprises issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will adjust its overall capital structure through the payment of dividends, issuance of new shares and inception or repayment of bank borrowings.

As at 31 January 2020, the Company's issued share capital amounted to HK\$10,000,000 and there were a total of 1,000,000,000 issued ordinary shares with a nominal value of HK\$0.01 each.

### Foreign exchange exposure

The Group has certain exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in HK\$, Japanese Yen ("JPY"), Renminbi ("RMB"), Euro ("EUR") and US dollar ("USD"). There is a currency difference between the Group's revenue receipts (which are denominated in HK\$) and some of the payments for purchases (which are denominated in JPY, RMB, 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.

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

During the six months ended 31 January 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures. As at 31 January 2020, the Group had capital commitments contracted for but not yet incurred of approximately HK\$1.6 million. Save as disclosed above, as at 31 January 2020, the Group did not have any significant investments or any other plans for material investments or capital assets.

### **Charges of assets and contingent liabilities**

As at 31 January 2020, the Group did not have any charges on the Group's assets for its bank borrowings.

As at 31 January 2020, the Group did not have any material contingent liabilities (31 July 2019: Nil).

### **Employees and remuneration policies**

As at 31 January 2020, the Group employed 162 (31 July 2019: 117) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK\$41.8 million for the six months ended 31 January 2020 (six months ended 31 January 2019: approximately HK\$14.2 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, local market conditions and the Group's results. The remuneration policy is reviewed by the Board regularly and the remuneration package includes salary, allowances and bonus. The Group also makes contributions to the mandatory provident fund schemes. The Company adopted a share option scheme on 30 June 2017 for the purpose of enabling the Company to grant options to, among others, the employees and directors of the Company and its subsidiaries. The Group also arranges technical trainings to its existing employees on the operations of its existing and newly introduced heavy vehicles and other heavy equipment provided by the manufacturers.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 January 2020, 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”)), 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 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 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 January 2020, 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 Rules 5.46 to 5.67 of the GEM Listing Rules.





## INTERESTS OF SUBSTANTIAL SHAREHOLDER

As at 31 January 2020, 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 31 January 2020, 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 pursuant to 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 six months ended 31 January 2020.

## SHARE OPTION SCHEME

The share option scheme of the Company (the “Share Option Scheme”) is a share incentive scheme prepared 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 for the period from the date of its adoption to 31 January 2020 and up to the date of this report. As such, no share options were exercised, cancelled or lapsed under the Share Option Scheme for the period from the date of its adoption to 31 January 2020 and up to the date of this report.

## INTERESTS IN COMPETING BUSINESS

During the six months ended 31 January 2020, 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 GEM Listing Rules) 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 since the Listing until 17 October 2019, being the date of publication of the annual report for the Company for the second full financial year commencing after the Listing Date. As notified by Southwest Securities, save for (i) the compliance adviser agreement and (ii) the agreement for the provision of financial advisory service entered into between the Company and Southwest Securities dated 4 July 2017 and 31 July 2019, respectively, prior to its ceasing to act as the compliance adviser, neither Southwest Securities nor any of its directors, employees or close associates had any interests 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 six months ended 31 January 2020.

## DIVIDEND

No dividend was paid, proposed or declared for the six months ended 31 January 2020 (six months ended 31 January 2019: an interim dividend of HK0.5 cent per ordinary share of the Company and in aggregate amounting to approximately HK\$5.0 million).

At a Board meeting held on 17 February 2020, the Board has resolved to declare the payment of a Special Dividend of HK1.5 cents per ordinary share of the Company, payable in cash on or about Thursday, 19 March 2020 to the shareholders whose names appear on the Register of Members at the close of business on Friday, 6 March 2020.

## 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 six months ended 31 January 2020.

## 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.

## IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save for the declaration of the Special Dividend as disclosed in the paragraph headed “Dividend” on page 36, after the reporting period and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors.





## REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Interim Condensed Consolidated Financial Statements of the Group for the six months ended 31 January 2020 have been reviewed by the Company's auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Interim Condensed Consolidated Financial Statements of the Group for the six months ended 31 January 2020 have also been reviewed by the audit committee of the Company (the "**Audit Committee**") comprising three independent non-executive Directors, namely Mr. Law Tze Lun, Sir Kwok Siu Man KR and Dr. Wong Man Hin Raymond. Mr. Law Tze Lun is the chairman of the Audit Committee. Neither the Company's auditor nor the Audit Committee has any disagreement with the accounting treatment adopted by the Company.

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

Hong Kong, 10 March 2020

*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 Sir Kwok Siu Man KR, Mr. Law Tze Lun and Dr. Wong Man Hin Raymond.*

*This report 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 report will also be published on the Company's website at [www.tlmc-hk.com](http://www.tlmc-hk.com).*