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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 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 nine months ended 30 April 2020. This announcement, containing the full text of the 2019-2020 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, 9 June 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 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.

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.

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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 2020

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 April 2020, together with the unaudited comparative figures for the corresponding period in 2019.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 April 2020

	Notes	Three months ended 30 April		Nine months ended 30 April	
		2020 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)	2020 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)
Revenue	3	124,101	136,702	475,103	403,347
Cost of revenue		(100,604)	(117,864)	(395,285)	(346,111)
Gross profit		23,497	18,838	79,818	57,236
Other income and net gains		971	380	2,531	854
Allowance for trade and lease receivables		(24)	–	(709)	–
Administrative and other operating expenses		(7,549)	(6,588)	(27,655)	(20,208)
Profit from operations		16,895	12,630	53,985	37,882
Finance costs		(1,330)	(1,229)	(4,896)	(2,926)
Profit before tax		15,565	11,401	49,089	34,956
Income tax expense	4	(2,600)	(785)	(8,436)	(5,829)
Profit and total comprehensive income for the period attributable to owners of the Company	5	12,965	10,616	40,653	29,127
Earnings per share					
– Basic and diluted (HK cents per share)	7	1.30	1.06	4.07	2.91

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 April 2020

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 August 2019 (audited)	10,000	92,661	2,620	260,352	365,633
Profit and total comprehensive income for the period	-	-	-	40,653	40,653
Dividend paid (note 6)	-	-	-	(15,000)	(15,000)
At 30 April 2020 (unaudited)	<u>10,000</u>	<u>92,661</u>	<u>2,620</u>	<u>286,005</u>	<u>391,286</u>
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)
At 30 April 2019 (unaudited)	<u>10,000</u>	<u>92,661</u>	<u>2,620</u>	<u>250,928</u>	<u>356,209</u>

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").

The unaudited consolidated financial statements of the Group for the nine months ended 30 April 2020 (the "Unaudited Consolidated Financial Statements") are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

2. BASIS OF PRESENTATION AND PREPARATION

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 (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

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") and were approved for issue by the Board.

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 2019 except as stated below.

In the current period, the Group has adopted all the new and revised 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 replaces HKAS 17 *Leases* and related interpretations. The new standard introduces a single accounting model for lessees. For lessees, the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low-value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will, therefore, continue to classify leases as operating or finance leases.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

HKFRS 16 affects primarily the accounting for the Group's operating leases. The Group's property leases are classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term for the year ended 31 July 2019. Under HKFRS 16, the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not have a material impact on the financial performance of the Group from 2020 onwards.

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	
	2020 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)	2020 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)
Sales of heavy equipment and spare parts	86,562	119,317	351,337	357,144
Lease of heavy equipment	36,142	16,341	120,046	43,130
Provision of maintenance and ancillary services	1,397	1,044	3,720	3,073
Total	<u>124,101</u>	<u>136,702</u>	<u>475,103</u>	<u>403,347</u>

4. INCOME TAX EXPENSE

	Three months ended 30 April		Nine months ended 30 April	
	2020 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)	2020 HK\$ '000 (unaudited)	2019 HK\$ '000 (unaudited)
Current tax – Hong Kong Provision for the period	3,282	1,354	5,434	2,745
Deferred tax	(682)	(569)	3,002	3,084
	<u>2,600</u>	<u>785</u>	<u>8,436</u>	<u>5,829</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 nine months ended 30 April 2020 and only one subsidiary of the Company 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 30 April		Nine months ended 30 April	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Auditor's remuneration	189	166	700	497
Allowance for trade and lease receivables	24	–	709	–
Cost of inventories sold	71,648	103,909	297,200	309,250
Depreciation				
– Property, plant and equipment	7,674	5,177	24,690	13,039
– Right-of-use assets	662	–	1,985	–
Foreign exchange gain, net	(707)	(360)	(1,577)	(112)
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)/loss on disposals of property, plant and equipment	–	2	(315)	(520)
Operating lease charges in respect of:				
– Director's quarters	–	768	–	1,776
– Office premises	360	483	1,080	1,368
	<u>360</u>	<u>1,251</u>	<u>1,080</u>	<u>3,144</u>
Allowance/(Reversal of allowance) for inventories (included in cost of inventories sold) (note)	–	(41)	179	(372)
Impairment of property, plant and equipment	–	–	177	–
Finance costs				
– Interest expense on lease liabilities	34	–	126	–
– Interest on bank borrowings	1,296	1,229	4,770	2,926
	<u>1,330</u>	<u>1,229</u>	<u>4,896</u>	<u>2,926</u>
Staff costs (including Directors' emoluments)				
– Salaries, allowances and bonus	18,305	6,039	57,878	18,823
– Retirement benefit scheme contributions	607	211	1,818	621
– Quarters expenses	504	909	1,506	1,937
	<u>19,416</u>	<u>7,159</u>	<u>61,202</u>	<u>21,381</u>

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

6. DIVIDENDS

	Three months ended 30 April		Nine months ended 30 April	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Special dividend for the nine months ended 30 April 2020 – HK1.5 cents per ordinary share	15,000	–	15,000	–
Interim dividend for the year ended 31 July 2019 – HK0.5 cent per ordinary share	–	5,000	–	5,000
Total dividends paid	<u>15,000</u>	<u>5,000</u>	<u>15,000</u>	<u>5,000</u>

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, amounting to HK\$15.0 million. Such declared special dividend was paid to the shareholders of the Company (the "Shareholders") on 19 March 2020.

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 on 17 April 2019.

The Board has resolved not to declare any dividend for the three months ended 30 April 2020 (three months ended 30 April 2019: 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Earnings:				
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>12,965</u>	<u>10,616</u>	<u>40,653</u>	<u>29,127</u>
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<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 2020 of HK\$40,653,000 (nine months ended 30 April 2019: HK\$29,127,000) and the weighted average 1,000,000,000 ordinary shares (nine months ended 30 April 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 for the nine months ended 30 April 2019 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an earthmoving equipment sales and leasing service provider in Hong Kong with over 19 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 for sales and for leasing.

The Group recorded an increase in profit attributable to owners of the Company for the nine months ended 30 April 2020 (the “**Period**”) by approximately 39.9% to approximately HK\$40.7 million from approximately HK\$29.1 million for the nine months ended 30 April 2019.

The increase in net profit of the Group for the Period 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. The Company was not materially and adversely affected by the outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) during the Period.

Earnings per share for the Period was HK4.07 cents per share, representing an increase of approximately 39.9% compared with HK2.91 cents per share for the same period in 2019. The basis of calculating the earnings per share is detailed in Note 7 to the Unaudited Consolidated Financial Statements above.

The outbreak of COVID-19 poses threats to the local economy. As the development of such epidemic remains to be unpredictable, the extent of its impact on the economy of Hong Kong is subject to 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 Hong Kong 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 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 Period, 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 COVID-19 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 Period by approximately 17.8% to approximately HK\$475.1 million as compared with the revenue of approximately HK\$403.3 million for the nine months ended 30 April 2019. The increase was mainly attributable to the increase in leasing income of approximately HK\$76.9 million which was partially offset by the decrease in sales of heavy equipment and spare parts of approximately HK\$5.8 million.

Cost of revenue

The Group's cost of revenue amounted to approximately HK\$395.3 million for the Period, representing an increase of approximately 14.2% (nine months ended 30 April 2019: approximately HK\$346.1 million). Cost of revenue mainly comprised cost 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 Period as well as the increase in depreciation and staff costs of operators and technicians.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 39.5% from approximately HK\$57.2 million for the nine months ended 30 April 2019 to approximately HK\$79.8 million for the Period, with gross profit margin at approximately 16.8% (nine months ended 30 April 2019: approximately 14.2%). The increase in gross profit was mainly attributable to the increase in the gross profit of the leasing business by approximately HK\$24.2 million for the Period. The gross profit of the sales of heavy equipment and spare parts decreased by approximately HK\$1.6 million for the Period.

Other income

The Group recognised other income of approximately HK\$0.9 million and approximately HK\$2.5 million for the nine months ended 30 April 2019 and 2020, respectively. The increase was mainly due to the increase in net foreign exchange gain of approximately HK\$1.5 million for the Period.

Administrative and other operating expenses

The administrative expenses increased by approximately HK\$7.5 million (or approximately 37.1%) from approximately HK\$20.2 million for the nine months ended 30 April 2019 to approximately HK\$27.7 million for the Period. 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\$2.4 million and staff costs (including Directors' remuneration) of approximately HK\$2.8 million.

Finance costs

The finance costs increased by approximately HK\$2.0 million (or approximately 69.0%) from approximately HK\$2.9 million for the nine months ended 30 April 2019 to approximately HK\$4.9 million for the Period. The increase was in line with the increase in average amount of bank borrowings for the nine months ended 30 April 2020 as compared to those of the same period last year.

Income tax expense

The income tax expense increased by approximately HK\$2.6 million or approximately 44.7% for the nine months ended 30 April 2020 compared with the same period last year and the increase was in line with the increase 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 increased by approximately 39.9% from approximately HK\$29.1 million for the nine months ended 30 April 2019 to approximately HK\$40.7 million for the Period. The net profit margin of the Group increased to approximately 8.6% for the nine months ended 30 April 2020 as compared to approximately 7.2% for the Period.

Dividend

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, amounting to HK\$15.0 million. Such declared special dividend was paid to the Shareholders on 19 March 2020.

The Board has resolved not to declare any dividend for the three months ended 30 April 2020 (three months ended 30 April 2019: Nil).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 April 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 (Note)	750,000,000	75%
Ms. Cheng Ju Wen ("Ms. Cheng")	Interest in a controlled corporation (Note)	750,000,000	75%

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

Interests in associated corporation of the Company

Long 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 30 April 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 30 April 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 30 April 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 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 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 Period.

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 for the period from the date of its adoption to 30 April 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 30 April 2020 and up to the date of this report.

INTERESTS IN COMPETING BUSINESS

During the Period, 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 of its Shares on GEM of the Stock Exchange on 27 July 2017 (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 date of the Listing. 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 which is required to be notified to the Group.

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 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 Period.

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. The principal 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 or in the section headed “Management Discussion and Analysis” above.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Law Tze Lun, Sir Kwok Siu Man KR and Dr. Wong Man Hin Raymond. 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, 9 June 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 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.