

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2102)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 JULY 2021

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$485.8 million for the year ended 31 July 2021, representing a decrease of approximately 22.7% compared with approximately HK\$628.8 million reported for the year ended 31 July 2020.
- The Group's profit and total comprehensive income increased by approximately 2.5% from approximately HK\$51.3 million for the year ended 31 July 2020 to approximately HK\$52.6 million for the year ended 31 July 2021.
- Earnings per share attributable to owners of the Company for the year ended 31 July 2021 was approximately HK5.26 cents (2020: approximately HK5.13 cents).
- The Board has recommended the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31 July 2021, which is subject to Shareholders' approval at the 2021 AGM. Together with the interim dividend of HK1.5 cents per ordinary share paid, the total cash dividend for the year ended 31 July 2021 will be HK3.5 cents (2020: HK2.5 cents) per ordinary share.

The board of directors (the “**Board**” and the “**Directors**”, respectively) of Tak Lee Machinery Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 July 2021, together with the audited comparative figures for the year ended 31 July 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	485,797	628,798
Cost of revenue		<u>(395,219)</u>	<u>(521,711)</u>
Gross profit		90,578	107,087
Other income and net gains	4	9,262	3,099
Reversal of allowance/(allowance) for trade and lease receivables		1,092	(1,408)
Administrative and other operating expenses		<u>(38,566)</u>	<u>(40,571)</u>
Profit from operations		62,366	68,207
Finance costs	5	<u>(1,865)</u>	<u>(5,547)</u>
Profit before tax		60,501	62,660
Income tax expense	6	<u>(7,917)</u>	<u>(11,375)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	7	<u>52,584</u>	<u>51,285</u>
Earnings per share			
– Basic and diluted (HK cents per share)	9	<u>5.26</u>	<u>5.13</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		153,903	148,282
Right-of-use assets		19,354	15,994
Deposits paid for property, plant and equipment		1,230	–
		<u>174,487</u>	<u>164,276</u>
Current assets			
Inventories		104,685	134,106
Trade and lease receivables	10	103,240	160,014
Prepayments and deposits		18,563	12,692
Current tax assets		214	–
Bank and cash balances		109,211	69,265
		<u>335,913</u>	<u>376,077</u>
Current liabilities			
Trade payables	11	6,204	8,561
Other payables and accruals	11	7,151	10,543
Contract liabilities	11	6,275	12,662
Lease liabilities		4,759	3,004
Current tax liabilities		–	6,519
Bank borrowings		30,464	72,896
		<u>54,853</u>	<u>114,185</u>
Net current assets		<u>281,060</u>	<u>261,892</u>
Total assets less current liabilities		<u>455,547</u>	<u>426,168</u>
Non-current liabilities			
Lease liabilities		2,929	892
Deferred tax liabilities		23,116	23,358
		<u>26,045</u>	<u>24,250</u>
NET ASSETS		<u>429,502</u>	<u>401,918</u>
Capital and reserves			
Share capital	12	10,000	10,000
Reserves		419,502	391,918
TOTAL EQUITY		<u>429,502</u>	<u>401,918</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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. Its issued shares were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 July 2017 and were transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020 (the “**Transfer of Listing**”). 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, Generous Way Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate and ultimate parent, and Mr. Chow Luen Fat (“**Mr. Chow**”) and Ms. Cheng Ju Wen are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Items included in these consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is the Company’s functional and presentation currency, and all values are rounded to the nearest thousands (“**HK\$’000**”), except when otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 August 2020.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Sales of heavy equipment and spare parts	257,203	452,365
Lease of heavy equipment	217,130	170,453
Provision of maintenance and ancillary services	11,464	5,980
	<u>485,797</u>	<u>628,798</u>
Other income and net gains		
Compensation income from suppliers	539	674
Net gain on disposals of property, plant and equipment	634	660
Interest income	– ⁽ⁱ⁾	1
Foreign exchange gain, net	45	1,338
Government grants	7,159	294
Others	885	132
	<u>9,262</u>	<u>3,099</u>

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

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 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.

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

(i) Information about reportable segment profit or loss:

	Sales of heavy equipment and spare parts <i>HK\$'000</i>	Lease of heavy equipment <i>HK\$'000</i>	Provision of maintenance and ancillary services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 July 2021					
External revenue	257,203	217,130	11,464	–	485,797
Segment results	<u>10,274</u>	<u>63,343</u>	<u>676</u>	<u>(13,792)</u>	<u>60,501</u>
Year ended 31 July 2020					
External revenue	452,365	170,453	5,980	–	628,798
Segment results	<u>27,494</u>	<u>54,222</u>	<u>589</u>	<u>(19,645)</u>	<u>62,660</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.

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	76,121	128,320
Customer B	<u>67,409</u>	<u>N/A¹</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on borrowings		
– Wholly repayable within five years	1,720	5,387
Interest on lease liabilities	145	160
	<u>1,865</u>	<u>5,547</u>

6. INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	8,217	6,167
Over-provision in prior years	(58)	(20)
	<u>8,159</u>	<u>6,147</u>
Deferred tax	(242)	5,228
	<u>7,917</u>	<u>11,375</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 rates regime, the first HK\$2 million of profits of the qualifying Group entity established in Hong Kong will be taxed at 8.25% (2020: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2020: 16.5%). The profits of other Group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a rate of 16.5% (2020: 16.5%).

7. PROFIT FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	720	730
(Reversal of allowance)/allowance for trade and lease receivables, net	(1,092)	1,408
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold), net	1,949	(186)
Impairment/(reversal of impairment) on property, plant and equipment, net	259	(786)
Cost of inventories sold	221,995	382,990
Depreciation of property, plant and equipment	34,697	33,946
Depreciation of right-of-use assets	5,002	3,271
Foreign exchange gain, net	(45)	(1,338)
Net gain on disposals of property, plant and equipment	(634)	(660)
Listing expenses	2,339	2,004
Operating lease charges in respect of:		
– Office premises	410	1,312
– Machineries	20,146	8,757
	20,556	10,069
Staff costs (including Directors' remuneration) (<i>Note</i>)		
– Fees, salaries, allowances and bonus and others	112,749	89,860
– Retirement benefit scheme contributions	3,757	2,691
	116,506	92,551

Note:

The Group has established a mandatory provident fund scheme (the “MPF Scheme”) for all of its employees in Hong Kong. All employees in Hong Kong are required to join the MPF Scheme and the employees and their employer are each required to contribute 5% of the employee's gross earnings with a ceiling of HK\$1,500 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contribution under the MPF Scheme. The contribution charged to the consolidated statement of profit or loss and other comprehensive income represents the contribution payable to the funds by the Group. The Group does not forfeit any contributions on behalf of its employees who leave the scheme prior to full vesting. Accordingly, for the year ended 31 July 2021, there was no forfeited contribution available for the Group to reduce the existing level of contributions and at the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

8. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend paid		
2020 special dividend of HK1.5 cents per ordinary share	–	15,000
2020 final dividend of HK1.0 cent per ordinary share	10,000	–
2021 interim dividend of HK1.5 cents (2020: Nil) per ordinary share	15,000	–
	<u>25,000</u>	<u>–</u>
	<u>25,000</u>	<u>15,000</u>
Dividend proposed		
2021 proposed final dividend of HK2.0 cents (2020: HK1.0 cent) per ordinary share (<i>note</i>)	20,000	10,000
	<u>20,000</u>	<u>10,000</u>

Note:

The final dividend for the year ended 31 July 2021 was recommended by the Board at a Board meeting held on 21 October 2021. Such recommended final dividend is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company (the “**2021 AGM**”). This recommended final dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 July 2022 after the approval at the 2021 AGM.

9. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	52,584	51,285
	<u>52,584</u>	<u>51,285</u>
Number of shares		
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

The calculation of basic earnings per share is based on the weighted average 1,000,000,000 ordinary shares in issue during the year ended 31 July 2021 (2020: 1,000,000,000 ordinary shares in issue during the year).

The diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential ordinary share in issue during the years ended 31 July 2021 and 2020.

10. TRADE AND LEASE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and lease receivables	103,717	161,809
Less: Impairment loss	<u>(477)</u>	<u>(1,795)</u>
	<u>103,240</u>	<u>160,014</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 the Group's trade and lease receivables, based on the delivery date, and net of impairment loss, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	68,477	95,569
91 to 180 days	22,241	47,989
181 to 365 days	4,171	14,431
Over 365 days	<u>8,351</u>	<u>2,025</u>
	<u>103,240</u>	<u>160,014</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u>6,204</u>	<u>8,561</u>
Other payables and accruals		
Accrued staff costs	5,991	9,103
Accrued administrative and operating expenses	<u>1,160</u>	<u>1,440</u>
	<u>7,151</u>	<u>10,543</u>
Contract liabilities	<u>6,275</u>	<u>12,662</u>
	<u>19,630</u>	<u>31,766</u>

**11. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES
(continued)**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	5,309	5,739
31 to 90 days	831	2,562
91 to 180 days	64	230
Over 180 days	–	30
	<u>6,204</u>	<u>8,561</u>

The credit period ranges normally from 0 to 70 days.

12. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	<u>1,000,000,000</u>	<u>10,000</u>

13. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 20 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.

BUSINESS REVIEW AND OUTLOOK

The Group recorded an increase in profit attributable to owners of the Company for the year ended 31 July 2021 by approximately 2.5% to approximately HK\$52.6 million from approximately HK\$51.3 million for the year ended 31 July 2020.

The increase in net profit of the Group for the year ended 31 July 2021 was mainly attributed to (i) the growth in the leasing business of the Group, which was driven by the demand arising from the 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 Route 6 Development; and (ii) the receipt of subsidies under the Employment Support Scheme of the Hong Kong Government. The Company was not materially and adversely affected by the outbreak of the novel coronavirus disease (the “COVID-19”) during the year ended 31 July 2021.

Earnings per share for the year ended 31 July 2021 was HK5.26 cents per share, representing an increase of approximately 2.5% compared with HK5.13 cents per share for the year ended 31 July 2020. The basis of calculating the earnings per share is detailed in note 9 to the consolidated financial information above.

The outbreak of the COVID-19 pandemic 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 many uncertainties. The industry in which the Group operates 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 2021-22 Budget Speech, the government will continue to invest in infrastructure projects. In the next few years, the average annual capital works expenditure is expected to exceed HK\$100 billion and the annual total construction output will increase to around HK\$300 billion. Besides, due to the progress of several large-scale infrastructure projects, such as the Three Runway System of the Hong Kong International Airport, the 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. While monitoring closely the impact of COVID-19 on the industry in which the Group operates, the Group will continue to implement its corporate strategies to preserve and strive for the growth of the Group in the long term. The Group will continue to 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 generated its revenue from (i) the sales of new and used heavy equipment and spare parts; (ii) the leasing of heavy equipment; and (iii) the provision of machinery maintenance and ancillary services.

The Group generated a majority of its revenue from its sales and leasing business. For the year ended 31 July 2021, the total revenue of the Group amounted to approximately HK\$485.8 million, representing a decrease of approximately HK\$143.0 million or 22.7% from approximately HK\$628.8 million for the year ended 31 July 2020. Such decrease was mainly attributable to the decrease in sales of heavy equipment and spare parts of approximately HK\$195.2 million, which was partially offset by an increase in leasing income of approximately HK\$46.7 million and an increase in income from provision of maintenance and ancillary services by approximately HK\$5.5 million.

Revenue from the sales of heavy equipment and spare parts

The revenue from the sales of heavy equipment and spare parts decreased by approximately HK\$195.2 million or 43.1% from approximately HK\$452.4 million for the year ended 31 July 2020 to approximately HK\$257.2 million for the year ended 31 July 2021. Such decrease was mainly attributable to the decrease in sales of heavy equipment by approximately HK\$202.6 million or 47.6% for the year ended 31 July 2021, which was mainly due to the increase in market demand of leasing, instead of purchasing, of heavy vehicles for the infrastructure and reclamation projects in Hong Kong. The decrease was partially offset by the increase in the sales of spare parts of approximately HK\$7.2 million or 33.4%. The increase was mainly driven by the surge in the demand of the repair and after-sales services provided by the Group.

Revenue from the leasing of heavy equipment

The revenue from leasing of heavy equipment increased by approximately HK\$46.7 million or 27.4% from approximately HK\$170.4 million for the year ended 31 July 2020 to approximately HK\$217.1 million for the year ended 31 July 2021. The increase in revenue was mainly driven by the demand arising from the 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 Route 6 Development.

Revenue from the provision of maintenance and ancillary services

The revenue from the provision of maintenance and ancillary services increased by approximately HK\$5.5 million or 91.7% from approximately HK\$6.0 million for the year ended 31 July 2020 to approximately HK\$11.5 million for the year ended 31 July 2021. The increase in revenue was mainly attributable for the surge in demand of the repair and after-sales services provided for the Group's customers involving in the aforementioned large-scale infrastructure and reclamation projects.

Cost of revenue

The cost of revenue amounted to approximately HK\$395.2 million for the year ended 31 July 2021, representing a decrease of approximately HK\$126.5 million or 24.2% from approximately HK\$521.7 million for the year ended 31 July 2020. Cost of revenue mainly comprised cost of heavy equipment and spare parts, depreciation, freight and transportation costs, repairs and maintenance costs, staff costs of operators and technicians and sub-leasing fee. The decrease in the cost of revenue was mainly driven by a decrease in sales of heavy equipment and spare parts by approximately 42.0% for the year ended 31 July 2021. In addition, freight and transportation expenses decreased by approximately 39.8% for the year ended 31 July 2021, which was mainly due to the decrease in import of machineries from overseas suppliers. Nevertheless, the cost of leasing business for the year ended 31 July 2021 increased by approximately 36.3%, which was mainly attributable to an increase in staff cost of operators by approximately 36.0% and an increase in sub-leasing fee by approximately 130.1%. Such increase in sub-leasing fee was mainly attributable to unexpected demand from customers for the leasing of certain heavy vehicles which at the time the Group had no such heavy vehicles available for leasing.

Gross profit and gross profit margin

The gross profit decreased by approximately 15.4% from approximately HK\$107.1 million for the year ended 31 July 2020 to approximately HK\$90.6 million for the year ended 31 July 2021, with gross profit margin at approximately 18.6% for the year ended 31 July 2021 as compared with that of approximately 17.0% for the year ended 31 July 2020. The decrease in gross profit was mainly attributable to a decrease in gross profit of the sales of heavy equipment and spare parts by approximately HK\$24.1 million. Despite the decrease in gross profit of the sales business, the gross profit of leasing business and the provision of maintenance and ancillary services increased by approximately HK\$7.2 million and HK\$0.4 million, respectively. The gross profit margin of the sales segment decreased slightly at approximately 9.9% and 8.1% for the years ended 31 July 2020 and 2021 respectively.

The overall increase in gross profit margin was mainly driven by the higher proportion of revenue contribution from leasing segment and its relatively higher gross profit margin compared with that of the sales segment. The gross profit margin for the leasing segment decreased from approximately 36.0% for the year ended 31 July 2020 to approximately 31.6% for the year ended 31 July 2021. Such decrease was mainly due to the increase in proportion of leasing on wet hire basis as well as additional staff costs incurred as a result of the longer operating hours per day of the Group's leased heavy vehicles as required by its customers.

Other income and net gains

The other income and net gains increased by approximately 200.0% from approximately HK\$3.1 million for the year ended 31 July 2020 to approximately HK\$9.3 million for the year ended 31 July 2021. The increase was mainly due to the receipt of subsidies under the Employment Support Scheme of the Hong Kong Government of approximately HK\$7.1 million for the year ended 31 July 2021.

Reversal of allowance/(allowance) for trade and lease receivables

The Group has recognised allowance for trade and lease receivables of approximately HK\$1.4 million under the expected credit loss model for the year ended 31 July 2020. In view of the improvement in the credit control and a decrease in expected credit losses for the year ended 31 July 2021, the Group has recognised reversal of allowance for trade and receivables of approximately HK\$1.1 million for the year ended 31 July 2021.

Administrative and other operating expenses

The administrative and other operating expenses decreased by approximately 4.9% from approximately HK\$40.6 million for the year ended 31 July 2020 to approximately HK\$38.6 million for the year ended 31 July 2021. The decrease in administrative and other operating expenses was mainly attributable to the decrease in donation of approximately HK\$0.4 million, legal and professional fees (including fees for the Transfer of Listing) of approximately HK\$1.0 million, insurance expenses of approximately HK\$0.6 million, operating lease charges of office premises of approximately HK\$0.9 million, staff costs (including Directors' emoluments but excluding quarters expenses) of approximately HK\$0.7 million, which was partially offset by an increase in depreciation expenses of right-of-use assets of approximately HK\$1.7 million.

Finance costs

The finance costs decreased by approximately 65.5% from approximately HK\$5.5 million for the year ended 31 July 2020 to approximately HK\$1.9 million for the year ended 31 July 2021. The decrease was in line with the decrease in the average amount of bank borrowings for the year ended 31 July 2021 as compared to that of last year.

Income tax expense

The income tax expenses decreased by approximately HK\$3.5 million or approximately 30.4% for the year ended 31 July 2021 compared with those of last year. The decrease was mainly due to a decrease in deferred tax liabilities of approximately HK\$5.2 million charged to profit or loss as compared to those of last year.

Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company increased by approximately HK\$1.3 million or 2.5%, from approximately HK\$51.3 million for the year ended 31 July 2020 to approximately HK\$52.6 million for the year ended 31 July 2021. The net profit margin increased to 10.8% as compared to 8.2% for the year ended 31 July 2020.

DIVIDEND

The Board has recommended the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31 July 2021 (the “**Final Dividend**”) to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Wednesday, 8 December 2021, subject to the approval of the Shareholders at the 2021 AGM. The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Wednesday, 22 December 2021.

Together with the interim dividend of HK1.5 cents per ordinary share paid to the Shareholders on 27 April 2021, the total cash dividend for the year ended 31 July 2021 will be HK3.5 cents (2020: HK2.5 cents) per ordinary share.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 July 2021 was approximately 6.1 times as compared to that of approximately 3.3 times as at 31 July 2020. The increase was mainly due to the decrease in bank borrowings of approximately HK\$42.4 million. As at 31 July 2021, the Group had total bank and cash balances of approximately HK\$109.2 million (31 July 2020: approximately HK\$69.3 million). In addition, as at 31 July 2021, the Group had bank borrowings of approximately HK\$30.5 million (31 July 2020: approximately HK\$72.9 million).

The gearing ratio, calculated based on total debts (including bank borrowings and lease liabilities) divided by total equity at the end of the year ended 31 July 2021 and multiplied by 100%, was approximately 8.9% as at 31 July 2021 (31 July 2020: approximately 19.1%). The Group had unutilised banking facilities of approximately HK\$119.5 million as at 31 July 2021 (31 July 2020: approximately HK\$93.5 million). The Directors consider that the Group’s financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Group expects to fund its future operations and expansion plans primarily with cash generated from its operation and bank borrowings.

COMMITMENTS

As at 31 July 2021, the Group’s operating lease commitments as lessee and lessor amounted to approximately HK\$0.7 million (31 July 2020: approximately HK\$0.4 million) and approximately HK\$19.8 million (31 July 2020: approximately HK\$70.2 million), respectively. As at 31 July 2021, the Group had capital commitments contracted for but not provided for of approximately HK\$1.4 million (31 July 2020: nil).

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 July 2021, the Group did not have any charge on its assets (31 July 2020: nil).

As at 31 July 2021, the Group did not have any material contingent liabilities (31 July 2020: nil).

CAPITAL STRUCTURE

The issued shares of the Company were initially listed on GEM of the Stock Exchange on 27 July 2017. The listing was transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020. There has been no change in the Company's capital structure before and after the Transfer of 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 July 2021, 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.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 4 to the consolidated financial information above.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 July 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

EXPOSURE TO FOREIGN EXCHANGE RATE FLUCTUATION

The Group has certain exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in HK\$, Japanese Yen ("JPY"), Euro ("EUR") and US dollars ("USD"). There is a currency difference between the Group's revenue receipts (which are denominated in HK\$) and some of the payments for purchases (which are denominated in JPY, EUR and USD). The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments or any other plans for material investments or capital assets as at 31 July 2021.

IMPORTANT EVENTS AFTER THE YEAR ENDED 31 JULY 2021

The Board is not aware of any important events affecting the Group, which have occurred subsequent to the end of the year ended 31 July 2021 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2021, the Group employed 215 (31 July 2020: 211) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK\$116.5 million for the year ended 31 July 2021 (2020: approximately HK\$92.6 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, local market conditions and the Group's results. The remuneration policy is reviewed by the Board regularly. The remuneration package includes salary, allowances and bonus. The Group also makes contributions to the MPF Scheme.

The Company adopted a share option scheme on 30 June 2017 for the purpose of enabling the Company to grant options to, among others, the employees and directors of the Group as incentives or rewards for their contribution or potential contribution to the Group. The Group also arranges technical trainings to its existing employees on the operations of its existing and newly introduced heavy vehicles and other heavy equipment provided by the manufacturers.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on, among others, the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules (applicable to the Company immediately after the Transfer of Listing) and Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") (applicable to the Company prior to the Transfer of Listing).

Code provision A.2.1 of the CG Code contained in Appendix 14 to the Listing Rules and Appendix 15 to the GEM Listing Rules stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 contained in Appendix 15 to the GEM Listing Rules (applicable to the Company prior to the Transfer of Listing) and Appendix 14 to the Listing Rules (applicable to the Company immediately after the Transfer of Listing) during the year ended 31 July 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 July 2021.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the audited consolidated financial statements of the Group for the year ended 31 July 2021 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Tuesday, 30 November 2021. A notice convening the 2021 AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules on or around 1 November 2021.

CLOSURE OF REGISTER OF MEMBERS

For the 2021 AGM

The Register of Members will be closed from Thursday, 25 November 2021 to Tuesday, 30 November 2021, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "**Hong Kong Branch Share Registrar**") for registration no later than 4:30 p.m. on Wednesday, 24 November 2021.

For the Final Dividend

The Register of Members will be closed from Monday, 6 December 2021 to Wednesday, 8 December 2021, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to qualify for the proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar for registration no later than 4:30 p.m. on Friday, 3 December 2021.

ANNUAL REPORT

The annual report of the Company for the year ended 31 July 2021 containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company, and copies thereof will be despatched to the Shareholders in due course in the manner required by the Listing Rules.

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

Hong Kong, 21 October 2021

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.