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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tak Lee Machinery Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

TLMC**Tak Lee Machinery Holdings Limited**
德利機械控股有限公司*(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 2102)**

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF THE ENTIRE EQUITY INTEREST AND THE SALE DEBT
IN THE TARGET COMPANY
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

ADVENT
宏智融資Advent Corporate Finance Limited

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 15 of this circular. A letter from Advent Corporate Finance, the Independent Financial Adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 30 of this circular.

A notice convening the EGM to be held at Capital Conference Services Limited at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, 8 February 2022 at 11:00 a.m., is set out on pages 44 to 46 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY AND CONTROL MEASURES FOR THE EGM

Considering the ongoing COVID-19 pandemic, the following precautionary and control measures will be implemented for the EGM:

- (a) Compulsory body temperature check for every intended attendee. Any intended attendee with a body temperature of 37.1 degrees Celsius or above will not be permitted to enter the EGM venue
- (b) All attendees are required to wear a surgical face mask
- (c) No refreshment or souvenirs will be served or distributed
- (d) Any person who is subject to quarantine order by the Government of Hong Kong will not be permitted to enter the EGM venue

For details, please refer to note 1 of the notice of EGM set out on pages 44 to 46 of this circular.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares and the Sale Debt by the Purchaser from the Vendors pursuant to the terms of the Agreement
“Advent Corporate Finance” or “Independent Financial Adviser”	Advent Corporate Finance Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Agreement”	the sale and purchase agreement dated 15 December 2021 and entered into between the Purchaser and the Vendors for the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Tak Lee Machinery Holdings Limited (德利機械控股有限公司), an exempted company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange (Stock Code: 2102)
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Debt
“Completion Accounts”	the financial statements audited by certified public accountants (practising) of the Target Company for the period from its date of incorporation to the date of Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$22,000,000 (subject to adjustment) payable to the Vendors by the Purchaser for the Acquisition
“CPO”	Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong)
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Capital Conference Services Limited at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, 8 February 2022 at 11:00 a.m. to consider and approve, among others, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	an independent committee of the Board (which comprises all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting under the Listing Rules at the EGM on the ordinary resolution for approving the Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any Directors, chief executives, the controlling shareholders and the substantial shareholders of the Company, and the directors and shareholders of any other member of the Group, and their respective associates
“Latest Practicable Date”	10 January 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Long Stop Date”	30 June 2022 (or such other date as the Purchaser and the Vendors may agree in writing)
“Mr. Chow”	Mr. Chow Luen Fat, (i) the chairman of the Board, an executive Director and the chief executive officer of the Company; (ii) a director of and a shareholder holding 50% of the equity interest in Generous Way Limited, the controlling shareholder of the Company; and (iii) a director of and a shareholder holding 50% of the equity interest in the Target Company

DEFINITIONS

“Ms. Cheng”	Ms. Cheng Ju Wen, (i) a non-executive Director; (ii) a director of and a shareholder holding 50% of the equity interest in Generous Way Limited, the controlling shareholder of the Company; and (iii) a director of and a shareholder holding 50% of the equity interest in the Target Company
“NTAV”	the aggregate of all tangible assets of the Target Company which are readily convertible into cash or cash equivalents (excluding the Properties, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Sale Debt) and provisions of the Target Company as at the date of Completion
“Proforma Accounts”	comprising a proforma profit and loss account of the Target Company for the period from the beginning of the current financial year to the Completion Date and a proforma balance sheet of the Target Company as at the date of Completion
“Property I”	the piece or parcel of ground in the New Territories in Hong Kong and registered in the Land Registry as Section A of Lot No.170 in Demarcation District No.111 together with the messuages erections and buildings thereon (if any)
“Property II”	the piece or parcel of ground in the New Territories in Hong Kong and registered in the Land Registry as Subsection 3 of Lot No.170B&E in Demarcation District No.111 together with the messuages erections and buildings thereon (if any)
“Property III”	the piece or parcel of ground in the New Territories in Hong Kong and registered in the Land Registry as Lot No.174 in Demarcation District No.111, Yuen Long, New Territories together with the messuages erections and buildings thereon (if any)
“Properties”	all of Property I, Property II and Property III
“Purchaser”	TLMC Company Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Sale Debt”	all debts owing by the Target Company to the Vendors as at Completion
“Sale Shares”	one ordinary share of the Target Company owned by Mr. Chow and one ordinary share of the Target Company owned by Ms. Cheng, which together represent all the issued shares of the Target Company
“Share(s)”	ordinary share(s) HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“sq. ft.”	square feet
“Target Company”	Orange Treasure Limited, a limited company incorporated in Hong Kong
“Vendors”	Mr. Chow and Ms. Cheng
“%”	per cent

LETTER FROM THE BOARD



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)

Executive directors

Mr. CHOW Luen Fat (*Chairman*)
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

Registered office

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

*Headquarters and principal
place of business*

Sheung Che Village,
Pat Heung,
Yuen Long,
New Territories,
Hong Kong

13 January 2022

To the Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF THE ENTIRE EQUITY INTEREST AND THE SALE DEBT
IN THE TARGET COMPANY**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 December 2021 in relation to the Acquisition. The purposes of this circular are to provide you with, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the valuation report of the Properties; and (v) the notice of the EGM.

LETTER FROM THE BOARD

ACQUISITION

Reference is made to the announcement dated 15 December 2021 in relation to the Acquisition. On 15 December 2021 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares (representing the entire equity interest in the Target Company) and the Sale Debt at the Consideration of HK\$22,000,000 (subject to adjustment) in cash.

Sale and Purchase Agreement

The principal terms of the Agreement are summarised below:

Date

15 December 2021

Parties

- (i) Vendors: Mr. Chow Luen Fat and Ms. Cheng Ju Wen. Mr. Chow is an executive Director and Ms. Cheng is a non-executive Director. In addition, each of Mr. Chow and Ms. Cheng is the director of and is holding 50% of the equity interest in Generous Way Limited, the controlling shareholder of the Company
- (ii) Purchaser: TLMC Company Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company and its principal activity is investment holding

Assets to be acquired

Pursuant to the terms and conditions of the Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares (representing the entire equity interest in the Target Company) and the Sale Debt, free from encumbrances.

LETTER FROM THE BOARD

Consideration

The Consideration is HK\$22,000,000 (subject to adjustment), which shall be paid by the Purchaser to the Vendors on the date of Completion. The amount of Consideration is derived from the calculation as follows:

	<i>HK\$</i>
Unaudited net liabilities of the Target Company as at 30 November 2021	(2,129,150)
Less:	
NTAV as at 30 November 2021	(131,299)
Add:	
The valuation premium of the Properties	2,145,773
The book value of the Sale Debt as at 30 November 2021	22,114,676
	<hr/>
Consideration for the Sale Shares and the Sale Debt	<u>22,000,000</u>

The Consideration will be funded by internal resources of the Group.

Adjustment at Completion

The Vendors undertake to deliver the Proforma Accounts to the Purchaser at least five days prior to the date of Completion. If the NTAV as shown in the Proforma Accounts is more or less than zero, the balance of Consideration shall be adjusted upwards or downwards (as the case may be) accordingly in the manner as follows:

- (a) it shall be added to the balance of Consideration all current tangible assets of the Target Company which are readily convertible into cash or cash equivalents (excluding the Properties, any intangible assets and other fixed assets and deferred tax) as shown in the Proforma Accounts including rentals receivable (if applicable) (up to and inclusive of the date of Completion), utilities and other miscellaneous deposits, prepaid rates and government rent, and other expenses relating to the Properties (up to but exclusive of the date of Completion); and
- (b) it shall be deducted from the balance of Consideration the value of the liabilities of the Target Company as shown in the Proforma Accounts (excluding the Sale Debt).

Post-Completion adjustment

The Vendors undertake to deliver to the Purchaser within 30 days from the date of Completion the Completion Accounts. If the NTAV as shown in the Completion Accounts is more or less than the NTAV as shown in the Proforma Accounts, the Purchaser or the Vendors (as the case may be) shall pay the difference to the other party within five days from the date of receipt of the Completion Accounts.

LETTER FROM THE BOARD

Basis of the determination of the Consideration

The Consideration was determined after arm's length negotiations between the Group and the Vendors with reference to (i) the unaudited net liabilities of the Target Company as at 30 November 2021 of approximately HK\$2,129,000; (ii) the appraised value of the Properties as at 6 December 2021 of approximately HK\$22,100,000, as assessed by Greater China Appraisal Limited, an independent professional valuer; and (iii) the amount of the Sale Debt of approximately HK\$22,115,000 as at 30 November 2021.

As informed by the Vendors, the original acquisition costs of the Properties in aggregate was approximately HK\$20,600,000. The difference between the Consideration and the original acquisition costs of approximately HK\$1,400,000 is due to the appreciation of value of the Properties subsequent to the original acquisitions of the Properties by the Target Company, with the value of the Properties appraised to be approximately HK\$22,100,000 as at 6 December 2021.

The original acquisitions of the Properties were made during 2018 and 2019. To the best knowledge of the Vendors and according to the relevant searches at the Land Registry, Property I was acquired from two individuals who were merchants, Property II was acquired from a limited company incorporated in Hong Kong which principal business was property holding, and Property III was acquired from one individual who was merchant. To the best knowledge of the Directors, after making all reasonable enquiries, such vendors and their ultimate beneficial owner(s) (if any) are Independent Third Parties.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon:

- (a) the Purchaser having obtained Independent Shareholders' approval or other necessary approval as required under the Listing Rules in connection with the entering into and performance of the terms of the Agreement and the transactions contemplated thereunder;
- (b) the Vendors having procured the Target Company to show, give and prove a good title to the Properties in accordance with Sections 13 and 13A of the CPO and the Purchaser having received title reports in respect of a good title to the Properties in accordance with Sections 13 and 13A of the CPO;
- (c) the conduct of a due diligence review by the Purchaser covering, among other things, the business, affairs, operations, assets, liabilities, financial condition, prospects and records of the Target Company having been completed and the results of such due diligence review being satisfactory to the Purchaser;

LETTER FROM THE BOARD

- (d) the Vendors having in material aspects fully complied with the obligations and otherwise having performed in material aspects all of the covenants and agreements under the Agreement;
- (e) the warranties by the Vendors remaining true and accurate in all material respects and not misleading in any material respect as at the date of Completion; and
- (f) there being no material adverse effect in the business or financial condition of the Target Company or the financial markets in general having any material adverse effect on any material assets of the Target Company.

The Purchaser shall be entitled to waive the conditions set out in paragraphs (b) to (f) above.

If the above condition set out in paragraph (a) is not satisfied or waived on or before the Long Stop Date, the Purchaser shall pay for any stamp duty arising from the Agreement and the Agreement shall cease to have effect, and in which case, except for the legal and auditing fees incurred by the Vendors in connection with the Agreement which shall be settled by the Purchaser, none of the parties shall have any claim save for any antecedent breach of the terms of the Agreement.

If the above conditions set out in paragraphs (b) to (f) is not satisfied, or where applicable, waived, on or before the Long Stop Date, the Purchaser shall be entitled to elect at its absolute discretion to claim for damages for breach of the Agreement (if any) or any other rights and remedies. The Vendors shall, jointly or severally, pay for any stamp duty arising from the Agreement and the legal and auditing fees incurred by the Purchaser in connection with the Agreement (if any).

As at the Latest Practicable Date, none of the conditions set forth above has been fulfilled or waived (if waivable).

Unless otherwise provided in the Agreement, the stamp duty payable in connection with the sale and purchase of the respective Sale Share and the Sale Debt shall be borne equally by the Purchaser and the respective Vendor.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company incorporated under the laws of Hong Kong and is owned as to 50% by Mr. Chow and 50% by Ms. Cheng. It is principally engaged in property holding.

As at the Latest Practicable Date, the Target Company is the legal and beneficial owner of the Properties.

LETTER FROM THE BOARD

Information on the Properties

The Properties are located in Yuen Long, New Territories, Hong Kong. The site area of Property I, Property II and Property III are approximately, 2,178 sq. ft., 3,370 sq. ft. and 12,197 sq. ft., respectively. The total site area of the Properties are approximately 17,745 sq. ft.. The Properties are zoned under open storage.

As at the Latest Practicable Date, Property III is leased to an Independent Third Party under a five-year lease and such lease will expire on 31 May 2025. It is intended that Property III will continue to be leased out for rental income after Completion, but the Group will end such tenancy (with two months' notice) if it fails to renew any of its leases or tenancy agreements expiring in 2022 under which it is a tenant, and in that case the Group will use Property III for its own business.

The valuation report on the Properties as assessed by Greater China Appraisal Limited, an independent professional valuer, is included in Appendix I to this circular.

Financial information

Set out below is the audited financial information of the Target Company for the years ended 31 March 2020 and 2021 (prepared in accordance with Hong Kong Small and Medium-sized Entity Financial Reporting Standard) and the unaudited financial information of the Target Company for the eight months ended 30 November 2021:

	For the year ended 31 March 2020 HK\$'000 (audited)	For the year ended 31 March 2021 HK\$'000 (audited)	For the eight months ended 30 November 2021 HK\$'000 (unaudited)
Revenue	16	98	112
(Loss)/profit before interest, taxes, depreciation, and amortization	(20)	33	74
Net loss before tax	724	743	443
Net loss after tax	724	743	443

The unaudited net liabilities of the Target Company as at 30 November 2021 was approximately HK\$2,129,000.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 has recorded a substantial growth of business since its listing of the Shares on GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange in July 2017 (the “**Listing**”), in which the revenue of the Group has grown from HK\$292.8 million for the year ended 31 July 2017 to HK\$485.8 million for the year ended 31 July 2021. To cope with the growth, the size of the area used by the Group as workshops, warehouse facilities and offices has increased from approximately 39,000 sq. ft. in total at the time of Listing in July 2017 to approximately 124,200 sq. ft. as at the Latest Practicable Date. In order to accommodate the expanding businesses, the Directors consider that there is a need to have more space for its operations, including storing of its leasing fleet, conducting maintenance and repair works and adding inventory of equipment and spare parts for sale.

In addition, of all the properties through which the Group operates, seven properties with total area of approximately 108,870 sq. ft. are under tenancy agreements and/or leases. As storage facilities are crucial to the Group’s business operation, the purchase of the Properties helps to attenuate impact when there is fluctuation of rents, and effectively reduces risk of material disruption to the operations of the Group in the event that any of such tenancy agreements and/or leases is terminated.

Moreover, the Properties owned by the Target Company are located in close proximity to the principal place of business of the Group, which allows easy management and minimal travelling time for staff to work in the Properties.

As disclosed in the above section headed “Financial information”, the Target Company recorded net loss of approximately HK\$724,000, HK\$743,000 and HK\$443,000 (unaudited) for the years ended 31 March 2020, 31 March 2021 and the eight months ended 30 November 2021, respectively. Such losses were mainly due to the recognised depreciation of the Properties which amounted to approximately HK\$704,000, HK\$776,000 and HK\$517,000 for the years ended 31 March 2020, 31 March 2021 and the eight months ended 30 November 2021 respectively. Depreciation is a non-cash expense and an accounting treatment which will not reflect the actual appreciation of the value of Properties from HK\$20,600,000 when it was purchased by the Target Company during 2018 and 2019 to HK\$22,100,000 as at 6 December 2021 as set out in the valuation report in Appendix I to this circular. By excluding the depreciation of the Properties, the Target Company recorded profit before interest, taxes, depreciation and amortisation of approximately HK\$33,000 and HK\$74,000 for the year ended 31 March 2021 and for the eight months ended 30 November 2021 respectively, which represents a positive operating cashflow to the Target Company.

Having considered the above factors, the Directors are of the view that the Acquisition provides a good opportunity for the Group and is in line with the strategic development of the Group.

LETTER FROM THE BOARD

In light of the above-mentioned reasons, the Directors (including the independent non-executive Directors but excluding Mr. Chow and Ms. Cheng who have material interests in the Acquisition) are of the view that the Agreement, although not entered into in the ordinary and usual course of business of the Group, is on normal commercial terms, and the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Target Company is owned as to 50% by Mr. Chow and 50% by Ms. Cheng. Mr. Chow is a executive Director and Ms. Cheng is a non-executive Director. In addition, each of Mr. Chow and Ms. Cheng is also the director of and is holding 50% of the equity interest in Generous Way Limited, the controlling shareholder of the Company. As such, the Vendors are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the Consideration is more than HK\$10,000,000, and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of the interests of Mr. Chow and Ms. Cheng in the Agreement, they had abstained from voting in respect of the relevant Board resolution relating to the Agreement. Save for the aforesaid, no other Directors has a material interest in the Agreement and was required to abstain from voting on the Board resolution approving the Agreement.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Agreement shall abstain from voting on the resolution to approve the Agreement at the EGM. As at the Latest Practicable Date, Mr. Chow and Ms. Cheng are the directors and shareholders of Generous Way Limited, which is interested in 750,000,000 Shares, representing 75% of the total issued share capital of the Company. As such, Mr. Chow and Ms. Cheng, being spouses, are deemed to be interested in 750,000,000 Shares held by Generous Way Limited. Accordingly, Generous Way Limited will be required to abstain from voting on the relevant resolution at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and will be required to abstain from voting on the relevant resolution to approve the Agreement at the EGM.

LETTER FROM THE BOARD

EGM

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder.

Mr. Chow, the executive Director, and Ms. Cheng, the non-executive Director, have abstained from voting in the Board resolution approving the Agreement and the transactions contemplated thereunder. As the Target Company is ultimately by Mr. Chow and Ms. Cheng, being connected persons of the Company and having material interests in the Agreement and the transactions contemplated thereunder, will abstain from voting on the resolution proposed at the EGM to approve the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

As at the Latest Practicable Date, Mr. Chow and Ms. Cheng are the directors and shareholders of Generous Way Limited, which is interested in 750,000,000 Shares, representing 75% of the total issued share capital of the Company. As such, Mr. Chow and Ms. Cheng, being spouses, are deemed to be interested in 750,000,000 Shares held by Generous Way Limited. Accordingly, Generous Way Limited will be required to abstain from voting on the relevant resolution at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and will be required to abstain from voting on the relevant resolution to approve the Agreement at the EGM. The votes of the Independent Shareholders regarding the resolution for approval of the Agreement and the transactions contemplated thereunder will be taken by way of poll at the EGM.

A notice convening the EGM to be held at Capital Conference Services Limited at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, 8 February 2022 at 11:00 a.m., is set out on pages 44 to 46 of this circular.

The register of members of the Company will be closed from Monday, 31 January 2022 to Tuesday, 8 February 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 28 January 2022.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time fixed for holding the EGM (or any adjournment thereof) to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders. In addition, your attention is drawn to the letter from Advent Corporate Finance set out on pages 16 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons considered by it in formulating its advice.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular and the notice of the EGM set out in this circular.

Yours faithfully,
For and on behalf of the Board
Tak Lee Machinery Holdings Limited
Chow Luen Fat
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

TLMC

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2102)

13 January 2022

To the Independent Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF THE ENTIRE EQUITY INTEREST AND THE SALE DEBT
IN THE TARGET COMPANY**

We refer to the circular of the Company dated 13 January 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Agreement and the advice of Advent Corporate Finance in relation thereto as set out on pages 16 to 30 of the Circular, we are of the opinion that the Agreement was entered into on normal commercial terms, and the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, although the entering into of the Agreement is not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Sir KWOK Siu Man KR

Mr. LAW Tze Lun
Independent non-executive Directors

Dr. WONG Man Hin Raymond

LETTER FROM THE ADVENT CORPORATE FINANCE

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Advent Corporate Finance Limited in respect of the Acquisition, which has been prepared for the purpose of inclusion in this circular.



Advent Corporate Finance Limited
Suites 1008-08A, 10/F
Ocean Centre, Harbour City,
Kowloon, Hong Kong

13 January 2022

To the Independent Board Committee and the Independent Shareholders of Tak Lee Machinery Holdings Limited

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST AND THE SALE DEBT IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 13 January 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as those defined in the Circular unless the context otherwise requires.

The Acquisition

On 15 December 2021 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares (representing the entire equity interest in the Target Company) and the Sale Debt at the Consideration of HK\$22,000,000 (subject to adjustment) in cash.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is, therefore, subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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The Target Company is owned as to 50% by Mr. Chow and 50% by Ms. Cheng. Mr. Chow is an executive Director and Ms. Cheng is a non-executive Director. In addition, each of Mr. Chow and Ms. Cheng is also a director of and is holding 50% of the equity interest in Generous Way Limited, the controlling shareholder of the Company. As such, the Vendors are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and since the Consideration is more than HK\$10,000,000, the Acquisition is, therefore, subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of the interests of Mr. Chow and Ms. Cheng in the Agreement, they had abstained from voting in respect of the relevant Board resolution relating to the Agreement. Save for the aforesaid, no other Directors has a material interest in the Agreement and was required to abstain from voting on the Board resolution approving the Agreement.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Agreement shall abstain from voting on the resolution to approve the Agreement at the EGM. As at the date of this letter, Mr. Chow and Ms. Cheng are the directors and shareholders of Generous Way Limited which is interested in 750,000,000 Shares, representing 75% of the total issued share capital of the Company. As such, Mr. Chow and Ms. Cheng, being spouses, are deemed to be interested in 750,000,000 Shares held by Generous Way Limited. Accordingly, Generous Way Limited will be required to abstain from voting on the relevant resolution at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and will be required to abstain from voting on the relevant resolution to approve the Agreement at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Sir Kwok Siu Man KR, Mr. Law Tze Lun and Dr. Wong Man Hin Raymond, has been established to advise the Independent Shareholders on matters in relation to the Acquisition. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

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OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected with the Company, the Vendors and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition. Save for our appointment as the Independent Financial Advisor, there was no engagement between the Group and us in the previous two years.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendations, we have relied solely on the statements, information, opinions, beliefs and representations contained or referred to in the Circular and the information and representations provided to us by the Group and/or the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continued to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Directors and/or the Management and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the Properties, the financial position, business and affairs of the Company, the Vendors, the Target Company, and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate. Since we are not experts in the valuation of businesses or properties, we have also relied solely on the property valuation conducted by Greater China Appraisal Limited, an independent valuer commissioned by the Company (the “**Valuer**” and the “**Valuation**”, respectively).

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We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us that no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. The documents we reviewed include but are not limited to the annual report of the Company for the financial year ended 31 July 2021 (the “**2021 Annual Report**”), and the valuation report dated 13 January 2022 and prepared by the Valuer on the Valuation of the three land zones of the Target Company (the “**Valuation Report**”). We have no reason to suspect the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. Shareholders should also note that the Valuation involves various basis and assumptions and the appraised value may change if the basis and assumptions are modified.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Principal business and financial information of the Group

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.

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Set out below is a summary of the Group's financial results as extracted from the 2021 Annual Report:

Summary of the Group's financial results

	For the year ended 31 July	
	2021	2020
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue		
– Sales of heavy equipment and spare parts	257,203	452,365
– Lease of heavy equipment	217,130	170,453
– Maintenance and ancillary services	11,464	5,980
Total	485,797	628,798
Gross profit	90,578	107,087
Profit and total comprehensive income	52,584	51,285

According to the 2021 Annual Report, the Group recorded a revenue of approximately HK\$485.8 million for the year ended 31 July 2021, 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 drop in sales of heavy equipment, 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.

Summary of the Group's financial position

	As at 31 July	
	2021	2020
	HK\$'000	HK\$'000
	(audited)	(audited)
Non-current assets	174,487	164,276
Current assets	335,913	376,077
Non-current liabilities	26,045	24,250
Current liabilities	54,853	114,185
Net asset value	429,502	401,918

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As at 31 July 2021, the non-current assets of the Group amounted to approximately HK\$174.5 million, which mainly consisted of (i) property, plant and equipment of approximately HK\$153.9 million; and (ii) right-of-use assets of approximately HK\$19.4 million. As for current assets of the Group, which amounted to approximately HK\$335.9 million as at 31 July 2021, such mainly consisted of (i) inventories of approximately HK\$104.7 million; (ii) trade and lease receivables of approximately HK\$103.2 million; and (iii) bank and cash balances of approximately HK\$109.2 million.

As at 31 July 2021, the non-current liabilities of the Group amounted to approximately HK\$26.0 million, and mainly consisted of deferred tax liabilities of approximately HK\$23.1 million. As for current liabilities of the Group, which amounted to approximately HK\$54.9 million, such mainly consisted of bank borrowings of approximately HK\$30.5 million.

2. Information of the Target Company and the Properties

(i) *The Target Company*

The Target Company is a limited company incorporated under the laws of Hong Kong and is owned as to 50% by Mr. Chow and 50% by Ms. Cheng. It is principally engaged in property holding.

As at the Latest Practicable Date, the Target Company is the legal and beneficial owner of the Properties.

(ii) *The Properties*

The Properties comprises three pieces of land located in Yuen Long, New Territories, Hong Kong. “**Property I**” is the piece or parcel of ground in the New Territories in Hong Kong and registered in the Land Registry as Section A of Lot No.170 in Demarcation District No.111 together with the messuages, erections and buildings thereon (if any); “**Property II**” is the piece or parcel of ground in the New Territories in Hong Kong and registered in the Land Registry as Subsection 3 of Lot No.170B&E in Demarcation District No.111 together with the messuages, erections and buildings thereon (if any); and “**Property III**” is the piece or parcel of ground in the New Territories in Hong Kong and registered in the Land Registry as Lot No.174 in Demarcation District No.111, Yuen Long, New Territories together with the messuages, erections and buildings thereon (if any).

The site areas of Property I, Property II and Property III are approximately 2,178 sq. ft., 3,370 sq. ft. and 12,197 sq. ft., respectively. The total site area of the Properties is approximately 17,745 sq. ft.. The Properties are zoned under open storage.

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As at the Latest Practicable Date, Property III is leased to an Independent Third Party under a five-year lease and such lease will expire on 31 May 2025. It is intended that Property III will continue to be leased out for rental income after Completion, but the Group will end such tenancy (with two months' notice) if it fails to renew any of its existing leases or tenancy agreements expiring in 2022 under which it is a tenant, and in that case the Group will use Property III for its own business.

Financial Information of the Target Group

Set out below is the audited financial information of the Target Company for the years ended 31 March 2020 and 2021 (prepared in accordance with Hong Kong Small and Medium-sized Entity Financial Reporting Standard) and the unaudited financial information of the Target Company for the eight months ended 30 November 2021:

	For the year ended 31 March 2020 HK\$'000 (Audited)	For the year ended 31 March 2021 HK\$'000 (Audited)	For the eight months ended 30 November 2021 HK\$'000 (Unaudited)
Revenue	16	98	112
(Loss)/profit before interest, taxes, depreciation, and amortization	(20)	33	74
Net loss before tax	724	743	443
Net loss after tax	724	743	443

The unaudited net liabilities of the Target Company as at 30 November 2021 was approximately HK\$2,129,000.

3. Reasons for and benefits of the Acquisition

The Group has recorded a substantial growth of business since its listing of the Shares on GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange in July 2017 (the “**Listing**”), the revenue of the Group has grown from HK\$292.8 million for the year ended 31 July 2017 to HK\$485.8 million for the year ended 31 July 2021. To cope with the growth, the size of the area used by the Group as workshops, warehouse facilities and offices has increased from approximately 39,000 sq. ft. in total at the time of Listing in July 2017 to approximately 124,200 sq. ft. of which approximately 15,330 sq. ft. are owned by the Group as at the date of this letter. In order to accommodate the expanding businesses, the Directors consider that there is a need to have more space for its operations, including storing of its leasing fleet, conducting maintenance and repair works and adding inventory of equipment and spare parts for sale.

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In addition, of all the properties through which the Group occupies and uses, seven properties with a total area of approximately 108,870 sq. ft. are under tenancy agreements and/or leases. As storage facilities are crucial to the Group's business operation, the purchase of the Properties helps to attenuate the impact when there is a fluctuation of rents, and effectively reduces risk of material disruption to the operations of the Group in the event that any of such tenancy agreements and/or leases is terminated.

Moreover, the Properties owned by the Target Company are located in close proximity to the principal place of business of the Group, which allows easy management and minimal travelling time for staff to work in the Properties.

For our due diligence purpose, we have performed the following,

1. we have reviewed the Group's annual reports following the Listing, the Group recorded revenue in (a) lease of heavy equipment of approximately HK\$14.0 million, HK\$47.4 million, HK\$65.8 million, HK\$170.5 million and HK\$217.1 million for the years ended 31 July 2017, 2018, 2019, 2020 and 2021 respectively, representing a compound annual growth rate (the "CAGR") of 98.4%; (b) maintenance and ancillary services of approximately HK\$3.8 million, HK\$5.5 million, HK\$4.2 million, HK\$6.0 million and HK\$11.5 million for the years ended 31 July 2017, 2018, 2019, 2020 and 2021 respectively, representing a CAGR of 31.9%;
2. we have reviewed the seven tenancy agreements of the Group with a total area of approximately 108,870 sq. ft. under which it is a tenant, six out of which with a total area of approximately 95,870 sq. ft. will be expiring in 2022. If it fails to renew any of its tenancy agreements, the Group has to spare extra time and cost in the relocation of the properties and equipment; and
3. we have checked the location of the Properties on the map (<https://www.map.gov.hk/>) and noted that the Properties are located next to the Group's self-owned lands in Sheung Che, Yuen Long.

In light of the substantial growth of the Group's business since its Listing, the tenancy agreements which will be expiring in 2022 and the Properties being in close proximity to the principal place of business of the Group, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

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4. Principal terms of the Sales and Purchase Agreement

Details of the terms of the Sales and Purchase Agreement are set out in the Letter from the Board, which are summarised as follows:

Date

15 December 2021

Parties

- (i) Vendors: Mr. Chow Luen Fat and Ms. Cheng Ju Wen. Mr. Chow is an executive Director and Ms. Cheng is a non-executive Director. In addition, each of Mr. Chow and Ms. Cheng is the director of and is holding 50% of the equity interest in Generous Way Limited, the controlling shareholder of the Company
- (ii) Purchaser: TLMC Company Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company and its principal activity is investment holding

Assets to be acquired

Pursuant to the terms and conditions of the Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares (representing the entire equity interest in the Target Company) and the Sale Debt, free from encumbrances.

Consideration

The Consideration is HK\$22,000,000 (subject to adjustment) which shall be paid by the Purchaser to the Vendors on the date of Completion.

The Consideration will be funded by internal resources of the Group.

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Adjustment at Completion

The Vendors undertake to deliver the Proforma Accounts to the Purchaser at least five days prior to the date of Completion. If the NTAV as shown in the Proforma Accounts is more or less than zero, the balance of Consideration shall be adjusted upwards or downwards (as the case may be) accordingly in the manner as follows:

- (a) it shall be added to the balance of Consideration all current tangible assets of the Target Company, which are readily convertible into cash or cash equivalents (excluding the Properties, any intangible assets and other fixed assets and deferred tax) as shown in the Proforma Accounts, including rentals receivable (if applicable) (up to and inclusive of the date of Completion), utilities and other miscellaneous deposits, prepaid rates and government rent, and other expenses relating to the Properties (up to but exclusive of the date of Completion); and
- (b) it shall be deducted from the balance of Consideration the value of the liabilities of the Target Company as shown in the Proforma Accounts (excluding the Sale Debt) up to but exclusive of the date of Completion.

Post-Completion adjustment

The Vendors undertake to deliver to the Purchaser within 30 days from the date of Completion the Completion Accounts. If the NTAV as shown in the Completion Accounts is more or less than the NTAV as shown in the Proforma Accounts, the Purchaser or the Vendors (as the case may be) shall pay the difference to the other party within five days from the date of receipt of the Completion Accounts.

Basis of the determination of the Consideration

The Consideration was determined after arm's length negotiations between the Group and the Vendors by reference to (i) the unaudited net liabilities of the Target Company as at 30 November 2021 of approximately HK\$2,129,000; (ii) the appraised value of the Properties as at 6 December 2021 of approximately HK\$22,100,000, as assessed by the Valuer; and (iii) the amount of the Sale Debt of approximately HK\$22,115,000 as at 30 November 2021.

As informed by the Vendors, the original acquisition costs of the Properties in aggregate was approximately HK\$20,600,000.

Given that (i) the principal business of the Target Company is principally the holding of the Properties, (ii) it is a common practice to acquire properties through acquisition of a holding company, and (iii) the Consideration of acquiring the Target Company is HK\$22,000,000, which is approximately equivalent to appraised value of the Properties of HK\$22,100,000, we consider that the terms are on normal commercial terms and are fair and reasonable.

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5. Our analysis on the Valuation Report

Given that as at the Latest Practicable Date, the Target Company principally engaged in property holding and its principal assets are the Properties, in assessing the fairness and reasonableness of the consideration for the Acquisition, we have performed the following analysis on the Valuation Report.

Properties valuation

In assessing the fairness and reasonableness of the Valuation, we have considered the following:

(i) Background of the Valuer

In assessing the Consideration, we have reviewed and discussed with the Valuer in respect of the Valuation of the Properties, the methodology of, and basis and assumptions adopted for, the Valuation of the Properties owned by the Target Group as set out in the independent Valuation Report in Appendix I to the Circular.

We have discussed with the engagement team of the Valuer as to its expertise, property valuation experience (further details of which are set out in the Valuation Report) and its scope of work and valuation procedures conducted in relation to the Properties. The Valuer has confirmed its independence and we noted that the personnel in charge of the valuation engagement had over 10 years of experience in property valuation in, among others, Hong Kong, Mainland China and the Asia-Pacific region. We also noted that the Valuer carried out a site visit in December 2021 to inspect the Properties, investigated the title of the property interest by obtaining land search record from the Land Registry of Hong Kong. Based on the above, we are satisfied that the Valuer is qualified for giving its opinion as set out in the Valuation Report taken into account its relevant experiences and expertise, independence, and scope of work and valuation procedures conducted.

(ii) Valuation assumption and methodology

As stated in the Valuation Report, the Valuer was given instruction by the Company to conduct a valuation of the Properties. The Valuation has been prepared in accordance with the HKIS Valuation Standards (2020 Edition) published by the Hong Kong Institute of Surveyors.

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(a) Valuation methodology

Based on our interview with the Valuer, we understand that the Valuer has adopted direct comparison approach assuming sale of the real property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market. In Hong Kong, the direct comparison method is commonly used, as the property market is well-publicized and there are enough data and information from online public domains, which included the Land Registry and the Rating and Valuation Department of Hong Kong.

(b) Valuation assumptions

According to the Valuation Report, the Valuation was made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the real property interests. For the real properties which are held under a long-term government lease, the Valuer assumed that the owner of the real properties has free and uninterrupted rights to use, transfer or lease the real properties for the whole of the unexpired term of the government lease. In addition, the Valuer also assumed that the real properties valued can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

(iii) *Our work performed*

According to the Valuation Report set out in Appendix I to this Circular, the appraised value of the Properties as at 6 December 2021 amounted to HK\$22,100,000. In determining the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report and discussed with the Valuer for the methodology and basis for assumptions used in arriving at the Valuation.

For the Valuation of the Properties, we note that the principal method adopted is the direct comparison approach assuming sale of the real property interests in their existing states. The Valuation was conducted by comparing three recent transactions of property interest located near the Properties (the “**Comparables**”). The selection criteria (the “**Selection Criteria**”) adopted by Valuer in choosing the Comparables are that (i) the size of Comparables should be larger than 500 sq. ft.; (ii) the Comparables should be zoned under open storage; (iii) the Comparables should be located in Sheung Che, Yuen Long, New Territories; (iv) the Comparables should involve transactions of entire ownership transfer, instead of partial ownership transfer, of a land; and (v) the Comparables should not involve transaction of a piece of land which substantially overlaps with the main public access road.

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We were given to understand that the Comparables are selected from a list of transactions of property interest located in Sheung Che, Yuen Long, New Territories since 2018 based on the above Selection Criteria, and the transaction data are derived by a well-established database for such district and cover the local market information available. We have checked to the database for the list of transactions and noted that the Comparables are chosen based on the above Selection Criteria from such list on an exhaustive basis, and thus we are of the view that the Comparables are fair and representative samples for comparison purposes. The table below summarizes the characteristics of the Comparables:

Market Comparables	Transaction Date (Year/Month/ Day)	Site Area (sq. ft.)	Transaction		Town Planning	Location
			Amount (HK\$) (Approximate)	Unit Rate (HK\$/sq. ft.)		
A	2020/11/26	871	1,000,000	1,148	Open Storage	Sheung Che
B	2020/8/28	9,148	8,964,648	980	Open Storage	Sheung Che
C	2018/9/5	11,326	11,767,920	1,039	Open Storage	Sheung Che
			Average	1,056		

The Valuer had evaluated the Properties against the Comparables and adjustments have been made to the Properties to reflect the differences between the Comparables and the Properties in terms of adjustment factors, including transaction date, size, accessibility and layout. Taking into account of (i) the average unit rate of the Comparables, which equals to HK\$1,056 per sq. ft., and (ii) the adjustment factors aforementioned, the Valuer has valued the unit rate of the Property I, Property II and Property III to be approximately HK\$1,240 per sq. ft., HK\$1,140 per sq. ft. and HK\$1,280 per sq. ft. respectively, which represents upward adjustments ranging from 8% to 21%.

Based on our discussions with the Valuer about the upward adjustments applied to the Properties, we considered that the direction of the adjustments is reasonable since appropriate adjustments and analysis have taken into account the differences in several aspects, including the transaction date, size, accessibility and layout between the Comparables and the Properties. Regarding the transaction date adjustment, the difference in market condition between the transaction date of the Comparables and valuation date of the Properties (i.e. 6 December 2021) is considered. Regarding the size adjustment, the Valuer considered that the unit rate of a piece of land would generally be higher if the size of land is smaller, and vice versa. Regarding the accessibility adjustment, the Valuer considered that the unit rate of a piece of land would generally be higher if the location of land is closer to the main public access road, and vice versa. Regarding the layout adjustment, the Valuer considered that the unit rate of a piece of land would generally be higher if the boundary of land lies adjacent to any roads. If the above aspects of the Properties are better than the Comparables, an upward adjustment is made. Alternatively, if the Properties are inferior or less desirable than the Comparables, a downward adjustment is made. Based on our review of the Comparables and the Properties, as well as our discussion with the Valuer to understand their selection criteria and calculation basis, we are of the view that the valuation basis, assumptions and methodology in arriving the Valuation are fair and reasonable.

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In the view that (i) the Valuation Report was issued by the Valuer, taking into account the Valuer's confirmation as to its independence and their compliance with all relevant rules and regulations in performing their duties; (ii) the valuation bases and assumptions (including the relevant adjustments) as adopted by the Valuer which are customary bases and assumptions adopted in the direct comparison approach; and (iii) the consideration for the Acquisition which was determined by reference to recently completed market transactions, we are of the view that the terms of the Agreement (including the Consideration) for the Acquisition is on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

Possible financial effects of the Acquisition

Upon completion of the Acquisition, the Company's interest in the Target Company shall increase from nil to 100% and therefore the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements. Set out below are our analysis of the financial effects arising from the Acquisition.

(i) Net asset value

Given that the Consideration shall be settled in cash, the cash position of the Group will be reduced by HK\$22,000,000 (i.e. the amount of Consideration), subject to the adjustments in relation to the NTAV at the date of Completion, while the right-of-use assets and investment property of the Group will be increased by HK\$6,500,000 and HK\$15,600,000 respectively (i.e. the appraised value of the Properties as at 6 December 2021). As a result, it is expected that the Acquisition would not have a material impact on the net asset value of the Group upon Completion unless the value of the Properties significantly deviated from its Valuation as at the date of the Valuation.

(ii) Earnings

As is intended that Property III will continue to be leased out for rental income after Completion, the Group will receive a monthly rental income of HK\$14,000 from the lease. On the other hand, the Group will record additional depreciation expenses of HK\$21,000 per month on the right-of-use assets.

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(iii) *Liquidity*

According to the 2021 Annual Report, the current ratio of the Group, which is expressed as a ratio of total current assets divided by current liabilities to reflect the adequacy of the financial resources, was approximately 6.1 times as at 31 July 2021. For illustration purpose, assuming the Acquisition was completed as at 31 July 2021 and was settled at HK\$22,000,000 (i.e. the amount of Consideration), the Acquisition would reduce the cash balance of the Group and hence, the current ratio would be reduced to 5.7 times as at 31 July 2021.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

In consideration of the above, we are of the opinion that although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Advent Corporate Finance Limited
Douglas Cheung
Senior Vice President

Mr. Douglas Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Advent Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the law of Hong Kong) and has over 6 years of experience in the corporate finance industry.

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 6 December 2021 of The Real Properties.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 304, 3/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

13 January 2022

The Board of Directors
Tak Lee Machinery Holdings Limited
D. D. 111, Lot No. 117
Sheung Che Village, Pat Heung
Yuen Long, New Territories, Hong Kong

Dear Sirs,

Re: Valuation of various parcels of land, known as Lot No. 174, Section A of Lot No. 170 and Sub-Section 3 of Lot No. 170 B&E in Demarcation District 111 located at Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong (the “Real Properties”)

In accordance with the instruction from Tak Lee Machinery Holdings Limited (the “Company”) for us to value the Real Properties to be acquired by the Company in Hong Kong, details of which are provided in the enclosed valuation certificates, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Real Properties as at 6 December 2021 (referred to as the “valuation date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the Real Properties and the limiting conditions.

I. BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

We have valued the real property interests by using the direct comparison approach assuming sale of the real property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

III. ASSUMPTIONS

In valuing the Real Properties located in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People’s Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

Our valuation has been made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the real property interests.

For the real properties which are held under a long-term government lease, we have assumed that the owner of the Real Properties has free and uninterrupted rights to use, transfer or lease the Real Properties for the whole of the unexpired term of the government lease. In our valuation, we have assumed that the Real Properties can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environmental impact study has been ordered or made. Full compliance with applicable local, provincial or national environmental regulations and laws is assumed. In addition, it is assumed that all required licenses, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization wither have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions in relation to the Real Properties, if any, have been stated out in the footnotes of the valuation certificates.

IV. TITLESHIP INVESTIGATION

We have caused searches made at the Land Registry in Hong Kong in respect of the real property interests. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property interests set out in this report.

V. LIMITING CONDITIONS

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the Real Properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the Real Properties. However, no structural survey has been made and we are therefore unable to report as to whether the Real Properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by you and have accepted advice given to us on such matters, as relevant, as planning approvals, statutory notices, easements, tenure, occupation, tenancy, rentals, and site areas and in the identification of the Real Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the real properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11 March 2020 has and continues to impact many aspects of daily life and the global economy — with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again. However, we remain cautious due to uncertainty for the pace of the economic recovery, therefore, we recommended that the valuation of the Real Properties should be under frequent review.

VI. OPINION OF VALUE

Our opinion of the market values of the Real Properties is set out in the attached summary of values and valuation certificates.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in the HKIS Valuation Standards (2020 Edition) published by the Hong Kong Institute of Surveyors.

Site inspection of the Real Properties was conducted on 6 December 2021 by Mr. Andy Lee (MHKIS & MRICS).

Unless otherwise stated, all monetary amounts stated herein are dominated in the currency of Hong Kong Dollars (“**HK\$**”).

We enclose herewith our summary of values and valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,

For and on behalf of

GREATER CHINA APPRAISAL LIMITED

Ms. Yuki Chan

FHKIS, FRICS, RPS(G.P.), AAPI

Director

Mr. Andy Lee

MHKIS, MRICS

Assistant Director

Notes:

Ms. Yuki Chan is a Chartered Surveyor who has more than 10 years’ property valuation experience in Hong Kong, the PRC and the Asia-Pacific region.

Mr. Andy Lee is a Chartered Surveyor who has more than 10 years’ property valuation experience in Hong Kong, the PRC and the Asia-Pacific region.

SUMMARY OF VALUES

Real property interests to be acquired by the Company in Hong Kong

No.	Real Properties	Market Value in existing state as at 6 December 2021
1.	A parcel of land, known as Lot No. 174 in Demarcation District 111 located at Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong	HK\$15,600,000
2.	A parcel of land, known as Section A of Lot No. 170 in Demarcation District 111 located at Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong	HK\$2,700,000
3.	A parcel of land, known as Sub-Section 3 of Lot No. 170 B&E in Demarcation District 111 located at Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong	HK\$3,800,000
Total:		<hr/> HK\$22,100,000 <hr/> <hr/>

VALUATION CERTIFICATE

Real property interests to be acquired by the Company in Hong Kong

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 6 December 2021
1.	A parcel of land, known as Lot No. 174 in Demarcation District 111 located at Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong (the “Real Property”)	<p>The Real Property comprises a parcel of land in an area surrounded by open storage, in addition to residential area nearby. The Real Property is irregular in shaped with a registered site area of approximately 12,196.80 square feet.</p> <p>The Real Property is held under a Government Lease for a term of 75 years renewable for another 24 years, commencing on 1 July 1898 which has been statutorily extended to 30 June 2047. The Government rent is 3% of the rateable value of the Real Property.</p>	<p>According to the information provided by the Company, the Real Property is currently leased and occupied by an independent third party for open storage use.</p> <p>According to a tenancy agreement dated 1 June 2020, the Real Property together with a parcel of government land having a total site area of approximately 14,000 square feet is leased for a term of 5 years commencing on 1 June 2020 and expiring on 31 May 2025, at a monthly rental of HK\$14,000 (exclusive of government rates, electricity charges, water charges and other outgoings) for the first 2 years. The monthly rental would be revised to the market rent afterwards.</p>	<p>HK\$15,600,000</p> <p>(Hong Kong Dollars Fifteen Million and Six Hundred Thousand Only)</p>

Notes:

- (i) According to a Land Registration Record obtained from the Land Registry, the registered owner of the Real Property is Orange Treasure Limited vide Memorial No. 19010300420030 dated 20 December 2018.
- (ii) According to the Land Registration Record mentioned in Note (i), the Real Property is subject to a Sealed Copy of Order (H.C. MP 254 06 1991) in favour of Wan Yung Ching (“Plaintiff”) and Lam Shum (“Defendant”) vide Memorial No. YL481214 dated 5 November 1991.
- (iii) According to the Approved Pat Heung Outline Zoning Plan No. S/YL-PH/11, the Real Property is zoned under Open Storage.
- (iv) We have valued the Real Property in its existing state and conditions, and have not taken into account any development potential in our valuation.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 6 December 2021
2.	A parcel of land, known as Section A of Lot No. 170 in Demarcation District 111 located at Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong (the “ Real Property ”)	<p>The Real Property comprises a parcel of land in an area surrounded by open storage, in addition to residential area nearby. The Real Property is irregular in shaped with a registered site area of approximately 2,178 square feet.</p> <p>The Real Property is held under a Government Lease for a term of 75 years renewable for another 24 years, commencing on 1 July 1898 which has been statutorily extended to 30 June 2047. The Government rent is 3% of the rateable value of the Real Property.</p>	According to the information provided by the Company, the Real Property is currently owner-occupied for open storage use.	HK\$2,700,000 (Hong Kong Dollars Two Million and Seven Hundred Thousand Only)

Notes:

- (i) According to a Land Registration Record obtained from the Land Registry, the registered owner of the Real Property is Orange Treasure Limited vide Memorial No. 19012301410015 dated 15 January 2019.
- (ii) According to the Approved Pat Heung Outline Zoning Plan No. S/YL-PH/11, the Real Property is zoned under Open Storage.
- (iii) We have valued the Real Property in its existing state and conditions, and have not taken into account any development potential in our valuation.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 6 December 2021
3.	A parcel of land, known as Sub-Section 3 of Lot No. 170 B&E in Demarcation District 111 located at Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong (the “ Real Property ”)	<p>The Real Property comprises a parcel of land in an area surrounded by open storage, in addition to residential area nearby. The Real Property is irregular in shaped with a registered site area of approximately 3,370.21 square feet.</p> <p>The Real Property is held under a Government Lease for a term of 75 years renewable for another 24 years, commencing on 1 July 1898 which has been statutorily extended to 30 June 2047. The Government rent is 3% of the rateable value of the Real Property.</p>	According to the information provided by the Company, the Real Property is currently owner-occupied for open storage use.	<p>HK\$3,800,000</p> <p>(Hong Kong Dollars Three Million and Eight Hundred Thousand Only)</p>

Notes:

- (i) According to a Land Registration Record obtained from the Land Registry, the registered owner of the Real Property is Orange Treasure Limited vide Memorial No. 19102801950012 dated 15 October 2019.
- (ii) According to the Land Registration Record mentioned in Note (i), the Real Property is subject to a Deed of Grant of Right of Way vide Memorial No. 18122801610252 dated 4 December 2018.
- (iii) According to the Approved Pat Heung Outline Zoning Plan No. S/YL-PH/11, the Real Property is zoned under Open Storage.
- (iv) We have valued the Real Property in its existing state and conditions, and have not taken into account any development potential in our valuation.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are 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 and short positions which he is taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

(a) Shares in the Company

Long positions in the Shares

Name of Director	Nature of interest	Number of Shares (Long Position)	Percentage of the Company's issued Shares
Chow Luen Fat	Interest in a controlled corporation (<i>note</i>)	750,000,000	75%
Cheng Ju Wen	Interest in a controlled corporation (<i>note</i>)	750,000,000	75%

Note: These Shares are held by Generous Way Limited, 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 Limited.

(b) Interest in the associated corporation

Long positions in the ordinary shares of an associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of issued ordinary shares
Chow Luen Fat	Generous Way Limited	Beneficial owner	50	50%
Cheng Ju Wen	Generous Way Limited	Beneficial owner	50	50%

Save as disclosed above, none of the Directors or the chief executive of the Company has any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are 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 and short positions which he is taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, the following person(s) (other than a Director or a chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Nature of interest	Number of Shares (Long Position)	Percentage of the Company's issued Shares
Generous Way Limited	Beneficial owner	750,000,000	75%

Save as disclosed above, 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.

4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors are not aware that any of them or any of their associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

5. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had (i) any direct or indirect interests in any assets which have been since 31 July 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 July 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have given opinion or advice for inclusion in this circular:

Name	Qualification
Advent Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Greater China Appraisal Limited	Independent property valuer

As at the Latest Practicable Date, each of the above experts:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice or references to its name in the form and context in which they respectively appear;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) has no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 July 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

9. GENERAL

- (a) The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The headquarters and principal place of business of the Company is at D.D. 111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong.
- (b) The company secretary of the Company is Ms. Ng Wai Ying. Ms. Ng is a fellow of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on (i) the website of the Company (<http://www.tlmc-hk.com>) and (ii) the website of the Stock Exchange (<http://www.hkexnews.hk>) during the period of 14 days from the date of this circular:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (c) the letter from Advent Corporate Finance, the text of which is set out on pages 16 to 30 of this circular;
- (d) the valuation report on the Properties issued by Greater China Appraisal Limited, the text of which is set out in Appendix I to this circular;
- (e) the written consents referred to in the section headed “Experts and consents” in this appendix; and
- (f) this circular.

NOTICE OF EGM

TLMC

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2102)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Tak Lee Machinery Holdings Limited (the “**Company**”) will be held Capital Conference Services Limited at Suite 3318, 33/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, 8 February 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (i) the form and substance of a sale and purchase agreement dated 15 December 2021 entered into between Chow Luen Fat and Cheng Ju Wen (the “**Vendors**”), as vendors, and TLMC Company Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company as purchaser (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose) (the “**Agreement**”) in relation to the sale and purchase of the Sale Shares (as defined in the circular of the Company dated 13 January 2022 (the “**Circular**”)) and the Sale Debt (as defined in the Circular) in Orange Treasure Limited as at Completion (as defined in the Circular) at the consideration of HK\$22,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (ii) any one or more directors of the Company or directors of the Purchaser be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents, and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purposes of or in connection with the Agreement and the transactions contemplated thereunder.”

By order of the Board
Tak Lee Machinery Holdings Limited
Chow Luen Fat
Chairman

Hong Kong, 13 January 2022

NOTICE OF EGM

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

Notes:

1. Precautionary and control measures for the extraordinary general meeting (the “EGM”)

The health of the shareholders, staff and stakeholders of the Company is of paramount importance to the Company. Considering the ongoing COVID-19 pandemic, the following precautionary and control measures will be implemented for the EGM:

Before the EGM

- (a) Shareholders who have any symptoms of fever or respiratory system disease or are subject to any quarantine requirements are advised not to attend the EGM in person.
- (b) As an alternative to attending the EGM in person and exercising their voting rights, the Company strongly encourages shareholders to appoint the chairman of the EGM as their proxy to vote at the EGM. The forms of proxy were enclosed with the circular of the Company dated 13 January 2022 (the “Circular”) and are available for download from the respective websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.tlmc-hk.com. To be valid, a form of proxy must be deposited in manner as described in note 4 below.

At the EGM venue

- (a) Compulsory body temperature check for every intended attendee will be conducted at the entrance of the EGM venue. Any intended attendee with a body temperature of 37.1 degrees Celsius or above or has any flu-like or other common COVID-19 symptoms will not be permitted to enter the EGM venue.
- (b) Any person who is subject to quarantine order by the Government of the Hong Kong Special Administrative Region will not be permitted to enter the EGM venue.
- (c) All attendees are required to wear a surgical face mask before they are permitted to enter the EGM venue, at the EGM venue at all the times and maintain a safe distance from other attendees. No eating or drinking is allowed in the EGM venue. Any person who does not wear a surgical face mask will not be permitted to enter the EGM venue and will be required to leave the EGM venue.
- (d) No refreshment or souvenirs will be served or distributed.

NOTICE OF EGM

2. Closure of Register of Members of the Company

The register of members of the Company (the “**Register of Members**”) will be closed from Monday, 31 January 2022 to Tuesday, 8 February 2022, both days inclusive, during which period no transfer of the shares of the Company (the “**Share(s)**”) will be registered. In order to be eligible to attend and vote at the EGM, 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 Friday, 28 January 2022.

3. A member entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member.

4. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Hong Kong Branch Share Registrar no less than 48 hours before the time appointed for holding the EGM or any adjournment thereof and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.

5. Completion and return of the form of proxy shall not preclude a member from subsequently attending and voting in person at the EGM or the adjournment thereof, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders is present at the EGM, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding. Several executors or administrators of a deceased member in whose name any Share stands shall for this purpose be deemed joint holders thereof.

7. As at the date of this notice, 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.