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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2102)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 JANUARY 2023

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$131.6 million for the six months ended 31 January 2023, representing a decrease of approximately 27.5% compared with approximately HK\$181.5 million reported for the six months ended 31 January 2022.
- The Group's profit and total comprehensive income decreased by approximately 68.4% from approximately HK\$17.1 million for the six months ended 31 January 2022 to approximately HK\$5.4 million for the six months ended 31 January 2023.
- Earnings per share for the six months ended 31 January 2023 was approximately HK0.54 cent (six months ended 31 January 2022: approximately HK1.71 cents).
- The Board has resolved not to declare any interim dividend to its shareholders for the six months ended 31 January 2023 (six months ended 31 January 2022: HK1.0 cent).

The board of directors (the “**Directors**” and the “**Board**”, respectively) of Tak Lee Machinery Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 January 2023, together with the comparative figures for the corresponding period in 2022.

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

For the six months ended 31 January 2023

		Six months ended	
		31 January	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	131,606	181,486
Cost of revenue		<u>(101,793)</u>	<u>(141,352)</u>
Gross profit		29,813	40,134
Other income and net gains	3	692	484
(Allowance)/reversal of allowance for trade and lease receivables		(97)	176
Administrative and other operating expenses		<u>(23,227)</u>	<u>(20,016)</u>
Profit from operations		7,181	20,778
Finance costs		<u>(601)</u>	<u>(450)</u>
Profit before tax		6,580	20,328
Income tax expense	4	<u>(1,158)</u>	<u>(3,225)</u>
Profit and total comprehensive income for the period attributable to owners of the Company	5	<u>5,422</u>	<u>17,103</u>
Earnings per share			
– Basic and diluted (HK cent(s) per share)	7	<u>0.54</u>	<u>1.71</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2023

	<i>Note</i>	At 31 January 2023 <i>HK\$'000</i> (unaudited)	At 31 July 2022 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	8	137,296	151,740
Right-of-use assets		19,064	21,440
Investment property		14,939	15,245
Deferred tax assets		1,578	1,578
		172,877	190,003
Current assets			
Inventories		176,751	138,223
Trade and lease receivables	9	84,575	96,808
Prepayments, deposits and other receivables		11,805	18,109
Bank and cash balances		46,475	87,242
		319,606	340,382
Current liabilities			
Trade payables	10	4,309	7,993
Other payables and accruals		8,883	9,203
Contract liabilities		574	2,968
Lease liabilities		1,191	2,785
Current tax liabilities		4,100	8,608
Bank borrowings		10,935	29,070
		29,992	60,627
Net current assets		289,614	279,755
Total assets less current liabilities		462,491	469,758
Non-current liabilities			
Lease liabilities		608	1,066
Deferred tax liabilities		21,897	24,128
		22,505	25,194
NET ASSETS		439,986	444,564
Capital and reserves			
Share capital	11	10,000	10,000
Reserves		429,986	434,564
TOTAL EQUITY		439,986	444,564

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 August 2022 (audited)	10,000	92,661	2,620	339,283	444,564
Profit and total comprehensive income for the period	–	–	–	5,422	5,422
Dividend paid (<i>note 6</i>)	–	–	–	(10,000)	(10,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2023 (unaudited)	<u>10,000</u>	<u>92,661</u>	<u>2,620</u>	<u>334,705</u>	<u>439,986</u>
At 1 August 2021 (audited)	10,000	92,661	2,620	324,221	429,502
Profit and total comprehensive income for the period	–	–	–	17,103	17,103
Dividend paid (<i>note 6</i>)	–	–	–	(20,000)	(20,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2022 (unaudited)	<u>10,000</u>	<u>92,661</u>	<u>2,620</u>	<u>321,324</u>	<u>426,605</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 31 January 2023 (the “**Interim Condensed Consolidated Financial Statements**”) are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**Listing Rules**”, respectively).

The preparation of the Interim Condensed Consolidated Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, as well as income and expenses on a year to date basis. Actual results may differ from these estimates.

2. PRINCIPAL ACCOUNTING POLICIES

These Interim Condensed Consolidated Financial Statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 July 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”). Except as described below, the accounting policies and methods of computation used in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 July 2022.

(a) Amendments to HKFRSs adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 August 2022 for the preparation of the Interim Condensed Consolidated Financial Statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual improvements	Annual Improvements to HKFRSs 2018-2020

(b) New and amendments to standards and interpretation to HKFRSs adopted by the Group

Certain new and amendments to standards and interpretation have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These new and amendments to standards and interpretation are not expected to have a material impact on the Group’s Interim Condensed Consolidated Financial Statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers by segment information is as follows:

	Six months ended	
	31 January	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sales of heavy equipment and spare parts	62,686	72,387
Lease related operating services	16,550	36,140
Provision of maintenance and ancillary services	5,917	4,718
	<hr/>	<hr/>
Revenue from contracts with customers	85,153	113,245
Lease of heavy equipment	46,453	68,241
	<hr/>	<hr/>
Total revenue	131,606	181,486
	<hr/> <hr/>	<hr/> <hr/>
Other income and net gains		
Compensation income from suppliers	355	84
Net gain on disposals of property, plant and equipment	51	180
Government grants	39	–
Bank interest income	2	–
Others	245	220
	<hr/>	<hr/>
	692	484
	<hr/> <hr/>	<hr/> <hr/>

Segment information

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

(i) Information about reportable segment profit or loss:

	Sales of heavy equipment and spare parts <i>HK\$'000</i> (unaudited)	Lease of heavy equipment <i>HK\$'000</i> (unaudited)	Provision of maintenance and ancillary services <i>HK\$'000</i> (unaudited)	Unallocated <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
For the six months ended					
31 January 2023					
Disaggregated by timing of revenue recognition					
A point in time	62,686	–	5,917	–	68,603
Over time	–	63,003	–	–	63,003
External revenue	<u>62,686</u>	<u>63,003</u>	<u>5,917</u>	<u>–</u>	<u>131,606</u>
Segment results	<u>2,186</u>	<u>13,311</u>	<u>168</u>	<u>(9,085)</u>	<u>6,580</u>
For the six months ended					
31 January 2022					
Disaggregated by timing of revenue recognition					
A point in time	72,387	–	4,718	–	77,105
Over time	–	104,381	–	–	104,381
External revenue	<u>72,387</u>	<u>104,381</u>	<u>4,718</u>	<u>–</u>	<u>181,486</u>
Segment results	<u>2,403</u>	<u>25,728</u>	<u>210</u>	<u>(8,013)</u>	<u>20,328</u>

(ii) Geographical information

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

4. INCOME TAX EXPENSE

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

	Six months ended	
	31 January	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	3,399	4,618
Over-provision in prior year	(10)	(30)
	<u>3,389</u>	<u>4,588</u>
Deferred tax	<u>(2,231)</u>	<u>(1,363)</u>
	<u><u>1,158</u></u>	<u><u>3,225</u></u>

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

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying group entity established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 16.5%). The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% (2022: 16.5%).

5. PROFIT FOR THE PERIOD

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

	Six months ended	
	31 January	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditor's remuneration	369	360
Cost of inventories sold	47,038	61,177
Depreciation on property, plant and equipment	19,492	19,470
Depreciation on right-of-use assets	2,376	2,683
Depreciation on investment property	306	–
Direct operating expense of an investment property that generate rental income	22	–
Foreign exchange loss, net	446	77
Net gain on disposals of property, plant and equipment	(51)	(180)
Short-term lease charges in respect of:		
– Office premises	942	493
– Machineries	3,263	7,941
Reversal of allowance for inventories (included in cost of inventories sold), net	–	(58)
Reversal of impairment of property, plant and equipment, net	(27)	–
Staff costs (including Directors' remuneration)		
– Fees, salaries, allowances, bonus and others	33,902	51,757
– Retirement benefit scheme contributions	1,316	1,786
	<u>35,218</u>	<u>53,543</u>

6. DIVIDENDS

	Six months ended	
	31 January	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Dividend paid		
2022 final dividend of HK1.0 cent per ordinary share	10,000	–
2021 final dividend of HK2.0 cents per ordinary share	–	20,000
	<u>10,000</u>	<u>20,000</u>

The Board has resolved not to declare any interim dividend to its shareholders for the six months ended 31 January 2023 (six months ended 31 January 2022: HK1.0 cent).

7. EARNINGS PER SHARE

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

	Six months ended	
	31 January	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to owners of the Company	<u>5,422</u>	<u>17,103</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

Note:

The calculation of the basic earnings per share is based on the weighted average 1,000,000,000 ordinary shares (six months ended 31 January 2022: 1,000,000,000 ordinary shares) in issue during the period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the six months ended 31 January 2023 and 2022.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2023, the Group acquired items of property, plant and equipment with cost of approximately HK\$480,000 (six months ended 31 January 2022: approximately HK\$4,208,000). Items of property, plant and equipment with a net book value of approximately HK\$48,000 were disposed of during the six months ended 31 January 2023, resulting in a net gain on disposal of approximately HK\$51,000 (six months ended 31 January 2022: approximately HK\$180,000).

During the six months ended 31 January 2023, property, plant and equipment of approximately HK\$16,813,000 (six months ended 31 January 2022: approximately HK\$19,983,000) were reclassified from inventories held for sale.

During the six months ended 31 January 2023, property, plant and equipment of approximately HK\$12,197,000 (six months ended 31 January 2022: approximately HK\$11,753,000) were reclassified to inventories held for sale.

9. TRADE AND LEASE RECEIVABLES

	At 31 January 2023 <i>HK\$'000</i> (unaudited)	At 31 July 2022 <i>HK\$'000</i> (audited)
Trade and lease receivables	85,029	97,166
Less: Impairment loss	(454)	(358)
	<u>84,575</u>	<u>96,808</u>

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

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

	At 31 January 2023 <i>HK\$'000</i> (unaudited)	At 31 July 2022 <i>HK\$'000</i> (audited)
0 to 90 days	35,940	54,686
91 to 180 days	24,298	28,736
181 to 365 days	20,807	13,232
Over 365 days	3,984	512
	<u>85,029</u>	<u>97,166</u>

10. TRADE PAYABLES

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

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

	At 31 January 2023 HK\$'000 (unaudited)	At 31 July 2022 HK\$'000 (audited)
0 to 30 days	1,193	3,331
31 to 90 days	1,984	3,647
91 to 180 days	1,062	945
Over 180 days	70	70
	<u>4,309</u>	<u>7,993</u>

11. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 July 2021, 31 July 2022, 1 August 2022 and 31 January 2023 (unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 July 2021, 31 July 2022, 1 August 2022 and 31 January 2023 (unaudited)	<u>1,000,000,000</u>	<u>10,000</u>

12. OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 31 January 2023, the outstanding lease commitments relating to short-term leases for office premises and machineries were approximately HK\$1,595,000 (31 July 2022: HK\$4,000).

The Group as lessor

As at 31 January 2023, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	Within one year <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third year <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 January 2023 (unaudited)				
Lease machineries	4,843	–	–	4,843
Investment property	168	168	56	392
	5,011	168	56	5,235
At 31 July 2022 (audited)				
Lease machineries	11,260	–	–	11,260
Investment property	168	168	140	476
	11,428	168	140	11,736

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 22 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 leasing.

The Group recorded a decrease in profit attributable to owners of the Company for the six months ended 31 January 2023 (the “**Period**”) by approximately 68.4% to approximately HK\$5.4 million from approximately HK\$17.1 million for the six months ended 31 January 2022.

The decrease in net profit of the Group for the Period was mainly attributed to (i) the decrease in the revenue of leasing business as the main reclamation and pavement works of the third runway of the Three Runway System of the Hong Kong International Airport were substantially completed in the previous financial year; and (ii) the decrease in demand for heavy vehicles, as a result of the uncertainties from the resurgence of the coronavirus disease 2019 (COVID-19) pandemic and in the economic outlook during the six months ended 31 January 2023. Nevertheless, the Group has continued to provide various types of heavy equipment for the associated projects such as the expansion of Terminal 2, the development of a new T2 Concourse, the Automated People Mover and the Baggage Handling System of the Three Runway System, as well as the Route 6 development and the Tung Chung New Town Extension development projects in Hong Kong during the Period and up to the date of this announcement. During the Period, the supply chain and the operations of the Group were not materially and adversely affected by the COVID-19 pandemic.

Earnings per share for the Period was approximately HK0.54 cent, representing a decrease of approximately 68.4% compared with approximately HK1.71 cents for the same period in 2022.

Over the past three years, the global economic landscape, including Hong Kong, has been deeply affected by the COVID-19 pandemic and the heavy equipment sales and leasing industry was no exception. According to the statistics from the Hong Kong Government, the Hong Kong economy shrank by 3.5% in 2022, but looking ahead, the Hong Kong economy is expected to stage a visible rebound in 2023. Based on the government’s plan, the Group remains cautiously optimistic on the outlook and the prospects for sales and leasing of heavy equipment. With the formulation of the Northern Metropolis Development Strategy and Kau Yi Chau Artificial Islands Development by the Hong Kong Government, together with other infrastructures and projects in Hong Kong, the average annual capital works expenditure for infrastructure works is expected to exceed HK\$100 billion in the next few years according to the 2022-23 Budget Speech. Hence, the Group believes that the demand for its heavy equipment will remain strong in the coming years.

While monitoring closely the impact of COVID-19 on the industry in which the Group operates, the Group will continue to implement its corporate strategies to preserve and strive for the growth of the Group in the long term. The Group will continue to identify suitable suppliers and products in pursuit of more dealerships or distributorships of heavy equipment, which would further boost its competitive edge in the long run.

FINANCIAL REVIEW

Revenue

The Group recorded a decrease in revenue for the Period by approximately 27.5% to approximately HK\$131.6 million from approximately HK\$181.5 million for the six months ended 31 January 2022. The decrease was mainly attributable to the decreases in sales of heavy equipment and spare parts of approximately HK\$9.7 million and leasing income of approximately HK\$41.4 million.

Cost of revenue

The Group's cost of revenue amounted to approximately HK\$101.8 million for the Period, representing a decrease of approximately 28.0% (six months ended 31 January 2022: approximately HK\$141.4 million). Cost of revenue mainly comprised costs of machinery, equipment and spare parts, depreciation, freight and transportation costs, repairs and maintenance costs, staff costs for operators, technicians and inspectors and sub-leasing fee. The decrease was mainly driven by the decrease in sales of heavy equipment and spare parts by approximately 13.4%, the lowered cost of heavy equipment imported from Japan as a result of the depreciation of Japanese Yen ("JPY") in 2022, as well as the decreases in staff cost of operators and sub-leasing fee of the leasing segment for the Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 25.7% from approximately HK\$40.1 million for the six months ended 31 January 2022 to approximately HK\$29.8 million for the Period, with gross profit margin at approximately 22.7% for the Period as compared with that of approximately 22.1% for the corresponding period last year.

The decrease in gross profit was mainly attributable to a decrease in gross profit of leasing business by approximately 37.5%. Despite the decrease in gross profit of the leasing segment, the gross profit of the sales business and the provision of maintenance and ancillary services increased by approximately 25.8%.

The overall increase in gross profit margin was mainly attributable to the increase in the gross profit margin of the sales segment from approximately 9.6% for the six months ended 31 January 2022 to 13.8% for the Period as a result of the depreciation of JPY, which is mentioned in the section headed "Cost of revenue" above. The gross profit margin for the leasing segment also increased slightly from approximately 31.3% for the six months ended 31 January 2022 to approximately 32.4% for the Period.

Other income and net gains

Other income and net gains increased by approximately 40.0% from approximately HK\$0.5 million for the six months ended 31 January 2022 to approximately HK\$0.7 million for the Period. The increase was mainly due to the increase in compensation income from suppliers during the Period.

Allowance/(reversal of allowance) for trade and lease receivables

The Group has recognised allowance for trade and lease receivables of approximately HK\$0.1 million under the expected credit loss model for the six months ended 31 January 2023 in view of an increase in the expected credit losses for the Period.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$3.2 million or approximately 16.0% from approximately HK\$20.0 million for the six months ended 31 January 2022 to approximately HK\$23.2 million for the Period. The increase in administrative and other operating expenses was mainly attributable to the increases in the overall operating costs, depreciation expenses of approximately HK\$0.7 million, foreign exchange loss (net) of approximately HK\$0.4 million and staff costs (including Directors' remuneration) of approximately HK\$0.7 million.

Finance costs

The finance costs increased by approximately HK\$0.1 million or approximately 20.0% from approximately HK\$0.5 million for the six months ended 31 January 2022 to approximately HK\$0.6 million for the Period. The increase was mainly due to the increase in average bank borrowings for the Period as compared to the corresponding period last year.

Income tax expense

The income tax expense decreased by approximately HK\$0.2 million or approximately 64.1% for the Period compared with the same period last year. The decrease was mainly due to a decrease in assessable profits for the Period.

Profit and total comprehensive income for the Period

As a result of the foregoing, the Group's profit and total comprehensive income for the Period decreased by approximately 68.4% from approximately HK\$17.1 million for the six months ended 31 January 2022 to approximately HK\$5.4 million for the Period, with the net profit margin of the Group decreased to approximately 4.1% for the Period as compared to approximately 9.4% for the six months ended 31 January 2022.

Liquidity and financial resources

The Group financed the operations primarily with cash flow from operations and bank borrowings. The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 January 2023 was approximately 10.7 times (31 July 2022: approximately 5.6 times). As at 31 January 2023, the Group had bank and cash balances of approximately HK\$46.5 million (31 July 2022: approximately HK\$87.2 million).

As at 31 January 2023, the Group had bank borrowings with maturity less than 1 year of approximately HK\$10.9 million (31 July 2022: approximately HK\$29.1 million). The gearing ratio, calculated based on the total debts (including bank borrowings and lease liabilities) divided by the total equity at the end of the period/year and multiplied by 100%, was approximately 2.9% as at 31 January 2023 (31 July 2022: approximately 7.4%). The Board considered that the Group's financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy the funding requirements.

Capital structure

The issued shares of the Company were initially listed on GEM of the Stock Exchange on 27 July 2017. The listing was transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020. There has been no change in the Company's capital structure before and after the transfer of listing. The capital structure of the Group consists of equity attributable to the owners of the Company, which comprises issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will adjust its overall capital structure through the payment of dividends, issuance of new shares and inception or repayment of bank borrowings.

As at 31 January 2023, the Company's issued share capital amounted to HK\$10,000,000 and there were a total of 1,000,000,000 issued ordinary shares with a nominal value of HK\$0.01 each.

Foreign exchange exposure

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

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

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period. As at 31 January 2023, the Group did not have any significant investments or any plans for material investments or capital assets.

Charges of assets and contingent liabilities

As at 31 January 2023, the Group did not have any charges on the Group's assets for its bank borrowings (31 July 2022: Nil).

As at 31 January 2023, the Group did not have any material contingent liabilities (31 July 2022: Nil).

Employees and remuneration policies

As at 31 January 2023, the Group employed 159 (31 July 2022: 180) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK\$35.2 million for the Period (six months ended 31 January 2022: approximately HK\$53.5 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, local market conditions and the Group's results. The remuneration policy is reviewed by the Board regularly. The remuneration package includes salary, allowances and bonus. The Group also makes contributions to the mandatory provident fund schemes. The Company adopted a share option scheme on 30 June 2017 for the purpose of enabling the Company to grant options to, among others, the employees and directors of the Group as incentives or rewards for their contribution or potential contribution to the Group. The Group also arranges technical trainings to its existing employees on the operations of its existing and newly introduced heavy vehicles and other heavy equipment provided by the manufacturers.

Interim Dividend

The Board has resolved not to declare any interim dividend to its shareholders for the six months ended 31 January 2023 (six months ended 31 January 2022: HK1.0 cent).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of good corporate governance and complied with all applicable code provisions as contained in Part 2 of Appendix 14 to the Listing Rules during the Period, save for the deviation from code provision C.2.1.

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

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) is a share incentive scheme adopted on 30 June 2017. No share options have been granted or agreed to be granted under the Share Option Scheme for the period from the date of its adoption to 31 January 2023 and up to the date of this announcement. As such, no share options were outstanding as at 31 January 2023 and no share options were exercised, cancelled or lapsed under the Share Option Scheme from the date of its adoption to the end of the Period on 31 January 2023 and up to the date of this announcement. As at both the beginning and the end of the Period, the maximum number of the shares of the Company in respect of which share options may be granted under the Share Option Scheme were 100,000,000.

INTERESTS IN COMPETING BUSINESS

During the Period, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all Directors regarding any non-compliance with the Model Code. All the Directors have confirmed that they had complied with the required standard set out in the Model Code during the Period.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to the Group’s business have been set out in the section headed “Risk Factors” in the prospectus of the Company dated 17 July 2017 and the section headed “Material Risks Associated With The Group’s Business” in the announcement of the Company dated 24 September 2020.

IMPORTANT EVENTS AFTER THE PERIOD

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

REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”) comprising three independent non-executive Directors, namely Mr. Law Tze Lun, Sir Kwok Siu Man KR and Dr. Wong Man Hin Raymond. Mr. Law Tze Lun is the chairman of the Audit Committee.

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

Hong Kong, 27 March 2023

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