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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 JULY 2023

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$272.0 million for the year ended 31 July 2023, representing a decrease of approximately 31.2% compared with approximately HK\$395.2 million reported for the year ended 31 July 2022.
- The Group's profit and total comprehensive income decreased by approximately 84.3% from approximately HK\$45.1 million for the year ended 31 July 2022 to approximately HK\$7.1 million for the year ended 31 July 2023.
- Earnings per share attributable to owners of the Company for the year ended 31 July 2023 was approximately HK0.71 cent (2022: approximately HK4.51 cents).
- The Board has recommended the payment of a final dividend in the form of cash of HK0.5 cent per ordinary share for the year ended 31 July 2023, which is subject to Shareholders' approval at the 2023 AGM.

The board of directors (the “**Directors**” and the “**Board**”, respectively) of Tak Lee Machinery Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 July 2023, together with the audited comparative figures for the year ended 31 July 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2023

	<i>Note</i>	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Revenue	3	271,997	395,182
Cost of revenue		<u>(218,895)</u>	<u>(308,152)</u>
Gross profit		53,102	87,030
Other income and net gains	3	1,927	7,227
(Allowance)/reversal of allowance for trade and lease receivables		(3,141)	119
Administrative and other operating expenses		<u>(42,288)</u>	<u>(40,145)</u>
Profit from operations		9,600	54,231
Finance costs	4	<u>(863)</u>	<u>(916)</u>
Profit before tax		8,737	53,315
Income tax expense	5	<u>(1,660)</u>	<u>(8,253)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	6	<u>7,077</u>	<u>45,062</u>
Earnings per share			
– Basic and diluted (HK cent(s) per share)	8	<u>0.71</u>	<u>4.51</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		151,027	151,740
Right-of-use assets		22,887	21,440
Investment property		14,633	15,245
Deferred tax assets		1,709	1,578
		190,256	190,003
Current assets			
Inventories		145,602	138,223
Trade and lease receivables	9	103,085	96,808
Prepayments, deposits and other receivables		13,237	18,109
Bank and cash balances		47,022	87,242
		308,946	340,382
Current liabilities			
Trade payables	10	10,468	7,993
Other payables and accruals	10	7,293	9,203
Contract liabilities	10	1,707	2,968
Lease liabilities		3,822	2,785
Current tax liabilities		4,009	8,608
Bank borrowings		5,476	29,070
		32,775	60,627
Net current assets		276,171	279,755
Total assets less current liabilities		466,427	469,758
Non-current liabilities			
Lease liabilities		2,164	1,066
Deferred tax liabilities		22,622	24,128
		24,786	25,194
NET ASSETS		441,641	444,564
Capital and reserves			
Share capital	11	10,000	10,000
Reserves		431,641	434,564
TOTAL EQUITY		441,641	444,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law of the Cayman Islands on 11 December 2015. Its issued shares were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 July 2017 and were transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020 (the “**Transfer of Listing**”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The address of its principal place of business is D.D.111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the sales of heavy equipment and spare parts, leasing of heavy equipment and provision of maintenance and ancillary services in Hong Kong.

In the opinion of the Directors, Generous Way Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate and ultimate parent, and Mr. Chow Luen Fat (“**Mr. Chow**”) and Ms. Cheng Ju Wen are the ultimate controlling parties, of the Company.

The consolidated financial statements of the Group for the year ended 31 July 2023 are presented in Hong Kong dollars (“**HK\$**”) which is the functional currency of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the financial year beginning on or after 1 August 2022 for the preparation of the consolidated financial statements. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations.

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the above-mentioned amended standards or annual improvements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

The Group has not applied any new and amendments to HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 August 2022.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause³

Amendments to HKAS 1 – Non-current Liabilities with Covenants³

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies¹

Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements³

Amendments to HKAS 8 – Definition of Accounting Estimates¹

Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction¹

Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules²

Amendments to HKAS 21 – Lack of Exchangeability⁴

Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback³

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁵

¹ Effective for accounting periods beginning on or after 1 January 2023.

² Effective for accounting periods beginning on or after 1 January 2023 (except for HKAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments)

³ Effective for accounting periods beginning on or after 1 January 2024.

⁴ Effective for accounting periods beginning on or after 1 January 2025.

⁵ To be determined by the HKICPA.

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

3. REVENUE AND SEGMENT INFORMATION

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

Disaggregation of revenue from contracts with customers

	Sales of heavy equipment and spare parts <i>HK\$'000</i>	Lease related operating services <i>HK\$'000</i>	Maintenance and ancillary services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 July 2023				
Timing of revenue recognition				
A point in time	142,298	–	12,857	155,155
Over time	–	30,127	–	30,127
Total	<u>142,298</u>	<u>30,127</u>	<u>12,857</u>	<u>185,282</u>
For the year ended 31 July 2022				
Timing of revenue recognition				
A point in time	187,473	–	10,744	198,217
Over time	–	64,890	–	64,890
Total	<u>187,473</u>	<u>64,890</u>	<u>10,744</u>	<u>263,107</u>

The contract periods for the above contracts with customers are one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Set out below is the reconciliation of the revenue from contracts with customers disclosed in the segment information with the total revenue of the Group.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of heavy equipment and spare parts	142,298	187,473
Lease related operating services	30,127	64,890
Maintenance and ancillary services	<u>12,857</u>	<u>10,744</u>
Revenue from contracts with customers per segment	185,282	263,107
Lease of heavy equipment	<u>86,715</u>	<u>132,075</u>
Total revenue	<u>271,997</u>	<u>395,182</u>
Other income and net gains		
Compensation income from suppliers	390	273
Net gain on disposals of property, plant and equipment	1,943	135
Interest income	16	– ⁽ⁱ⁾
Foreign exchange (loss)/gain, net	(1,021)	1,688
Government grants	253	4,139
Others	<u>346</u>	<u>992</u>
	<u>1,927</u>	<u>7,227</u>

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

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

Sales of heavy equipment and spare parts	–	Trading of heavy equipment and spare parts in Hong Kong
Lease of heavy equipment	–	Leasing of heavy equipment and lease related operating services in Hong Kong
Maintenance and ancillary services	–	Providing maintenance and ancillary services in Hong Kong

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

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

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

	Sales of heavy equipment and spare parts HK\$'000	Lease of heavy equipment HK\$'000	Maintenance and ancillary services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 July 2023					
External revenue	142,298	116,842	12,857	–	271,997
Segment results	1,501	18,881	87	(11,732)	8,737
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended 31 July 2022					
External revenue	187,473	196,965	10,744	–	395,182
Segment results	8,432	53,360	807	(9,284)	53,315
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(ii) *Geographical information*

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

Information about major customers

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

	2023 HK\$'000	2022 HK\$'000
Customer A	N/A ¹	56,152
Customer B	N/A ¹	40,614
	<u> </u>	<u> </u>

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

4. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on borrowings	749	781
Interest on lease liabilities	114	135
	<u>863</u>	<u>916</u>

5. INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	3,320	8,867
Over-provision in prior years	(23)	(48)
	<u>3,297</u>	<u>8,819</u>
Deferred tax	(1,637)	(566)
	<u>1,660</u>	<u>8,253</u>

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

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (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 a rate of 16.5% (2022: 16.5%).

6. PROFIT FOR THE YEAR

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	738	720
Allowance/(reversal of allowance) for trade and lease receivables	3,141	(119)
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold), net	1,152	(897)
Impairment/(reversal of impairment) on property, plant and equipment, net	386	(232)
Cost of inventories sold	114,167	153,667
Depreciation of property, plant and equipment	37,268	38,964
Depreciation of right-of-use assets	4,466	5,337
Depreciation of an investment property	612	255
Direct operating expense of an investment property that generate rental income	36	19
Foreign exchange loss/(gain), net	1,021	(1,688)
Net gain on disposals of property, plant and equipment	(1,943)	(135)
Write-off of property, plant and equipment	–	23
Short-term lease charges in respect of:		
– Office premises	2,533	699
– Machineries	5,319	17,922
	7,852	18,621
Staff costs (including directors' remuneration)		
– Fees, salaries, allowances and others	63,757	96,644
– Retirement benefit scheme contributions	2,253	3,393
	66,010	100,037

Note:

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme. For the year ended 31 July 2023, there was no forfeited contribution available for the Group to reduce the existing level of contributions and at the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

7. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividend paid		
2022 final dividend of HK1.0 cent (2021: HK2.0 cents) per ordinary share	10,000	20,000
2023 interim dividend of HK nil cent (2022: HK1.0 cent) per ordinary share	–	10,000
	<u>10,000</u>	<u>30,000</u>
Dividend proposed		
2023 proposed final dividend of HK0.5 cent (2022: HK1.0 cent) per ordinary share (<i>note</i>)	<u>5,000</u>	<u>10,000</u>

Note:

The final dividend for the year ended 31 July 2023 was recommended by the Board at a Board meeting held on 19 October 2023. Such recommended final dividend is subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting (the “2023 AGM”). This recommended final dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 July 2024 after the approval at the 2023 AGM.

8. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>7,077</u>	<u>45,062</u>
Number of shares		
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

The calculation of basic earnings per share is based on the weighted average 1,000,000,000 ordinary shares in issue during the year ended 31 July 2023 (2022: 1,000,000,000 ordinary shares in issue during the year).

The diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential ordinary share in issue during the years ended 31 July 2023 and 2022.

9. TRADE AND LEASE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade and lease receivables	106,584	97,166
Less: Impairment loss	<u>(3,499)</u>	<u>(358)</u>
	<u>103,085</u>	<u>96,808</u>

The Group's credit terms generally range from 30 days to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of the Group's trade and lease receivables, based on the delivery date, and net of impairment loss, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	51,019	54,537
91 to 180 days	20,241	28,632
181 to 365 days	20,455	13,129
Over 365 days	<u>11,370</u>	<u>510</u>
	<u>103,085</u>	<u>96,808</u>

The Group applied simplified approach to provide the expected credit loss prescribed by HKFRS 9. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

10. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<u>10,468</u>	<u>7,993</u>
Other payables and accruals		
Accrued staff costs	4,367	5,831
Accrued administrative and operating expenses	1,128	889
Refundable rental deposits receipt in advance	<u>1,798</u>	<u>2,483</u>
	<u>7,293</u>	<u>9,203</u>
Contract liabilities	<u>1,707</u>	<u>2,968</u>
	<u>19,468</u>	<u>20,164</u>

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

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	3,754	3,331
31 to 90 days	1,652	3,647
91 to 180 days	4,992	945
Over 180 days	70	70
	<u>10,468</u>	<u>7,993</u>

The credit period ranges normally from 0 to 120 days.

11. SHARE CAPITAL

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

12. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 22 years of presence in the industry. The Group is principally engaged in (i) the sales of new and used heavy equipment and spare parts, (ii) the leasing of heavy equipment, and (iii) the provision of maintenance and ancillary services.

BUSINESS REVIEW AND OUTLOOK

The Group recorded a decrease in profit attributable to owners of the Company for the year ended 31 July 2023 by approximately 84.3% to approximately HK\$7.1 million from approximately HK\$45.1 million for the year ended 31 July 2022.

The decrease in net profit of the Group for the year ended 31 July 2023 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; (ii) the decrease in the 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 for the year ended 31 July 2023; (iii) the decrease in the non-recurring government grants of approximately HK\$4.1 million under the Employment Support Scheme of Hong Kong; and (iv) the increase in allowance for trade and lease receivables of approximately HK\$3.1 million recognised under the expected credit loss model, which was mainly due to the increases in credit risk and expected default risk in view of the economic conditions over the expected lives of the receivables and the payment history of customers. 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, the Relocation of Sha Tin Sewage Treatment works to Carvens and the Tung Chung New Town Extension development projects during the year ended 31 July 2023 and up to the date of this announcement.

Earnings per share for the year ended 31 July 2023 was HK0.71 cent per share, representing a decrease of approximately 84.3% compared with HK4.51 cents per share for the year ended 31 July 2022. The basis of calculating the earnings per share is detailed in note 8 to the consolidated financial statements above.

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 the coming years. 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 2023-24 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 to provide customers with the latest and most competitive technologies on the market as well as delivering sustainable and environmentally-friendly solutions to our customers, which would further boost its competitive edge in the long run.

FINANCIAL REVIEW

Revenue

The Group generated its revenue from (i) the sales of new and used heavy equipment and spare parts; (ii) the leasing of heavy equipment; and (iii) the provision of machinery maintenance and ancillary services.

The Group generated a majority of its revenue from its sales and leasing business. For the year ended 31 July 2023, the total revenue of the Group amounted to approximately HK\$272.0 million, representing a decrease of approximately HK\$123.2 million or 31.2% from approximately HK\$395.2 million for the year ended 31 July 2022. Such decrease was mainly attributable to the decrease in sales of heavy equipment and spare parts of approximately HK\$45.2 million and the decrease in revenue from the leasing business of approximately HK\$80.2 million.

Revenue from the sales of heavy equipment and spare parts

The revenue from the sales of heavy equipment and spare parts decreased by approximately HK\$45.2 million or 24.1% from approximately HK\$187.5 million for the year ended 31 July 2022 to approximately HK\$142.3 million for the year ended 31 July 2023. Such decrease was mainly attributable to the decrease in sales of heavy vehicles, as the demand for heavy vehicles has slowed down in view of the uncertainties from the COVID-19 pandemic and in the economic outlook for the year ended 31 July 2023.

Revenue from the leasing of heavy equipment and lease related operating services

The revenue from leasing of heavy equipment and lease related operating services decreased by approximately HK\$80.2 million or 40.7% from approximately HK\$197.0 million for the year ended 31 July 2022 to approximately HK\$116.8 million for the year ended 31 July 2023. The decrease in revenue from the leasing business was mainly due to the substantial completion of the main reclamation and pavement works of the third runway of the Three Runway System of the Hong Kong International Airport in the previous financial year. Meanwhile, the Group continued to provide various types of heavy equipment for the associated projects in relation to 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, the Relocation of Sha Tin Sewage Treatment works to Carvens and the Tung Chung New Town Extension development projects.

Revenue from the provision of maintenance and ancillary services

The revenue from the provision of maintenance and ancillary services increased by approximately HK\$2.2 million or 20.6% from approximately HK\$10.7 million for the year ended 31 July 2022 to approximately HK\$12.9 million for the year ended 31 July 2023. The increase was mainly due to an increase in the demand for provision of transportation services.

Cost of revenue

The cost of revenue amounted to approximately HK\$218.9 million for the year ended 31 July 2023, representing a decrease of approximately HK\$89.3 million or 29.0% from approximately HK\$308.2 million for the year ended 31 July 2022. Cost of revenue mainly comprised cost of heavy equipment and spare parts, depreciation, repairs and maintenance costs and staff costs of operators and technicians. The decrease in the cost of revenue was mainly driven by a corresponding decrease in sales of heavy equipment and spare parts by approximately 24.1% for the year ended 31 July 2023, as well as the decrease in staff cost of operators by approximately 53.6% and the decrease in sub-leasing costs by approximately 70.3% of the leasing segment for the year ended 31 July 2023. Allowance for inventories of approximately HK\$1.2 million was recognised for the year ended 31 July 2023.

Gross profit and gross profit margin

The gross profit decreased by approximately 39.0% from approximately HK\$87.0 million for the year ended 31 July 2022 to approximately HK\$53.1 million for the year ended 31 July 2023, with gross profit margin at approximately 19.5% for the year ended 31 July 2023 as compared with that of approximately 22.0% for the year ended 31 July 2022.

The decrease in gross profit was mainly attributable to decrease in gross profit of the sales and leasing segment by approximately 26.6% and approximately 44.2%, respectively while the decrease in gross profit margin was mainly due to the decrease in gross profit margin of the sales segment from approximately 12.2% to approximately 11.8% and leasing segment from approximately 31.9% to approximately 30.0% for the year ended 31 July 2023.

Other income and net gains

The other income and net gains decreased by approximately 73.6% from approximately HK\$7.2 million for the year ended 31 July 2022 to approximately HK\$1.9 million for the year ended 31 July 2023. The decrease was mainly due to the decrease in the receipt of government grants under the Employment Support Scheme of the Hong Kong Government of approximately HK\$4.1 million and the decrease in net foreign exchange gain of approximately HK\$1.7 million for the year ended 31 July 2023 as a net foreign exchange loss of HK\$1.0 million was recognised for the year.

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

The Group has recognised allowance for trade and lease receivables of approximately HK\$3.1 million under the expected credit loss model for the year ended 31 July 2023, which was mainly due to the increases in credit risk and expected default risk in view of the economic conditions over the expected lives of the receivables and the payment history of customers.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately 5.5% from approximately HK\$40.1 million for the year ended 31 July 2022 to approximately HK\$42.3 million for the year ended 31 July 2023. The increase in administrative and other operating expenses was mainly attributable to an increase in overall operating costs and marketing expenses in promoting the Group's products and services.

Finance costs

The finance costs amounted to approximately HK\$0.9 million for the year ended 31 July 2022 and 31 July 2023, respectively. Although the lending interest rate rose continuously during the year ended 31 July 2023, there was no change in the finance costs because of the decrease in the average amount of bank borrowings for the year ended 31 July 2023 as compared to that of last year.

Income tax expense

The income tax expenses decreased by approximately HK\$6.6 million or approximately 79.5% for the year ended 31 July 2023 compared with those of last year, which was in line with the decrease in profit for the year ended 31 July 2023.

Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company decreased by approximately HK\$38.0 million or 84.3%, from approximately HK\$45.1 million for the year ended 31 July 2022 to approximately HK\$7.1 million for the year ended 31 July 2023. The net profit margin decreased to 2.6% for the year ended 31 July 2023 as compared to 11.4% for the year ended 31 July 2022.

DIVIDEND

The Board has recommended the payment of a final dividend in the form of cash of HK0.5 cent per ordinary share for the year ended 31 July 2023 (the “**Final Dividend**”) to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Wednesday, 6 December 2023, subject to the approval of the Shareholders at the 2023 AGM. The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Wednesday, 20 December 2023. No interim dividend for the six months ended 31 January 2023 has been declared by the Board.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 July 2023 was approximately 9.4 times as compared to that of approximately 5.6 times as at 31 July 2022. As at 31 July 2023, the Group had total bank and cash balances of approximately HK\$47.0 million (31 July 2022: approximately HK\$87.2 million). In addition, as at 31 July 2023, the Group had bank borrowings of approximately HK\$5.5 million (31 July 2022: approximately HK\$29.1 million).

The gearing ratio, calculated based on total debts (including bank borrowings and lease liabilities) divided by total equity at the end of the year ended 31 July 2023 and multiplied by 100%, was approximately 2.6% as at 31 July 2023 (31 July 2022: approximately 7.4%). The Group had unutilised banking facilities of approximately HK\$144.5 million as at 31 July 2023 (31 July 2022: approximately HK\$120.9 million). The Directors consider that the Group’s financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Group expects to fund its future operations and expansion plans primarily with cash generated from its operation and bank borrowings.

COMMITMENTS

As at 31 July 2023, the Group’s operating lease commitments as lessee and lessor amounted to HK\$744,000 (31 July 2022: HK\$4,000) and approximately HK\$9.1 million (31 July 2022: approximately HK\$11.7 million), respectively. As at 31 July 2022 and 2023, the Group did not have any capital commitments contracted for.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 July 2023, the Group did not have any charge on its assets (31 July 2022: nil).

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

CAPITAL STRUCTURE

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

As at 31 July 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.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 3 to the consolidated financial statements above.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 July 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

EXPOSURE TO FOREIGN EXCHANGE RATE FLUCTUATION

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

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments or any other plans for material investments or capital assets as at 31 July 2023.

IMPORTANT EVENTS AFTER THE YEAR ENDED 31 JULY 2023

The Board is not aware of any important events affecting the Group, which have occurred subsequent to the end of the year ended 31 July 2023 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2023, the Group employed 133 (31 July 2022: 180) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK\$66.0 million for the year ended 31 July 2023 (2022: approximately HK\$100.0 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, the local market conditions and the Group's results. The remuneration policy is reviewed by the Board regularly. The remuneration package includes salary, allowances and bonus. The Group also makes contributions to the MPF Scheme.

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

CORPORATE GOVERNANCE PRACTICES

The Company 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 July 2023, 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 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries to all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 July 2023.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 July 2023.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the audited consolidated financial statements of the Group for the year ended 31 July 2023 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 July 2023 as set out in this annual results announcement have been agreed by the Group’s independent auditor, RSM Hong Kong, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 July 2023. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by RSM Hong Kong on this annual results announcement.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Tuesday, 28 November 2023. A notice convening the 2023 AGM will be published and despatched to the Shareholders in due course in the manner required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the 2023 AGM

The Register of Members will be closed from Thursday, 23 November 2023 to Tuesday, 28 November 2023, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the "**Hong Kong Branch Share Registrar**") for registration no later than 4:30 p.m. on Wednesday, 22 November 2023.

For the Final Dividend

The Register of Members will be closed from Tuesday, 5 December 2023 to Wednesday, 6 December 2023, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to qualify for the proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar for registration no later than 4:30 p.m. on Monday, 4 December 2023.

ANNUAL REPORT

The annual report of the Company for the year ended 31 July 2023 containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company, and copies thereof will be despatched to the Shareholders, in due course in the manner required by the Listing Rules.

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

Hong Kong, 19 October 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.