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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 2024

FINANCIAL HIGHLIGHTS	2024	2023	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	279,335	271,997	2.7%
Gross Profit	57,317	53,102	7.9%
Profit attributable to shareholders	7,086	7,077	0.1%
Earnings per share			
– Basic and diluted (<i>HK cent per share</i>)	0.71	0.71	–
Final dividend (<i>HK cents per share</i>)	1.5	0.5	200.0%

The board (the “**Board**”) of directors (the “**Directors**”) 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 2024, together with the audited comparative figures for the year ended 31 July 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2024

	<i>Note</i>	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Revenue	3	279,335	271,997
Cost of revenue		<u>(222,018)</u>	<u>(218,895)</u>
Gross profit		57,317	53,102
Other income and other gains and losses	3	402	1,927
Allowance for trade and lease receivables		(3,203)	(3,141)
Administrative and other operating expenses		<u>(42,058)</u>	<u>(42,288)</u>
Profit from operations		12,458	9,600
Finance costs	4	<u>(1,082)</u>	<u>(863)</u>
Profit before tax		11,376	8,737
Income tax expense	5	<u>(4,290)</u>	<u>(1,660)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	6	<u>7,086</u>	<u>7,077</u>
Earnings per share			
– Basic and diluted (HK cent per share)	8	<u>0.71</u>	<u>0.71</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		149,214	151,027
Right-of-use assets		21,906	22,887
Investment property		14,021	14,633
Deferred tax assets		–	1,709
		<u>185,141</u>	<u>190,256</u>
Current assets			
Inventories		134,513	145,602
Trade and lease receivables	9	81,631	103,085
Prepayments, deposits and other receivables		15,021	13,237
Current tax assets		1,630	–
Bank and cash balances		73,765	47,022
		<u>306,560</u>	<u>308,946</u>
Current liabilities			
Trade payables	10	4,303	10,468
Other payables and accruals	10	7,730	7,293
Contract liabilities	10	8,729	1,707
Lease liabilities		3,499	3,822
Current tax liabilities		–	4,009
Bank borrowings		–	5,476
		<u>24,261</u>	<u>32,775</u>
Net current assets		<u>282,299</u>	<u>276,171</u>
Total assets less current liabilities		<u>467,440</u>	<u>466,427</u>
Non-current liabilities			
Lease liabilities		2,265	2,164
Deferred tax liabilities		21,448	22,622
		<u>23,713</u>	<u>24,786</u>
NET ASSETS		<u>443,727</u>	<u>441,641</u>
Capital and reserves			
Share capital	11	10,000	10,000
Reserves		433,727	431,641
TOTAL EQUITY		<u>443,727</u>	<u>441,641</u>

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 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 repair, logistics and other 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 2024 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 2023 for the preparation of the consolidated financial statements. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations.

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group presents and discloses financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-generally accepted accounting principles performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

Other than the above, the directors of the Company anticipate that the application of other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue and other income and other gains and losses 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>	Repair, logistics and other ancillary services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 July 2024				
Timing of revenue recognition				
A point in time	158,430	–	15,626	174,056
Over time	–	20,999	–	20,999
Total	<u>158,430</u>	<u>20,999</u>	<u>15,626</u>	<u>195,055</u>
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>

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 with the total revenue of the Group.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Sales of heavy equipment and spare parts	158,430	142,298
Lease related operating services	20,999	30,127
Repair, logistics and other ancillary services	<u>15,626</u>	<u>12,857</u>
Revenue from contracts with customers	195,055	185,282
Lease of heavy equipment	<u>84,280</u>	<u>86,715</u>
Total revenue	<u>279,335</u>	<u>271,997</u>
Other income and other gains and losses		
Compensation income from suppliers	464	390
Net gain on disposals of property, plant and equipment	895	1,943
Interest income	40	16
Foreign exchange loss, net	(1,982)	(1,021)
Government grants	462	253
Write-off of property, plant and equipment	(6)	–
Others	<u>529</u>	<u>346</u>
	<u>402</u>	<u>1,927</u>

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information

Information reported to the Chief Executive Officer of the Group (“CEO”), being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of goods delivered, or service provided. The CEO has chosen to organise the Group’s results according to the category of the business segment and differences in nature of the goods and services that each segment delivers. Three operating 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
Repair, logistics and other ancillary services	–	Providing repair, logistics and other ancillary services in Hong Kong

The Directors assess the performance of the operating segments based on a measure of segment results. Segment results do not include unallocated administrative expenses, other income, other gains and losses and finance costs that are not directly attributable to segments and income tax expense.

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

	Sales of heavy equipment and spare parts HK\$’000	Lease of heavy equipment HK\$’000	Repair, logistics and other ancillary services HK\$’000	Unallocated HK\$’000	Total HK\$’000
Year ended 31 July 2024					
External revenue	158,430	105,279	15,626	–	279,335
Segment results	(101)	23,036	277	(11,836)	11,376
Depreciation on property, plant and equipment	420	27,861	–	3,141	31,422
Depreciation on right-of-use assets	2,329	1,548	–	1,627	5,504
Depreciation on an investment property	–	–	–	612	612
Interest income	–	–	–	40	40
Finance costs	–	–	–	1,082	1,082
Other material non-cash items:					
Allowance for trade and lease receivables	1,069	2,134	–	–	3,203
Allowance for inventories, net	5,470	–	–	–	5,470
Impairment on property, plant and equipment, net	–	490	–	–	490
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

	Sales of heavy equipment and spare parts HK\$'000	Lease of heavy equipment HK\$'000	Repair, logistics and other 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
Depreciation on property, plant and equipment	1,174	33,493	–	2,601	37,268
Depreciation on right-of-use assets	1,304	1,071	–	2,091	4,466
Depreciation on an investment property	–	–	–	612	612
Interest income	–	–	–	16	16
Finance costs	–	–	–	863	863
Other material non-cash items:					
Allowance for trade and lease receivables	3,067	74	–	–	3,141
Allowance for inventories, net	1,152	–	–	–	1,152
Impairment on property, plant and equipment, net	–	386	–	–	386
	<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:

	2024 HK\$'000	2023 HK\$'000
Customer A	<u>28,317</u>	<u>N/A¹</u>

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

4. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest expense on borrowings	796	749
Interest expense on lease liabilities	286	114
	<u>1,082</u>	<u>863</u>

5. INCOME TAX EXPENSE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	3,772	3,320
Over-provision in prior years	(17)	(23)
	<u>3,755</u>	<u>3,297</u>
Deferred tax	535	(1,637)
	<u>4,290</u>	<u>1,660</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% (2023: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2023: 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% (2023: 16.5%).

6. PROFIT FOR THE YEAR

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	755	738
Allowance for trade and lease receivables	3,203	3,141
Allowance for prepayments	187	–
Allowance for inventories (included in cost of inventories sold), net	5,470	1,152
Impairment on property, plant and equipment, net	490	386
Cost of inventories sold	128,738	114,167
Depreciation:		
– Property, plant and equipment	31,422	37,268
– Right-of-use assets	5,504	4,466
– Investment property	612	612
	37,538	42,346
Direct operating expense of an investment property that generates rental income	50	36
Foreign exchange loss, net	1,982	1,021
Net gain on disposals of property, plant and equipment	(895)	(1,943)
Write-off of property, plant and equipment	6	–
Short-term lease charges in respect of:		
– Office and warehouse premises	2,126	2,533
– Machineries	2,835	5,319
	4,961	7,852
Staff costs (including directors' remuneration)		
– Fees, salaries, allowances and others	53,151	63,757
– Retirement benefit scheme contributions	1,844	2,253
	54,995	66,010

Note:

The Group operates a Mandatory Provident Fund (“MPF”) scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “Employment Ordinance”). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

7. DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividend paid		
2023 final dividend of HK0.5 cent (2022: HK1.0 cent) per ordinary share	<u>5,000</u>	<u>10,000</u>
Dividend proposed		
2024 proposed final dividend of HK1.5 cents (2023: HK0.5 cent) per ordinary share (<i>note</i>)	<u>15,000</u>	<u>5,000</u>

Note:

The final dividend for the year ended 31 July 2024 was recommended by the Board at a Board meeting held on 18 October 2024. Such recommended final dividend is subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting (the “2024 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 2025 after the approval at the 2024 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>7,086</u>	<u>7,077</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 2024 (2023: 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 2024 and 2023.

9. TRADE AND LEASE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade and lease receivables	88,279	106,584
Less: Allowance for expected credit losses	<u>(6,648)</u>	<u>(3,499)</u>
	<u>81,631</u>	<u>103,085</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 aging analysis of the Group's trade and lease receivables, based on the invoice date, and net of allowance for expected credit losses, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 90 days	42,238	51,019
91 to 180 days	18,083	20,241
181 to 365 days	3,913	20,455
Over 365 days	<u>17,397</u>	<u>11,370</u>
	<u>81,631</u>	<u>103,085</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	<u>4,303</u>	<u>10,468</u>
Other payables and accruals		
Accrued staff costs	3,711	4,367
Accrued administrative and operating expenses	2,051	1,128
Refundable rental deposits receipt in advance	<u>1,968</u>	<u>1,798</u>
	<u>7,730</u>	<u>7,293</u>
Contract liabilities	<u>8,729</u>	<u>1,707</u>
	<u>20,762</u>	<u>19,468</u>

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	1,844	3,754
31 to 90 days	2,389	1,652
91 to 180 days	–	4,992
Over 180 days	70	70
	<u>4,303</u>	<u>10,468</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 2022, 31 July 2023, 1 August 2023 and 31 July 2024		
	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 August 2022, 31 July 2023, 1 August 2023 and 31 July 2024		
	<u>1,000,000,000</u>	<u>10,000</u>

12. OBLIGATION TO PAY LONG SERVICE PAYMENT UNDER EMPLOYMENT ORDINANCE

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payment (“LSP”) in accordance with the Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined by reference to the employee’s final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group’s contributions to the MPF Scheme, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the government of the Hong Kong Special Administrative Region (the “HKSAR”) gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset the LSP. The abolition will officially take effect on 1 May 2025 (the “Transition Date”). Separately, the government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group’s mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date long service payment obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance primarily impacts the Group’s LSP liability with respect to Hong Kong employees that participate in the MPF Scheme and has confirmed that the abolition has no material impact on the financial position of the Group as at 31 July 2024.

13. 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 23 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 repair, logistic and other ancillary services.

BUSINESS REVIEW AND OUTLOOK

The Group has reported a stable consolidated net profit attributable to Shareholders for the year ended 31 July 2024 of approximately HK\$7.1 million, which aligns with the net profit recorded for the year ended 31 July 2023.

Earnings per share for the year ended 31 July 2024 was approximately HK0.71 cent (2023: HK0.71 cent).

For the year ended 31 July 2024, the Group has achieved total revenue of approximately HK\$279.3 million, representing an increase of approximately HK\$7.3 million or 2.7% from approximately HK\$272.0 million for the year ended 31 July 2023. The increase in revenue was mainly attributable to an increase in sales of heavy vehicles arising from the various developments and works projects implemented by the Government of the Hong Kong Special Administrative Region.

Over the past few 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. The post-covid recovery has fallen short of what we had expected, but looking ahead, Hong Kong's economic growth is anticipated to keep positive in 2025. Based on the government's plan, with the implementation of the Northern Metropolis Development Strategy, together with other developments, works and railway projects in Hong Kong, the average annual capital works expenditure is expected to be approximately HK\$90 billion in the next few years according to the 2024-25 Budget Speech. Hence, the Group believes that the demand for its heavy equipment will remain strong in the coming years.

While monitoring closely the development of the industry in which the Group operates, going forward, 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 diversify its supplier base and source various technological safety system and smart products to bolster its sustainability, productivity and competitiveness in the industry.

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 repair, logistics and other ancillary services.

The Group generated a majority of its revenue from its sales and leasing business. For the year ended 31 July 2024, the total revenue of the Group amounted to approximately HK\$279.3 million, representing an increase of approximately HK\$7.3 million or 2.7% from approximately HK\$272.0 million for the year ended 31 July 2023. Such increase was mainly attributable to an increase in sales of heavy equipment and spare parts of approximately HK\$16.1 million and an increase in income from provision of repair, logistics and other ancillary services of approximately HK\$2.7 million, which was partially offset by a decrease in leasing income of approximately HK\$11.5 million.

Revenue from the sales of heavy equipment and spare parts

The revenue from the sales of heavy equipment and spare parts increased by approximately HK\$16.1 million or 11.3% from approximately HK\$142.3 million for the year ended 31 July 2023 to approximately HK\$158.4 million for the year ended 31 July 2024. Such increase was mainly attributable to an increase in sales of heavy vehicles arising from the various developments and works projects implemented by the Government of the Hong Kong Special Administrative Region.

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\$11.5 million or 9.8% from approximately HK\$116.8 million for the year ended 31 July 2023 to approximately HK\$105.3 million for the year ended 31 July 2024. The decrease in revenue from the leasing business was mainly due to a decrease in the demand for heavy vehicles from customers. 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 and railway projects.

Revenue from the provision of repair, logistics and other ancillary services

The revenue from the provision of repair, logistics and other ancillary services increased by approximately HK\$2.7 million or 20.9% from approximately HK\$12.9 million for the year ended 31 July 2023 to approximately HK\$15.6 million for the year ended 31 July 2024. The increase was mainly due to an increase in the demand for logistics services.

Cost of revenue

The cost of revenue amounted to approximately HK\$222.0 million for the year ended 31 July 2024, representing an increase of approximately HK\$3.1 million or 1.4% from approximately HK\$218.9 million for the year ended 31 July 2023. Cost of revenue mainly comprised costs of heavy equipment and spare parts, depreciation, repairs and maintenance costs, staff costs for operators, technicians and inspectors. The increase was mainly driven by an increase in the cost of heavy equipment and spare parts by approximately 12.8% and allowance for inventories by approximately 374.8%, which was partially offset by the decreases in staff cost of operators and depreciation of the leasing segment by approximately 30.3% and 15.2% respectively for the year ended 31 July 2024.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$4.2 million or 7.9% from approximately HK\$53.1 million for the year ended 31 July 2023 to approximately HK\$57.3 million for the year ended 31 July 2024, with gross profit margin at approximately 20.5% for the year ended 31 July 2024 as compared with that of approximately 19.5% for the year ended 31 July 2023.

The overall increase in gross profit and gross profit margin was mainly attributable to an increase in the gross profit margin of the leasing segment from approximately 30.0% for the year ended 31 July 2023 to approximately 36.1% for the year ended 31 July 2024. Nevertheless, the gross profit margin of the sales segment decreased from approximately 11.8% for the year ended 31 July 2023 to approximately 11.2% for the year ended 31 July 2024, which was mainly due to an increase in allowance for inventories of approximately HK\$4.3 million included in the cost of the sales segment for the year ended 31 July 2024.

Other income and other gains and losses

Other income and net gains decreased by approximately 78.9% from approximately HK\$1.9 million for the year ended 31 July 2023 to approximately HK\$0.4 million for the year ended 31 July 2024. The decrease was mainly due to a decrease in net gain on disposals of property, plant and equipment of approximately HK\$1.0 million for the year ended 31 July 2024.

Allowance for trade and lease receivables

The Group has recognised an allowance for expected credit losses on trade and lease receivables of approximately HK\$3.2 million for the year ended 31 July 2024, which was mainly due to an increase 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. In respect of the aging analysis of the Group's trade and lease receivables as set out in note 9 to the notes to consolidated financial statements above, among the trade and lease receivables over 365 days as at 31 July 2024, pursuant to a settlement agreement entered into with a single customer in September 2024, HK\$7,000,000 was paid by this customer to the Group before the day of this announcement and the remaining sum of HK\$7,478,000 will be settled by the end of October 2024.

Administrative and other operating expenses

The administrative and other operating expenses decreased by approximately HK\$0.2 million or approximately 0.5% from approximately HK\$42.3 million for the year ended 31 July 2023 to approximately HK\$42.1 million for the year ended 31 July 2024.

Finance costs

The finance costs increased by approximately HK\$0.2 million or approximately 22.2% from approximately HK\$0.9 million for the year ended 31 July 2023 to approximately HK\$1.1 million for the year ended 31 July 2024. The increase was mainly due to the increase in interest expense on lease liabilities arising from the new inception of lease liabilities during the year ended 31 July 2024.

Income tax expense

The income tax expense increased by approximately HK\$2.6 million or approximately 158.4% for the year ended 31 July 2024 as compared with last year. The increase was mainly due to a reversal of deferred tax assets of approximately HK\$1.7 million arising from tax losses previously recognised, which are charged to profit or loss for the year ended 31 July 2024.

Profit and total comprehensive income for the year ended 31 July 2024

As a result of the foregoing, the Group's profit and total comprehensive income for the year ended 31 July 2024 was approximately HK\$7.1 million (2023: approximately HK\$7.1 million), while the net profit margin of the Group decreased to approximately 2.5% for the year ended 31 July 2024 as compared to approximately 2.6% for the year ended 31 July 2023.

DIVIDEND

The Board has recommended the payment of a final dividend in the form of cash of HK1.5 cents per ordinary share for the year ended 31 July 2024 (the “**Final Dividend**”) to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on Thursday, 5 December 2024, subject to the approval of the Shareholders at the 2024 AGM. The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Thursday, 19 December 2024. No interim dividend for the six months ended 31 January 2024 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 2024 was approximately 12.6 times as compared to that of approximately 9.4 times as at 31 July 2023. As at 31 July 2024, the Group had total bank and cash balances of approximately HK\$73.8 million (31 July 2023: approximately HK\$47.0 million). In addition, as at 31 July 2024, the Group had no bank borrowings (31 July 2023: approximately HK\$5.5 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 and multiplied by 100%, was approximately 1.3% as at 31 July 2024 (31 July 2023: approximately 2.6%). The Group had unutilised banking facilities of approximately HK\$130.0 million as at 31 July 2024 (31 July 2023: approximately HK\$144.5 million). The Directors consider that the Group's financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Group expects to fund its future operations and expansion plans primarily with cash generated from its operation and bank borrowings.

COMMITMENTS

As at 31 July 2024, the Group's operating lease commitments as lessee and lessor amounted to HK\$573,000 (31 July 2023: HK\$744,000) and approximately HK\$12.4 million (31 July 2023: approximately HK\$9.1 million), respectively. As at 31 July 2023 and 2024, the Group did not have any capital commitments contracted for.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 July 2024, the Group did not have any charge on its assets (31 July 2023: nil).

As at 31 July 2024, the Group did not have any material contingent liabilities (31 July 2023: nil).

CAPITAL STRUCTURE

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 2024, 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.

SEGMENT INFORMATION

Segment 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 2024, 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 2024.

IMPORTANT EVENTS AFTER THE YEAR ENDED 31 JULY 2024

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 2024 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2024, the Group employed 107 (31 July 2023: 133) full-time employees. The total staff costs (including Directors’ remuneration) were approximately HK\$56.0 million for the year ended 31 July 2024 (2023: approximately HK\$66.0 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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the year ended 31 July 2024, 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 C3 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 have confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 July 2024.

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 2024.

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 2024 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 2024 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 2024. 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 2024 AGM will be held on Tuesday, 26 November 2024. A notice convening the 2024 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 2024 AGM

The Register of Members will be closed from Thursday, 21 November 2024 to Tuesday, 26 November 2024, 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 2024 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, 20 November 2024.

For the Final Dividend

The Register of Members will be closed from Tuesday, 3 December 2024 to Thursday, 5 December 2024, 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, 2 December 2024.

ANNUAL REPORT

The annual report of the Company for the year ended 31 July 2024 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, 18 October 2024

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.