

TLMC

TAK LEE MACHINERY HOLDINGS LIMITED

德利機械控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2102



INTERIM REPORT

2024-2025

RESULTS FOR THE SIX MONTHS
ENDED 31 JANUARY 2025



ZA/IS 350LCK

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHOW Luen Fat (*Chairman and Chief Executive Officer*)

Ms. LIU Shuk Yee

Ms. NG Wai Ying

Non-executive Director

Ms. CHENG Ju Wen

Independent Non-executive Directors

Sir KWOK Siu Man KR

Mr. LAW Tze Lun

Dr. WONG Man Hin Raymond

COMPANY SECRETARY

Ms. NG Wai Ying

AUTHORISED REPRESENTATIVES

Mr. CHOW Luen Fat

Ms. NG Wai Ying

BOARD COMMITTEES

Audit Committee

Mr. LAW Tze Lun (*Chairman*)

Sir KWOK Siu Man KR

Dr. WONG Man Hin Raymond

Remuneration Committee

Dr. WONG Man Hin Raymond
(*Chairman*)

Sir KWOK Siu Man KR

Mr. LAW Tze Lun

Nomination Committee

Sir KWOK Siu Man KR (*Chairman*)

Mr. LAW Tze Lun

Dr. WONG Man Hin Raymond

Ms. Ng Wai Ying

(*Appointed on 21 March 2025*)

REGISTERED OFFICE

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

LEGAL ADVISER

As to Hong Kong Law
Loeb & Loeb LLP

HEADQUARTERS AND

PRINCIPAL PLACE OF BUSINESS

IN HONG KONG

D.D. 111, Lot No. 117,
Sheung Che Village,
Pat Heung,
Yuen Long,
New Territories,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

INDEPENDENT AUDITOR

RSM Hong Kong
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

STOCK CODE

2102

COMPANY'S WEBSITE

www.tlmc-hk.com

FINANCIAL HIGHLIGHTS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2025

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 2025, together with the comparative figures for the corresponding period in 2024.

- The Group recorded a revenue of approximately HK\$151.5 million for the six months ended 31 January 2025, representing an increase of approximately 14.3% compared with approximately HK\$132.6 million reported for the six months ended 31 January 2024.
- The Group’s profit and total comprehensive income increased by approximately 64.7% from approximately HK\$8.5 million for the six months ended 31 January 2024 to approximately HK\$14.0 million for the six months ended 31 January 2025.
- Earnings per share for the six months ended 31 January 2025 was approximately HK1.40 cents (six months ended 31 January 2024: approximately HK0.85 cent).
- The Board has resolved to declare an interim dividend of HK1.5 cents per ordinary share of the Company, payable to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 10 April 2025. It is expected that the interim dividend will be paid in cash on or about Thursday, 24 April 2025.

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

For the six months ended 31 January 2025

		Six months ended 31 January	
		2025	2024
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	Note		
Revenue	3	151,466	132,583
Cost of revenue		<u>(113,955)</u>	<u>(100,195)</u>
Gross profit		37,511	32,388
Other income and other gains and losses	4	391	404
Reversal of allowance/(allowance) for trade and lease receivables		1,440	(471)
Administrative and other operating expenses		<u>(22,381)</u>	<u>(21,695)</u>
Profit from operations		16,961	10,626
Finance costs		<u>(106)</u>	<u>(484)</u>
Profit before tax		16,855	10,142
Income tax expense	5	<u>(2,854)</u>	<u>(1,632)</u>
Profit and total comprehensive income for the period attributable to owners of the Company	6	<u><u>14,001</u></u>	<u><u>8,510</u></u>
Earnings per share			
– Basic and diluted (HK cents per share)	8	<u><u>1.40</u></u>	<u><u>0.85</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 January 2025

	Note	At 31 January 2025 HK\$'000 (unaudited)	At 31 July 2024 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	139,793	149,214
Right-of-use assets		19,210	21,906
Investment property		13,715	14,021
		<u>172,718</u>	<u>185,141</u>
Current assets			
Inventories		137,825	134,513
Trade and lease receivables	10	62,965	81,631
Prepayments, deposits and other receivables		13,653	15,021
Current tax assets		–	1,630
Bank and cash balances		105,863	73,765
		<u>320,306</u>	<u>306,560</u>
Current liabilities			
Trade payables	11	5,001	4,303
Other payables and accruals		6,920	7,730
Contract liabilities		8,405	8,729
Lease liabilities		1,843	3,499
Current tax liabilities		5,916	–
		<u>28,085</u>	<u>24,261</u>
Net current assets		<u>292,221</u>	<u>282,299</u>
Total assets less current liabilities		<u>464,939</u>	<u>467,440</u>
Non-current liabilities			
Lease liabilities		1,571	2,265
Deferred tax liabilities		20,640	21,448
		<u>22,211</u>	<u>23,713</u>
NET ASSETS		<u>442,728</u>	<u>443,727</u>
Capital and reserves			
Share capital	12	10,000	10,000
Reserves		432,728	433,727
TOTAL EQUITY		<u>442,728</u>	<u>443,727</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 January 2025*

	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 2024 (audited)	10,000	92,661	2,620	338,446	443,727
Profit and total comprehensive income for the period	–	–	–	14,001	14,001
Dividend paid (<i>note 7</i>)	–	–	–	(15,000)	(15,000)
At 31 January 2025 (unaudited)	<u>10,000</u>	<u>92,661</u>	<u>2,620</u>	<u>337,447</u>	<u>442,728</u>
At 1 August 2023 (audited)	10,000	92,661	2,620	336,360	441,641
Profit and total comprehensive income for the period	–	–	–	8,510	8,510
Dividend paid (<i>note 7</i>)	–	–	–	(5,000)	(5,000)
At 31 January 2024 (unaudited)	<u>10,000</u>	<u>92,661</u>	<u>2,620</u>	<u>339,870</u>	<u>445,151</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2025

	Six months ended 31 January	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	50,135	(6,079)
Investing activities		
Deposits paid for property, plant and equipment	–	(2,020)
Other cash flows arising from investing activities	<u>163</u>	<u>(341)</u>
Net cash generated from/(used in) investing activities	<u>163</u>	<u>(2,361)</u>
Financing activities		
Bank borrowings raised	–	19,607
Repayment of bank borrowings	–	(5,460)
Dividends paid	(15,000)	(5,000)
Other cash flows arising from financing activities	<u>(2,350)</u>	<u>(2,207)</u>
Net cash generated from/(used in) financing activities	<u>(17,350)</u>	<u>6,940</u>
Effect of foreign exchange rate changes	<u>(850)</u>	<u>(244)</u>
Net increase/(decrease) in cash and cash equivalents	32,098	(1,744)
Cash and cash equivalents at beginning of the period	<u>73,765</u>	<u>47,022</u>
Cash and cash equivalents at end of the period, represented by bank and cash balances	<u><u>105,863</u></u>	<u><u>45,278</u></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 2025 (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 2024, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “**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 2024.

The Group has applied the following amendments to the HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 August 2024 for the preparation of the Interim Condensed Consolidated Financial Statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related Amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current and prior periods has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these Interim Condensed Consolidated Financial Statements.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the period is as follows:

	Six months ended 31 January	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Sales of heavy equipment and spare parts	88,777	73,675
Lease related operating services	9,468	11,368
Repair, logistics and other ancillary services	5,125	9,483
	<hr/>	<hr/>
Revenue from contracts with customers	103,370	94,526
	<hr/>	<hr/>
Lease of heavy equipment	48,096	38,057
	<hr/>	<hr/>
Total revenue	151,466	132,583

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. Principal activities of the segments are as follows:

Sales of heavy equipment and spare parts	– Trading of heavy equipment and spare parts
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 accounting policies of the operating segments are to be consistent with the accounting policies used in the Group's annual consolidated financial statements for the year ended 31 July 2024. 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 (unaudited)	Lease of heavy equipment and related operating services HK\$ '000 (unaudited)	Repair, logistics and other ancillary services HK\$ '000 (unaudited)	Unallocated HK\$ '000 (unaudited)	Total HK\$ '000 (unaudited)
For the six months ended 31 January 2025					
Revenue from external customers	<u>88,777</u>	<u>57,564</u>	<u>5,125</u>	<u>-</u>	<u>151,466</u>
Disaggregated by timing of revenue recognition					
A point in time	88,777	-	5,125	-	93,902
Over time	<u>-</u>	<u>9,468</u>	<u>-</u>	<u>-</u>	<u>9,468</u>
Total revenue from contracts with customers	<u>88,777</u>	<u>9,468</u>	<u>5,125</u>	<u>-</u>	<u>103,370</u>
Lease of heavy equipment	<u>-</u>	<u>48,096</u>	<u>-</u>	<u>-</u>	<u>48,096</u>
	<u>88,777</u>	<u>57,564</u>	<u>5,125</u>	<u>-</u>	<u>151,466</u>
Segment results	<u>7,183</u>	<u>15,296</u>	<u>177</u>	<u>(5,801)</u>	<u>16,855</u>
For the six months ended 31 January 2024					
Revenue from external customers	<u>73,675</u>	<u>49,425</u>	<u>9,483</u>	<u>-</u>	<u>132,583</u>
Disaggregated by timing of revenue recognition					
A point in time	73,675	-	9,483	-	83,158
Over time	<u>-</u>	<u>11,368</u>	<u>-</u>	<u>-</u>	<u>11,368</u>
Total revenue from contracts with customers	<u>73,675</u>	<u>11,368</u>	<u>9,483</u>	<u>-</u>	<u>94,526</u>
Lease of heavy equipment	<u>-</u>	<u>38,057</u>	<u>-</u>	<u>-</u>	<u>38,057</u>
	<u>73,675</u>	<u>49,425</u>	<u>9,483</u>	<u>-</u>	<u>132,583</u>
Segment results	<u>6,043</u>	<u>9,066</u>	<u>922</u>	<u>(5,889)</u>	<u>10,142</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. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 31 January	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Compensation income from suppliers	659	40
Net gain on disposals of property, plant and equipment	–	202
Government grants	310	19
Bank interest income	481	24
Foreign exchange loss, net	(1,360)	(462)
Others	301	581
	<u>391</u>	<u>404</u>

5. 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	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	3,668	4,813
Over-provision in prior year	(6)	(12)
	<u>3,662</u>	<u>4,801</u>
Deferred tax	<u>(808)</u>	<u>(3,169)</u>
	<u>2,854</u>	<u>1,632</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% (2024: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2024: 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% (2024: 16.5%).

6. PROFIT FOR THE PERIOD

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

	Six months ended 31 January	
	2025 HK\$ '000 (unaudited)	2024 HK\$ '000 (unaudited)
Auditor’s remuneration	378	369
Cost of inventories sold	69,575	55,904
Depreciation on property, plant and equipment	16,141	16,181
Depreciation on right-of-use assets	2,696	2,594
Depreciation on investment property	306	306
Direct operating expense of an investment property that generates rental income	25	25
Net gain on disposals of property, plant and equipment	–	(202)
Short-term lease charges in respect of:		
– Office premises	993	1,402
– Machineries	2,397	491
Reversal of allowance for inventories	(202)	–
Reversal of impairment of property, plant and equipment, net	(534)	(19)
Write-off of trade and lease receivables	–	48
Staff costs (including Directors’ remuneration)		
– Fees, salaries, allowances, bonus and others	27,064	27,618
– Retirement benefit scheme contributions	858	971
	<u>27,922</u>	<u>28,589</u>

7. DIVIDENDS

	Six months ended 31 January	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Dividend paid		
2024 final dividend of HK1.5 cents per ordinary share	15,000	–
2023 final dividend of HK0.5 cent per ordinary share	–	5,000
	<u>15,000</u>	<u>5,000</u>
Dividend declared		
Interim dividend of HK1.5 cents per ordinary share (six months ended 31 January 2024: Nil)	<u>15,000</u>	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

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:

	Six months ended 31 January	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Earnings:		
Profit attributable to owners of the Company	<u>14,001</u>	<u>8,510</u>
	'000	'000
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 2024: 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 2025 and 2024.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 January 2025, the Group acquired items of property, plant and equipment with cost of approximately HK\$318,000 (six months ended 31 January 2024: approximately HK\$572,000). During the six months ended 31 January 2024, items of property, plant and equipment with a net book value of approximately HK\$6,000 were disposed of, resulting in a net gain on disposal of approximately HK\$202,000.

During the six months ended 31 January 2025, property, plant and equipment of approximately HK\$18,558,000 (six months ended 31 January 2024: approximately HK\$2,693,000) were reclassified from inventories held for sale.

During the six months ended 31 January 2025, property, plant and equipment with carrying amount of approximately HK\$12,689,000 (six months ended 31 January 2024: approximately HK\$11,694,000) were reclassified to inventories held for sale.

10. TRADE AND LEASE RECEIVABLES

	At 31 January 2025 HK\$ '000 (unaudited)	At 31 July 2024 HK\$ '000 (audited)
Trade and lease receivables	68,173	88,279
Less: Allowance for expected credit losses	(5,208)	(6,648)
	<u>62,965</u>	<u>81,631</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 Group seeks to maintain strict control over its outstanding balances. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of trade and lease receivables, based on the invoice date, and net of allowance for expected credit losses, is as follows:

	At 31 January 2025 HK\$ '000 (unaudited)	At 31 July 2024 HK\$ '000 (audited)
0 to 90 days	41,823	42,238
91 to 180 days	13,799	18,083
181 to 365 days	5,829	3,913
Over 365 days	1,514	17,397
	<u>62,965</u>	<u>81,631</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 debtors and are adjusted for forward-looking information that is available without undue cost or effort.

11. TRADE PAYABLES

The credit period on trade payables ranges from 0 to 120 days.

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

	At 31 January 2025 HK\$'000 (unaudited)	At 31 July 2024 HK\$'000 (audited)
0 to 30 days	3,630	1,844
31 to 90 days	1,371	2,389
91 to 180 days	–	–
Over 180 days	–	70
	<u>5,001</u>	<u>4,303</u>

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 July 2023, 31 July 2024, 1 August 2024 and 31 January 2025 (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 2023, 31 July 2024, 1 August 2024 and 31 January 2025 (unaudited)	<u>1,000,000,000</u>	<u>10,000</u>

13. OPERATING LEASE ARRANGEMENTS**The Group as Lessee**

As at 31 January 2025, the outstanding lease commitments relating to short-term leases for office premises and warehouse were approximately HK\$326,000 (31 July 2024: HK\$573,000).

The Group as lessor

As at 31 January 2025, 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 2025 (unaudited)				
Lease machineries	9,218	1,283	632	11,133
Investment property	56	–	–	56
	<u>9,274</u>	<u>1,283</u>	<u>632</u>	<u>11,189</u>
At 31 July 2024 (audited)				
Lease machineries	12,223	–	–	12,223
Investment property	140	–	–	140
	<u>12,363</u>	<u>–</u>	<u>–</u>	<u>12,363</u>

14. CAPITAL COMMITMENTS

As at 31 January 2025, the Group had capital commitments contracted, but not provided for in respect of the purchases of property, plant and equipment of approximately HK\$562,000 (31 July 2024: Nil).

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 24 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 repair, logistics and other ancillary services. The Group also offers some heavy equipment other than earthmoving equipment for sales and leasing.

The Group recorded an increase in profit attributable to owners of the Company for the six months ended 31 January 2025 (the “Period”) by approximately 64.7% to approximately HK\$14.0 million from approximately HK\$8.5 million for the six months ended 31 January 2024.

The increase in net profit of the Group for the Period was mainly attributed to the increase in the sales and leasing of heavy equipment, which was driven by the demand arising from various developments and railway projects, as well as landfill extension projects implemented by the Government of the Hong Kong Special Administrative Region (the “HKSAR”).

Earnings per share for the Period was approximately HK1.40 cents, representing an increase of approximately 64.7% compared with approximately HK0.85 cent for the same period in 2024.

Over the past year, the global economic landscape, including Hong Kong, has been deeply affected by geopolitical tensions combined with high interest rate environment and the heavy equipment sales and leasing industry was no exception. Nevertheless, according to the 2025-2026 Budget Speech, with the acceleration of the Northern Metropolis Development, together with other infrastructure works, the average annual capital works expenditure is expected to increase to approximately HK\$120 billion in the next few years. Besides, with the proposal of a number of measures that aimed at boosting the development of the construction industry, adoption of innovative technologies, land use and housing planning, 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 and promote various Smart Site Safety System (4S) and innovative and quality products to bolster its sustainability, productivity and competitiveness in the industry.

FINANCIAL REVIEW

Revenue

The Group recorded an increase in revenue for the Period by approximately 14.3% to approximately HK\$151.5 million from approximately HK\$132.6 million for the six months ended 31 January 2024. The increase was mainly attributable to an increase in sales of heavy equipment and spare parts of approximately HK\$15.1 million and an increase in revenue from leasing business of approximately HK\$8.1 million, which was partially offset by the decrease in income from provision of repair, logistics and other ancillary services of approximately HK\$4.3 million. The increase in revenue was mainly driven by the demand arising from various developments and railway projects, as well as landfill extension projects implemented by the Government of the HKSAR.

Cost of revenue

The Group's cost of revenue amounted to approximately HK\$114.0 million for the Period, representing an increase of approximately HK\$13.8 million or 13.8% from approximately HK\$100.2 million for the six months ended 31 January 2024. Cost of revenue mainly comprised costs of machinery, equipment and spare parts, depreciation, repairs and maintenance costs as well as staff costs for operators, technicians and inspectors. The increase was mainly driven by a corresponding increase in sales of machinery, equipment and spare parts by approximately 20.5%.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 15.7% from approximately HK\$32.4 million for the six months ended 31 January 2024 to approximately HK\$37.5 million for the Period, with gross profit margin at approximately 24.8% for the Period as compared to approximately 24.4% for the corresponding period last year.

The increase in gross profit was mainly attributable to increases in the gross profit of the sales and leasing business by approximately HK\$6.3 million or 20.8%, which was partially offset by a decrease in gross profit of the provision of repair, logistics and other ancillary services by approximately HK\$1.2 million or 66.1%.

Other income and other gains and losses

Other income and other gains and losses amounted to approximately HK\$0.4 million for the six months ended 31 January 2024 and for the Period.

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

The Group has recorded a reversal of allowance for trade and lease receivables of approximately HK\$1.4 million under the expected credit loss (“ECL”) model for the Period as compared to an ECL allowance of approximately HK\$0.4 million for the six months ended 31 January 2024. The reversal of allowance was mainly due to the settlement by certain customers among the trade and lease receivables over 365 days as at 31 July 2024 for the Period.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$0.7 million or approximately 3.2% from approximately HK\$21.7 million for the six months ended 31 January 2024 to approximately HK\$22.4 million for the Period. The increase was mainly attributable to the increases in overall operating costs and marketing expenses.

Finance costs

The finance costs decreased by approximately HK\$0.4 million or approximately 80.0% from approximately HK\$0.5 million for the six months ended 31 January 2024 to approximately HK\$0.1 million for the Period. The decrease was mainly due to a decrease in interest expense on borrowings as the Group did not have any bank borrowings during the Period.

Income tax expense

The income tax expense increased by approximately HK\$1.2 million or approximately 74.9% for the Period compared with the same period last year. The increase was mainly due to an increase 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 increased by approximately 64.7% from approximately HK\$8.5 million for the six months ended 31 January 2024 to approximately HK\$14.0 million for the Period, with the net profit margin of the Group increased to approximately 9.2% for the Period as compared to approximately 6.4% for the six months ended 31 January 2024.

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 2025 was approximately 11.4 times (31 July 2024: approximately 12.6 times). As at 31 January 2025, the Group had bank and cash balances of approximately HK\$105.9 million (31 July 2024: approximately HK\$73.8 million).

As at 31 January 2025 and 31 July 2024, the Group did not have any bank borrowings. 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 0.8% as at 31 January 2025 (31 July 2024: approximately 1.3%). The Board considers that the Group's financial position is sound and strong, underpinned by strong liquidity and low gearing. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy the funding requirements.

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 January 2025, 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\$"), Japanese Yen ("JPY"), 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, EUR and USD). The Group monitors 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 2025, 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 2025, the Group did not have any charges on the Group's assets for its bank borrowings (31 July 2024: Nil).

As at 31 January 2025, the Group did not have any material contingent liabilities (31 July 2024: Nil).

Employees and remuneration policies

As at 31 January 2025, the Group employed 118 (31 July 2024: 107) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK\$27.9 million for the Period (six months ended 31 January 2024: approximately HK\$28.6 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, local market conditions and the Group's results. The remuneration policy is reviewed by the Board regularly. The remuneration package includes salary, allowances and bonus. The Group also makes contributions to the mandatory provident fund schemes. The Company adopted a share option scheme on 30 June 2017 (the "Share Option Scheme") 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 to declare an interim dividend of HK1.5 cents per ordinary share for the Period (the “**Interim Dividend**”), payable in cash on or about Thursday, 24 April 2025 to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) on Thursday, 10 April 2025.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders’ entitlement to the Interim Dividend, the Register of Members will be closed from Tuesday, 8 April 2025 to Thursday, 10 April 2025, both days inclusive, during which period no transfer of the Company’s shares shall be registered. In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 7 April 2025.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

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 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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 January 2025, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the “Model Code”), were set out as follows:

Interests in the Company

Long position in the ordinary shares of the Company (the “Shares”)

Directors	Nature of interest	Number of Shares held	Percentage of the Company's issued Shares
Mr. Chow	Interest in a controlled corporation (<i>Note</i>)	750,000,000	75%
Ms. Cheng Ju Wen (“Ms. Cheng”)	Interest in a controlled corporation (<i>Note</i>)	750,000,000	75%

Note: These Shares are held by Generous Way Limited (“Generous Way”), which is beneficially owned as to 50% by Mr. Chow, the chairman of the Board, the chief executive officer of the Company and an executive Director and 50% by Ms. Cheng, the non-executive Director. Mr. Chow and Ms. Cheng are spouses. Under the SFO, each of Mr. Chow and Ms. Cheng is deemed to be interested in the same number of Shares held by Generous Way.

Interests in associated corporation of the Company*Long position in the ordinary shares of an associated corporation*

Directors	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of issued ordinary shares
Mr. Chow	Generous Way	Beneficial owner	50	50%
Ms. Cheng	Generous Way	Beneficial owner	50	50%

Save as disclosed above, as at 31 January 2025, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

As at 31 January 2025, so far as the Directors were aware, the following entity (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Shares

Name of shareholder	Nature of interest	Number of Shares held	Percentage of the Company's issued Shares
Generous Way	Beneficial owner	750,000,000	75%

Save as disclosed above, as at 31 January 2025, the Directors were not aware of any persons who or entities which had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Share Option Scheme is a share incentive scheme. 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 2025 and up to the date of this report. As such, no share options were outstanding as at 31 January 2025 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 2025 and up to the date of this report. 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 was 100,000,000.

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 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.

DISCLOSURE OF INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Ms. Ng Wai Ying was appointed as a member to the Nomination Committee of the Board on 21 March 2025.

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 report.

REVIEW OF INTERIM RESULTS

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

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

Hong Kong, 21 March 2025