



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 : 8142



ANNUAL REPORT

2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (collectively the “Directors” or individually a “Director”) of Tak Lee Machinery Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

TLMC

CONTENTS

	4
CORPORATE INFORMATION	
	6
CHAIRMAN'S STATEMENT	
	10
MANAGEMENT DISCUSSION AND ANALYSIS	
	16
DIRECTORS AND SENIOR MANAGEMENT	
	21
REPORT OF THE DIRECTORS	
	33
CORPORATE GOVERNANCE REPORT	
	45
INDEPENDENT AUDITOR'S REPORT	
	51
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
	52
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	53
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	
	54
CONSOLIDATED STATEMENT OF CASH FLOWS	
	56
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
	102
THREE YEARS FINANCIAL SUMMARY	



TLMC



AMMANN



RAMFOS



HITACHI



AIRMAN



TLMC



LaBounty



TLMC

In January 2016, the Group sold its first own *TLMC* brand hydraulic breaker manufactured by an Italy-based manufacturer on an OEM and ODM basis.

LABOUNTY

In February 2006, the Group was first granted the exclusive distributorship for various earthmoving attachment and spare parts of *LaBounty* brand, a U.S. brand, in Hong Kong and Macao.



AMMANN

In September 2016, the Group became the exclusive dealer for heavy vehicles of *Ammann* brand, a Swiss brand, in Hong Kong and Macao.



RAMFOS

In November 2011, the Group was first granted the exclusive distributorship for various earthmoving attachment and spare parts of *Ramfos* brand, a Korean brand, in Hong Kong and Macao.



HITACHI

In January 2012, the Group became the authorised dealer for various heavy equipment of *Hitachi* brand in Hong Kong and Macao. The Group was able to successfully introduce its first unit of articulated dump truck of *BELL* brand to Hong Kong with support from Hitachi Construction Machinery Asia and Pacific Pte. Ltd. and Bell Equipment Company (Pty) Ltd. in June 2017.



AIRMAN

In October 2017, the Group became the non-exclusive dealer for diesel engine generators of *AIRMAN* brand, a Japanese brand, in Hong Kong and Macao.

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

Mr. KWOK Siu Man

Mr. LAW Tze Lun

Mr. WONG Man Hin Raymond

COMPANY SECRETARY

Ms. NG Wai Ying

COMPLIANCE OFFICER

Ms. NG Wai Ying

COMPLIANCE ADVISER

Southwest Securities (HK) Capital Limited

AUTHORISED REPRESENTATIVES

Mr. CHOW Luen Fat

Ms. NG Wai Ying

BOARD COMMITTEES

Audit Committee

Mr. LAW Tze Lun (*Chairman*)

Mr. KWOK Siu Man

Mr. WONG Man Hin Raymond

Remuneration Committee

Mr. WONG Man Hin Raymond (*Chairman*)

Mr. LAW Tze Lun

Mr. KWOK Siu Man

Nomination Committee

Mr. KWOK Siu Man (*Chairman*)

Mr. LAW Tze Lun

Mr. WONG Man Hin Raymond

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISER

As to Hong Kong Law
Loeb & Loeb LLP

INDEPENDENT AUDITOR

RSM Hong Kong
29/F, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

8142

COMPANY'S WEBSITE

www.tlmc-hk.com



Dear Shareholders,

On behalf of the board (the “**Board**”) of Directors of Tak Lee Machinery Holdings Limited (the “**Company**”), it is my pleasure to present the audited annual results of the Company and its subsidiaries for the year ended 31 July 2017.

On 27 July 2017, the shares of the Company (the “**Shares**”) were successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The listing of the Company was a significant milestone for the Group as it has enhanced the Group’s profile and established better recognition in the industry, and the proceeds from the listing provide sufficient capital for the business expansion of the Group.





Since the announcement of the “Ten Major Infrastructure Projects” in the 2007-08 Policy Address, the growth of the heavy equipment industry has been fueled by the commencement of these large-scale infrastructure projects. However, with the delay in approval of funding for some development plans and public works, the demand for heavy equipment has shown signs of easing in the first half of the financial year ended 31 July 2017. The total revenue of the Group decreased by approximately 8.6% from approximately HK\$320.5 million for the year ended 31 July 2016 to approximately HK\$292.8 million for the year ended 31 July 2017. The Group’s profit attributable to the shareholders of the Company (the “Shareholders”) decreased from approximately HK\$23.5 million for the year ended 31 July 2016 to approximately HK\$12.1 million for the year ended 31 July 2017 mainly due to the non-recurring listing expenses of approximately HK\$10.7 million (2016: HK\$2.8 million) recognised for the year ended 31 July 2017. Excluding the aforementioned non-recurring listing expenses, the Group would have recorded profit attributable to Shareholders of approximately HK\$22.8 million (2016: approximately HK\$26.3 million).

Despite the current market conditions, the Hong Kong government and relevant authority have initiated several large-scale infrastructure projects such as the Third-Runway System at Hong Kong International Airport, Tseung Kwan O-Lam Tin Tunnel, Route 6 Development, North East New Territories New Development Areas and the Tung Chung New Town Development Extension. The growth momentum of the heavy equipment industry remains resilient.

Looking forward, the Group is confident about the outlook and the prospects for sales and leasing of heavy equipment in light of the upswing in the number of infrastructure projects and the stringency of the new environmental regulatory regime implemented in Hong Kong. In order to

sustain the business growth of the Group, the Group will continue to expand the leasing service and the maintenance and ancillary services as the long term growth prospect. With the listing of the Company in this year, more resources will be available for the acquisition of additional heavy equipment and the strengthening of manpower which will allow the Group to expand its scale of operation. The Group is also well-positioned to turn challenges into opportunities just as it has always done so. For instance, as the business operations of the Group rely heavily on the stable and timely supply of various heavy equipment, the Group has always been committed to the diversification of supplier base, which prompted the Group to secure new dealership for the year ended 31 July 2017. With its commitment in identifying the customers' needs and providing one-stop shop services to them, it is believed that the business of the Group will continue to expand.

On behalf of the Board, I would like to express my appreciation to our Shareholders, business partners and customers for their great and steadfast support, as well as to the management team and all staff members for their diligent and passionate work. In collaboration with them, the Group will make continuous effort to explore new business opportunities, achieve excellent results and contribute to the community.

Chow Luen Fat

Chairman and Chief executive officer

Hong Kong, 16 October 2017





OVERVIEW

The Group is an earthmoving equipment sales and leasing service provider in Hong Kong with over 15 years of experience in the industry. The Group is principally engaged in (i) the sale of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. The Group also offers some heavy equipment other than earthmoving equipment for sales and for leasing.

BUSINESS REVIEW

The Group's revenue for the year ended 31 July 2017 ("FY2017") was approximately HK\$292.8 million (2016: approximately HK\$320.5 million). The Group continued to focus on strengthening its market position as earthmoving equipment sales and leasing service provider. During FY2017, the Group had continued to identify new suppliers and new products to diversify its supplier base and product offering. The Group also expanded its sales and marketing team to 5 (2016: 3) staff members to reach out to existing and potential customers.

As a result of such effort, the Group entered into an exclusive dealership agreement with a heavy equipment manufacturer in September 2016, of which the manufacturer will supply the Swiss Ammann brand of heavy vehicles and genuine spare parts to the Group. The Group had also successfully introduced other type of earthmoving equipment in its product offering such as articulated dump truck to increase its product mix. While the Group kept up with its sales business, it continued to expand its leasing

business. The Group leased 156 units of heavy equipment to its customers in FY2017 (2016: 64 units) and entered into 182 (2016: 76) leasing agreements. The Group also continued to provide maintenance and ancillary service.

PROSPECTS

With continuous increase in the total public expenditure on infrastructure as outlined in the 2017-18 Budget Speech, the implementation of the ten major infrastructure projects by the Hong Kong Government, and the initiation of several other large-scale infrastructure projects, such as the Third-Runway System of the Hong Kong International Airport, Tseung Kwan O-Lam Tin Tunnel, Route 6 Development, North East New Territories New Development Areas and the Tung Chung New Town Development Extension by the Hong Kong Government, the Group is expecting a stable growth in the heavy equipment industry in Hong Kong in the coming future. Hence, the Group believes that the demand for its heavy equipment will remain strong in the coming years. To embrace opportunities, the Group is committed to the diversification of supplier base and product offering. For instance, the Group entered into a non-exclusive distributorship agreement with a heavy equipment manufacturer on 1 October 2017 for the supply of the Japanese Airman brand of diesel engine generators. Going forward, the Group will continue to identify suitable suppliers and products in pursuance of more dealerships or distributorships, 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 maintenance and ancillary services.

The Group generated a majority of its revenue from its sales business, in which a substantial portion of its revenue was derived from the sales of heavy vehicles.

For FY2017, the total revenue of the Group amounted to approximately HK\$292.8 million, representing a decrease of HK\$27.7 million or 8.6% from approximately HK\$320.5 million for the year ended 31 July 2016 ("FY2016"). Such decrease was mainly attributable to the decrease in the sale of heavy equipment and spare parts and leasing segments.

Revenue from the sale of heavy equipment and spare parts

The revenue from the sale of heavy equipment and spare parts decreased by approximately HK\$25.9 million, or 8.6% from approximately HK\$300.9 million for FY2016 to approximately HK\$275.0 million for FY2017. Such decrease was mainly attributable to the decrease in sale of new heavy vehicles of 34.2%, from HK\$127.6 million for FY2016 to HK\$83.9 million for FY2017. Nevertheless, the revenue from the sale of used heavy vehicles and sale of other heavy equipment increased by approximately HK\$8.1 million and HK\$12.1 million, or 5.8% and 245.7%, for FY2017 as compared to FY2016. The sale of new heavy vehicles decreased while the sale of used heavy vehicles increased due to Japanese Yen ("JPY"), which appreciated to a relatively high level between July and November 2016. Accordingly, the selling price of new heavy vehicles was priced relatively higher for the first half of the financial year ended 31 July 2017. Comparatively, used heavy

vehicles had a relatively attractive price. Hence, more customers opted for the used heavy vehicles. As a result, the sales volume of new heavy vehicle decreased to 86 units (2016: 130 units) while that of used heavy vehicles increased to 275 units (2016: 188 units) in FY2017.

The total sales volume of heavy vehicles increased by 13.5% for FY2017 as a result of the growing demand in heavy vehicles due to the commencement of several construction and infrastructure projects in the second half of FY2017.

Revenue of the leasing of heavy equipment

The revenue from leasing of heavy equipment decreased by approximately HK\$2.4 million, or 14.6% from approximately HK\$16.4 million for FY2016 to approximately HK\$14.0 million for FY2017. The decrease in revenue was mainly attributable to the decrease in the rental income from a customer during FY2017, whose involvement in a reclamation project in artificial islands was substantially completed in FY2016.

Cost of Sales

The cost of sales amounted to approximately HK\$245.7 million for FY2017, representing a decrease of HK\$23.1 million or 8.6% from approximately HK\$268.8 million for FY2016. Cost of sales mainly comprised cost of machinery, equipment and parts, repairs and maintenance costs, and staff costs for operators, technicians and inspectors, which together accounted for approximately 97.9% and 96.7% for FY2016 and FY2017, respectively.

The decrease was mainly attributable to the decrease of approximately 8.7% in cost of machinery, equipment and parts, which was generally decreased in line with revenue from sales of heavy equipment and spare parts of approximately 8.6% for FY2017. Repairs and maintenance decreased by approximately 33.2% for FY2017 mainly due to the decrease in expenses to subcontractors for repairs and maintenance services following the expansion of the technical and maintenance team. Staff costs

decreased by approximately 2.8% for FY2017 mainly attributable to the decrease in staff costs for operators by approximately 9.2% as a result of the decrease in number of operating hours of operators, which was offset by the increase in staff costs of technicians and inspectors by approximately 3.8% in respect of the increase in headcount of the technical and maintenance team.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 8.9% from approximately HK\$51.7 million for FY2016 to approximately HK\$47.1 million for FY2017. The gross profit margin remained stable at approximately 16.1% for FY2016 and FY2017. The decrease in gross profit was mainly due to the decrease in gross profit of sales of heavy equipment and spare parts by approximately HK\$2.6 million while the gross profit margin of this segment remained stable at approximately 13.4% and 13.7% for FY2016 and FY2017, respectively.

Other income

The other income decreased by approximately 69.7% from approximately HK\$3.3 million for FY2016 to approximately HK\$1.0 million for FY2017, which was mainly due to the decrease in reversal of allowance for trade receivables.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately 20.5% from approximately HK\$24.9 million for FY2016 to approximately HK\$30.0 million for FY2017. The increase in administrative expenses was mainly due to the increase in the non-recurring listing expenses of approximately HK\$7.9 million.

Finance costs

The finance costs represented interest expenses on bank borrowings and interest expenses on obligation under finance lease of a motor vehicle and remained stable at approximately HK\$1.3 million and HK\$1.2 million for FY2016 and FY2017, respectively.

Income tax expense

Income tax expense represented the provision of Hong Kong profits tax calculated at 16.5% of the estimated assessable profits during FY2016 and FY2017, respectively. In line with the decrease in taxable profits, income tax expenses decreased to approximately HK\$4.7 million for FY2017 (2016: HK\$5.3 million).

Profit and total comprehensive income attributable to owners

As a result of the foregoing, the profit attributable to owners of the Company decreased by approximately HK\$11.4 million, from approximately HK\$23.5 million for FY2016 to approximately HK\$12.1 million for FY2017. The net profit margin decreased to 4.1% as compared to 7.3% for FY2016. Excluding the non-recurring listing expenses, the Group would have recorded a profit attributable to owners of the Company of approximately HK\$22.8 million for FY2017 (2016: approximately HK\$26.3 million).

DIVIDEND

The Board has resolved not to recommend any final dividend for FY2017 (2016: HK\$59.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 July 2017 was approximately 3.7 times as compared to that of approximately 4.6 times as at 31 July 2016. The decrease was mainly due to the fact that the current assets did not increase as much as the current liabilities in terms of percentage. As at 31 July 2017, the Group had total bank and cash balances of approximately HK\$116.2 million (31 July 2016: HK\$35.5 million). In addition, the Group had no bank loan (31 July 2016: HK\$2.4 million), import loans of approximately HK\$ 65.0 million (31 July 2016: HK\$15.9 million) and finance lease payables of approximately HK\$0.4 million (31 July 2016: HK\$0.7 million) as at 31 July 2017.

The gearing ratio, calculated based on total debts (including bank borrowings and finance lease payables) divided by total equity at the end of the year and multiplied by 100%, was approximately 23.6% as at 31 July 2017 (31 July 2016: approximately 11.7%). The Group had nil unutilised banking facilities as at 31 July 2017 (31 July 2016: HK\$49.1 million). 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, bank borrowings and net proceeds from the listing of the Company.

COMMITMENTS

The operating lease commitments of the Group as lessee represented rentals payable by the Group for its office premises and Director's quarter; and those as lessor represented rentals receivable by the Group for its earthmoving machinery and equipment. The Group's operating lease commitments as lessee and lessor amounted to approximately HK\$3.6 million (31 July 2016: HK\$1.6 million) and HK\$5.5 million (31 July 2016: HK\$0.3 million) as at 31 July 2017, respectively.

As at 31 July 2017, the Group did not have any material capital commitments (31 July 2016: Nil).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The bank borrowings which had been secured by (i) personal guarantees jointly or severally executed by the controlling shareholders of the Company which have been subsequently released as a result of the listing of the Company and (ii) the legal charge over the property of Blue Treasure Limited (a related company wholly-owned by the controlling shareholders of the Company) which was released on 8 February 2017, are secured by the Group's pledged bank deposit of HK\$10.0 million. Finance lease was secured by a legal charge over a motor vehicle of the Group.

As at 31 July 2016 and 31 July 2017, the Group did not have any material contingent liabilities.

CAPITAL STRUCTURE

The Shares of the Company were listed on the GEM of the Stock Exchange on 27 July 2017 (the "Listing Date"). There has been no change in the Company's capital structure since the listing of the Company (the "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.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed in note 7 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

Upon completion of the reorganisation of the Company (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group structure" of the prospectus of the Company dated 17 July 2017 (the "Prospectus").

Save as aforesaid, during FY2017, the Group had no 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 Hong Kong dollar ("HKD"), Japanese Yen ("JPY"), Renminbi ("RMB"), Euro ("EUR") and US dollar ("USD"). There is a currency difference between our revenue receipts (which are denominated in HKD) and some of the payments for purchases (which are denominated in JPY, EUR, RMB 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2017, the Group employed 48 (31 July 2016: 39) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK\$15.5 million (2016: approximately HK\$14.4 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 will be reviewed by the Board regularly and the remuneration package includes salary, allowances and bonus; and the Group also makes contributions to the mandatory provident fund schemes. The Company adopted a share option scheme on 30 June 2017 for the purpose of enabling the Company to grant options to, among others, the employees and directors of the Company and its subsidiaries. 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.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments as at 31 July 2017. The Group does not have any other plans for material investments or capital assets as at 31 July 2017.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing, after deducting the listing-related expenses, were approximately HK\$99.0 million (based on the final offer price of HK\$0.44 per offer share), which were different from the estimated net proceeds of HK\$79.6 million (based on an offer price of HK\$0.36 per offer share (being the mid-point of the offer price range between HK\$0.28 to HK\$0.44 per share)) as disclosed in the Prospectus. The difference of the HK\$19.4 million has been adjusted in the same manner and in the same proportion to the use of proceeds as shown in the Prospectus. Since the net proceeds from the Listing were received shortly by the Company before its financial year end date of 31 July 2017, the net proceeds were not utilised for FY2017. The unutilised net proceeds from the Listing have been placed with licensed banks in Hong Kong and will be applied in the manner consistent with the proposed allocations and timetable as set out in the Prospectus.

OVERVIEW

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible and has general powers for the management and conduct of the business of the Group. The senior management consists of sales and service support manager, workshop supervisor and administrative manager. The senior management is responsible for the day-to-day management of the business.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. CHOW Luen Fat (周聯發), aged 44, is the chairman of the Board and the chief executive officer. Mr. Chow was appointed as a Director on 11 December 2015 and was re-designated as an executive Director on 4 August 2016. Mr. Chow also holds directorships in all the subsidiaries of the Company. Mr. Chow is primarily responsible for overall management, strategic planning, procurement and development of the Group. Mr. Chow is the spouse of Ms. Cheng Ju Wen (“Ms. Cheng”), a non-executive Director of the Company.

Mr. Chow has more than 19 years of experience in the heavy equipment industry. Prior to founding the Group, Mr. Chow worked for Shing Lee Construction Machinery Co. Limited from March 1998 and his last position was purchasing and sales manager when he left in February 1999. During such period, he was responsible for purchasing and sales of heavy equipment. From 1999 to 2001, Mr. Chow operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Mr. Chow co-founded Tak Lee Machinery Company Limited (“Tak Lee Machinery”) with Ms. Cheng and acted as a director of Tak Lee Machinery. Subsequently, together with Ms. Cheng, Mr. Chow incorporated the subsidiaries, namely, Econsmart Limited and Success Sky Corporation Limited in September 2001 and October 2010, respectively, and has since been serving as a director of these subsidiaries. Mr. Chow is also a director and a shareholder of Generous Way Limited, a substantial shareholder of the Company.

Mr. Chow served on the Hong Kong Construction Machinery Association (which was subsequently incorporated as the Hong Kong Construction Machinery Association Company Limited on 24 December 2009) as the president from July 2005 to June 2006 and had served as the honorary president from July 2007 for a term of ten years ended in June 2017 and continues to serve as the honorary president from July 2017 for a term of four years.

Mr. Chow obtained a bachelor’s degree in engineering from Tohwa University in Japan in March 1998.

Ms. LIU Shuk Yee (廖淑儀), aged 33, was appointed as an executive Director on 4 August 2016 and is primarily responsible for the sales and marketing, operation, procurement and development of the Group. Ms. Liu has approximately 15 years of experience in the heavy equipment industry. She joined the Group in August 2002 as a sales officer, mainly responsible for liaising with customers for the purchase order and the delivery of heavy equipment and marketing, and was promoted progressively over the years to manager in July 2009, primarily responsible for overseeing the marketing function and the general operation, and senior manager in December 2010, mainly responsible for the management of sales and marketing function and overseeing the day-to-day operation.

Ms. Liu obtained a bachelor's degree of arts in business administration and management from De Montfort University in the United Kingdom through a distance learning course in September 2013.

Ms. NG Wai Ying (吳慧瑩), CPA & FCCA, aged 44, was appointed as an executive Director and the company secretary of the Company on 4 August 2016. She has been appointed as the chief financial officer since May 2016. Ms. Ng is primarily responsible for the overall financial affairs and management and company secretarial matters of the Group. Ms. Ng is also the compliance officer of the Company.

Ms. Ng has over 21 years of experience in auditing and financial management. From July 1995 to March 1997, Ms. Ng worked as an audit assistant in Morison Heng CPA Limited and was responsible for external auditing. Ms. Ng joined Deloitte Touche Tohmatsu in August 1997 and her last position was senior accountant when she left in May 2000, and she was responsible for various external auditing, initial public offering and due diligence projects. From July 2000 to July 2001, Ms. Ng joined Sino-i.com Limited as an accountant. From July 2001, Ms. Ng worked as the accounting manager at Asia Aluminum Holdings Limited and her last position was financial controller when she left in March 2009, and she was responsible for the overall financial affairs. From August 2009 to November 2015, Ms. Ng was the financial controller in Trillion New HK Limited and she was responsible for financial reporting, capital markets and financing activities and department management.

Ms. Ng graduated from The Hong Kong Polytechnic University with a bachelor's degree of arts in accountancy in October 1995. Ms. Ng has been admitted as a fellow member of The Association of Chartered Certified Accountants since October 2003. Ms. Ng has also been admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since October 1998.

NON-EXECUTIVE DIRECTOR

Ms. CHENG Ju Wen (鄭如雯), aged 45, was appointed as a Director on 11 December 2015 and was redesignated as the non-executive Director on 4 August 2016. Ms. Cheng also holds directorships in all the subsidiaries of the Company. Ms. Cheng is primarily responsible for strategic planning and business development of the Group. Ms. Cheng is the spouse of Mr. Chow Luen Fat ("Mr. Chow"), an executive Director of the Company.

From 1999 to 2001, Ms. Cheng operated Tak Lee Machinery Company, an unlimited company in Hong Kong, which was engaged in the sales of used heavy equipment in Hong Kong. In March 2001, Ms. Cheng co-founded and acted as a director of Tak Lee Machinery. Subsequently, together with Mr. Chow, Ms. Cheng incorporated the subsidiaries, namely, Econsmart Limited and Success Sky Corporation Limited in September 2001 and October 2010, respectively, and has since been serving as a director of these subsidiaries. Ms. Cheng is also a director and a shareholder of Generous Way Limited, a substantial shareholder of the Company.

Ms. Cheng obtained a bachelor's degree in engineering from Tohwa University in Japan in March 1998.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWOK Siu Man (郭兆文), aged 58, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. Mr. Kwok has over 30 years of experience in legal, compliance and corporate secretarial matters and management gained from working as the company secretary of various groups (including the Hang Seng Index Constituent and Hang Seng Mid-cap 50 stock companies) and the managing director of a top-notch financial printer in Hong Kong with an international affiliation. Mr. Kwok is presently an executive director and the Head of Corporate Secretarial, Boardroom Corporate Services (HK) Limited and a Director of Boardroom Share Registrars (HK) Limited.

Mr. Kwok obtained a professional diploma in company secretaryship and administration and a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1983 and 1994, respectively. He earned a post-graduate diploma in laws from the Manchester Metropolitan University in England in 1998 and passed the Common Professional Examinations of England and Wales in the same year. Mr. Kwok was a council member of The Hong Kong Institute of Chartered Secretaries ("HKICS") from May 1989 to December 2005 and from December 2008 to May 2010. From June 1997 to June 1999, Mr. Kwok was the chief examiner for Hong Kong Company Secretarial Practice module of the international qualifying scheme of the HKICS. Mr. Kwok has been admitted as a fellow member of The Institute of Chartered Secretaries and Administrators in England since 1990, and The Institute of Financial Accountants in England since 1996, the HKICS since 1994, The Association of Hong Kong Accountants, The Hong Kong Institute of Directors since 2014 and the Institute of Public Accountants in Australia since 2015. Mr. Kwok has also been a member of the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute) since 1999. He also possesses other professional qualifications in arbitration, taxation, human resource management and financial planning. He was also named in the "International WHO's WHO of Professionals" in 1999.

Mr. Kwok is presently a member of the executive committee of Federation of Share Registrars and has been a director of a charity fund since its incorporation in May 1992.

Mr. LAW Tze Lun (羅子璘), aged 45, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. Mr. Law has over 25 years of experience in auditing, accounting and finance. From January 1992 to May 1997, he worked as an audit supervisor at Cheng, Kwok & Chang C.P.A. and was mainly responsible for audit work and supervision. Since July 1997, Mr. Law worked at Chiang & Lai C.P.A. as an officer and he was promoted to partner in April 2003, and he was responsible for reviewing all audit files and providing training to the staff. In February 2008, Mr. Law founded Law Tze Lun C.P.A., which provided accounting and auditing services. Since December 2010, Mr. Law has been a director of ANSA CPA Limited, which was principally engaged in the provision of auditing and accounting services.

Mr. Law has been serving as an independent non-executive director of Come Sure Group (Holdings) Limited (stock code: 794) since February 2009, Gemini Investments (Holdings) Limited since November 2010 (formerly known as Kee Shing (Holdings) Limited) (stock code: 174) and National Investments Fund Limited since December 2013 (stock code: 1227), all of which are companies listed on the Main Board of the Stock Exchange.

In March 1999, Mr. Law obtained a bachelor's degree in commerce (accounting) from Curtin University of Technology in Australia. Since April 1999, Mr. Law has been admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants (currently known as CPA Australia). Mr. Law has also been admitted as an associate and certified public accountant of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) in October 2000 and March 2003, respectively, and as a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2014.

Mr. WONG Man Hin Raymond (黃文顯), aged 51, was appointed as the independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board.

Mr. Wong has been serving as a director of companies listed on the Main Board and GEM of the Stock Exchange. Mr. Wong has been acting as an executive director since April 2002 and the deputy chairman since April 2007 of Raymond Industrial Limited (stock code: 229). Mr. Wong has also been serving as an independent non-executive director of Nan Nan Resources Enterprise Limited (stock code: 1229) since March 2008, Modern Beauty Salon Holdings Limited (stock code: 919) since December 2009 and Zhejiang United Investment Holdings Group Limited (stock code: 8366) since July 2017.

Mr. Wong obtained a bachelor's degree in chemical engineering from Lehigh University in the United States in October 1988 and a master's degree in economics from University of Hawaii at Manoa in December 1994. Mr. Wong has been admitted a Certified Management Accountant and a member of American Institute of Certified Public Accountants since September 1998 and May 1999, respectively. Mr. Wong was also awarded a certificate in financial management by the Institute of Certified Management Accountants in April 1999.

SENIOR MANAGEMENT

Mr. LO Chi Yuen (羅志遠), aged 44, is the sales and service support manager. Mr. Lo oversees the day-to-day sales and leasing activities including procurement and after sales services. He joined the Group in June 2012 as the parts sales and service support manager.

Mr. Lo has experience of over 17 years in sales and service management in the heavy equipment industry. Prior to joining the Group, Mr. Lo worked in Hitachi Construction Machinery (Hong Kong) Co. Ltd from March 2000 to March 2001 and oversaw the sales operation in respect of spare parts of heavy equipment. From April 2001 to June 2007, Mr. Lo worked in Powerhorse International Limited as a supervisor and from January 2009 to May 2012, Mr. Lo worked in Shenzhen Mapper Machinery Equipment Co. Ltd as the assistant parts manager and was in charge of the sales of spare parts.

Mr. CHENG Yu Man (鄭裕民), aged 56, is the workshop supervisor. Mr. Cheng is responsible for overseeing the day-to-day operation of the maintenance and ancillary services as well as the maintenance and upkeep of equipment. Mr. Cheng has completed a number of training courses on gas welding safety, abrasive wheel safety and operation of excavator organised by Vocational Training Council, Hong Kong Safety Training Centre and Construction Industry Council in March 2004, June 2004 and July 2011 respectively.

Mr. Cheng has worked in the heavy equipment industry for over 10 years since he joined the Group as a technician in February 2007. Mr. Cheng was promoted progressively over the years to workshop supervisor in December 2010.

Ms. WONG Ka Yee (黃嘉儀), aged 32, is the administrative manager. Ms. Wong is responsible for the general administration and human resource activities of the Group. Ms. Wong has worked in the heavy equipment industry for over 10 years.

She joined the Group in August 2006 and was promoted progressively over the years to administrative manager in November 2010.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Ng Wai Ying is the company secretary and compliance officer of the Company. Details of her qualifications and experience are set out in the paragraph headed “Executive Directors” in this section.

The Board is pleased to present its report and the audited consolidated financial statements of the Group for FY2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements. There was no significant change in the Group's principal activities during FY2017.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 11 December 2015 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 June 2017. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group structure" of the Prospectus.

The Company's issued ordinary shares of HK\$0.01 each have been listed on GEM of the Stock Exchange since 27 July 2017.

BUSINESS REVIEW

Detailed business review is set out in the section headed "Management Discussion and Analysis" ("MD&A") of the annual report from pages 10 to 15. Future development of the Company's business is set out in the MD&A and the section headed "Chairman's Statement" in the annual report from page 6 to page 9.

KEY RISKS AND UNCERTAINTIES

Discussion of key risks and uncertainties is included in the section headed "Chairman's Statement" in the annual report from page 6 to page 9. The Group believes that the risk management practices are important and uses its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible. The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to the Group's business have been set out in the Prospectus under the section headed "Risk Factors".

ENVIRONMENTAL POLICIES AND PERFORMANCE

We believe that our business depends on, among others, our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. In order to meet our customers' requirements, we have established safety, quality and environmental management systems. Through an effective control of our operations, compliance with safety, quality and environmental requirements can be further assured. Detailed discussion of the environmental policies and performance will be included in the Environmental, Social and Governance Report which will be separately published on the respective websites of the Stock Exchange and the Company within three months after publication of annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during FY2017.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During FY2017, the Group has maintained a good relationship with its stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders. Detailed discussion of the key relationships with employees, customers' and supplier will be included in the Environmental, Social and Governance Report which will be separately published on the respective websites of the Stock Exchange and the Company within three months after publication of the annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

The Board has resolved not to recommend any final dividend for FY2017 (2016: HK\$59.5 million).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "2017 AGM") of the Company is scheduled to be held on Wednesday, 29 November 2017. A notice convening the 2017 AGM will be issued and despatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 November 2017 to Wednesday, 29 November 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 November 2017.

RESERVES

Details of movements in the reserves of the Group during FY2017 are set out in the consolidated statement of changes in equity on page 53 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last three financial years is set out on page 102. This summary does not form part of the audited consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During FY2017, the Group made charitable contributions totalling HK\$80,000.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 5.6% (2016: 7.5%) of the total revenue for FY2017 while the Group's top five largest customers accounted for 22.5% (2016: 24.2%) of the total revenue for FY2017.

The aggregate purchase attributable to the Group's top five largest suppliers were 60.1% (2016: 67.9%) of the Group's total purchases for FY2017 with the largest supplier accounted for 24.1% (2016: 44.4%) of the total purchases.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any Shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued Shares) had any interests in any of the Group's top five largest customers or suppliers referred to above.

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 from the Listing Date to 31 July 2017.

SUFFICIENCY OF PUBLIC FLOAT

For the period from the Listing Date to 31 July 2017 and as at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the period from the Listing Date to 31 July 2017 and thereafter up to the date of this report as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association (the "Articles Association"), or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

SHARE CAPITAL

Details of the Company's share capital are set out in note 25 to the consolidated financial statements.



SHARE OPTION SCHEME

The share option scheme of the Company (the “Scheme”) is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules. The Scheme was adopted on 30 June 2017. There were no share options granted or agreed to be granted under the Scheme from the date of its adoption to 31 July 2017 and up to the date of this report.

The following is a summary of the principal terms of the Scheme but it does not form part of, nor was it intended to be part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

(a) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant options to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Company and/or any of the subsidiaries.

(b) Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following parties (collectively the “Eligible Participants”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

(c) Amount payable on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the relevant acceptance date.

(d) **Total number of securities available for issue under the Scheme together with the percentage of the issued shares that it represents as at the date of this report**

The maximum number of the Shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of the Shares in issue (the "General Scheme Limit"). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew the General Scheme Limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the General Scheme Limit to Eligible Participants specifically identified by the Board.

As at the date of this report, the maximum number of the Shares in respect of which options may be granted under the Scheme and any other share options schemes of the Company is 100,000,000 Shares.

(e) **Maximum Entitlement of each participant under the Scheme**

- (i) Subject to (ii) below, total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.
- (ii) If the Board proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue and having an aggregate value in excess of HK\$5 million based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to shareholders' approval in advance in a general meeting.

(f) **Basis of Determining the Exercise Price**

The exercise price in relation to each option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price shall not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) **Period within which the securities must be taken up under an option**

An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to each grantee within which the option may be exercisable provided that such period of time shall not exceed a period of 10 years commencing from the date upon which the option is deemed to be granted and accepted.

(h) **Remaining life of the Scheme**

The Scheme shall be valid and effective for a period of 10 years from the Listing Date.

EQUITY-LINKED AGREEMENTS

Other than the Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

Share premium and retained profit of the Company may be available for distribution to Shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. The Company's reserves available for distribution to Shareholders as at 31 July 2017 amounted to approximately HK\$87.9 million.

DIRECTORS

From the Listing Date and up to the date of this report, the Board's composition is as follows:

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

Mr. KWOK Siu Man

Mr. LAW Tze Lun

Mr. WONG Man Hin Raymond

Retirement and re-election of Directors

In accordance with Article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

According to Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed by the Board pursuant Article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of the Directors who are to retire by rotation. Accordingly, all Directors will retire and, being eligible, offer themselves for re-election at the 2017 AGM, being the first annual general meeting of the Company after the Listing.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing on the Listing Date subject to termination in certain circumstances as stipulated in the relevant service agreement.

The non-executive Director has entered into an appointment letter with the Company for an initial term of one year commencing on the Listing Date subject to termination in certain circumstances as stipulated in the relevant appointment letter.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year commencing on the Listing Date subject to renewal and termination in certain circumstances as stipulated in the relevant appointment letter.

Save as disclosed above, none of the Directors proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Nomination Committee has assessed the independence of the independent non-executive Directors and confirmed that all independent non-executive Directors remained independent.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 July 2017, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (i) which were 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) which were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Interests in the Company

Long positions in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Mr. CHOW Luen Fat	Interest in a controlled corporation (Note)	750,000,000	75%
Ms. CHENG Ju Wen	Interest in a controlled corporation (Note)	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 Luen Fat and 50% by Ms. CHENG Ju Wen. Mr. CHOW Luen Fat and Ms. CHENG Ju Wen are spouses. Under the SFO, each of Mr. CHOW Luen Fat and Ms. CHENG Ju Wen is deemed to be interested in the same number of Shares held by Generous Way.

Interests in associated corporation of the Company

Long positions in the shares of the associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Percentage of shareholding
Mr. CHOW Luen Fat	Generous Way	Beneficial owner	50	50%
Ms. CHENG Ju Wen	Generous Way	Beneficial owner	50	50%

Save as disclosed above, as at 31 July 2017, 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) (i) which would have 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) which were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

As at 31 July 2017, so far as the Directors are aware, the following person (other than the Directors and the chief executive of the Company) had interests and/or short position in the shares or underlying shares of the Company 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 positions in the Shares

Name of shareholder	Capacity/Nature of interest	Number of shares held	Percentage of the Company's issued share capital
Generous Way	Beneficial owner	750,000,000	75%

At 31 July 2017, the Company has not been notified of any other person (other than the Director or the chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Scheme, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or its parent company was a party and in which a Director of the Company or an entity connected with any of them had a material interest, whether directly or indirectly, subsisted at the end of FY2017 or at any time during FY2017.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company (as defined in the GEM Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries at the end of FY2017 or at any time during FY2017.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

COMPETING INTEREST

For FY2017, the Directors were not aware of any business or interest of the Directors, the controlling Shareholders, and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

A deed of non-competition (the “Deed of Non-competition”) dated 30 June 2017 was executed in favour of the Company (for itself and as trustee for each of its subsidiaries) by Mr. CHOW Luen Fat, Ms. CHENG Ju Wen and Generous Way (collectively the “Controlling Shareholders”) regarding certain non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with Controlling Shareholders”.

Each of the Controlling Shareholders has given an annual declaration to the Company confirming that he/she/it has complied with the non-compete undertakings to the Company under the Deed of Non-competition. The Independent Non-executive Directors have reviewed the compliance with the Deed of Non-competition and are satisfied that the Controlling Shareholders have complied with the provisions of the Deed of Non-Competition during FY2017.

MANAGEMENT CONTRACTS

No contract relating to the management and/or administration of the whole or any substantial part of any business of the Group was entered into or subsisted during FY2017.

EMOLUMENT POLICY

The remuneration policy of the Group is to reward its employees and executives based on, among other things, their performance, qualification, competence displayed and market comparable. Remuneration package typically comprises of salaries, contribution to pension schemes and discretionary bonuses.

The Remuneration Committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members. The Director’s fee for each of the Directors is subject to the Board’s review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group.

COMPLIANCE ADVISER'S INTEREST

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Southwest Securities (HK) Capital Limited to be the compliance adviser. As at 31 July 2017, as notified by Southwest Securities (HK) Capital Limited, save for the compliance adviser agreement entered into between the Company and the compliance adviser dated 4 July 2017, neither Southwest Securities (HK) Capital Limited nor any of its directors, employees or close associates had any interest in the securities of the Company.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during FY2017 and FY2016 are set out in note 31 to the consolidated financial statements.

The Directors consider that these significant related party transactions disclosed in note 31 to the consolidated financial statements did not fall under the definition of “connected transactions” or “continuing connected transactions” (as the case may be) under Chapter 20 of the GEM Listing Rules requiring compliance with any of the reporting, announcement or independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Company has established the Audit Committee on 30 June 2017 with written terms of reference in compliance with the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules. Details of the role and work performed by the Audit Committee are set out in the section headed “Corporate Governance Report” of the annual report. The Audit Committee has reviewed the audited consolidated financial statements of the Group for FY2017 and is of the view that the preparation of such statements complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association provides, among others, that every Director shall be entitled to be indemnified out of the assets or profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS AND THE DIRECTORS

Details of the emoluments of the five highest paid individuals and the Directors for the year are set out in notes 12 and 13 to the consolidated financial statements, respectively.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the “Code Provision(s)”) during the period from the Listing Date to 31 July 2017, save for the deviation from Code Provision A.2.1.

Further information on the Company’s corporate governance practices is set out in the section headed “Corporate Governance Report” of the annual report from pages 33 to 44.

The compliance officer and the company secretary is Ms. NG Wai Ying, whose biographical details are set out on page 17.

INDEPENDENT AUDITOR

RSM Hong Kong will retire at the conclusion of the 2017 AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the 2017 AGM to be held on 29 November 2017 to seek the Shareholders’ approval on the appointment of RSM Hong Kong as the Company’s independent auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

EVENTS AFTER THE YEAR

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 July 2017 and up to the date of this report.

On behalf of the Board
CHOW Luen Fat
Chairman

Hong Kong, 16 October 2017

The Company is committed to fulfilling its responsibilities to its shareholders (the “Shareholders”) and protecting and enhancing Shareholders’ values through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

As the shares of the Company (the “Shares”) were initially listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange on 27 July 2017 (the “Listing Date”), the code provisions (the “Code Provision(s)”) set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) were not applicable to the Company for the period from 1 August 2016 to 26 July 2017.

Save for the deviation from Code Provision A.2.1 of the CG Code as disclosed below in the Corporate Governance Report, the Company has complied with all applicable Code Provisions as set out in the CG Code during the period from the Listing Date to 31 July 2017 (the “Period”).

BOARD OF DIRECTORS

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group’s values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group’s business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group’s corporate governance practices and all other functions reserved to the Board under the Articles of Association of the Company. The Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The responsibilities of these board committees include monitoring the Group’s operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place. The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company’s expense.

COMPOSITION

The Company has been maintaining a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors (the “INEDs”)) so that there is a strong independent element on the Board, enabling the Board to exercise effective independent judgment.

As at the date of the annual report, the Board comprises the following seven Directors, of which the non-executive Directors (including INEDs) in aggregate represent over 50% of the Board members:

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

Mr. KWOK Siu Man
Mr. LAW Tze Lun
Mr. WONG Man Hin Raymond

Note: Mr. Chow Luen Fat, the chairman and chief executive officer, is the husband of Ms. Cheng Ju Wen, a non-executive Director, who is the wife of Mr. Chow Luen Fat.

The biographical details of each of the Directors are set out in the section headed “Directors and Senior Management” of the annual report.

Save as disclosed aforesaid, there was no financial, business, family or other material relationship among the Directors during the Period and up to the date of the annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through their active participation in the Board meetings and serving on various board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company fulfilled the requirements set out in Rules 5.05 and 5.05A of the GEM Listing Rules that the Board must include at least three INEDs and they must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules from the Listing Date to the date of the annual report.

For the financial year commencing on 1 August 2017, the chairman of the Board will at least annually hold one meeting with the non-executive Directors (including the INEDs) without the presence of other executive Directors. Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing on the Listing Date.

Each of the non-executive Directors (including INEDs) has entered into a letter of appointment with the Company for an initial fixed term of one year commencing on the Listing Date.

Principle A.4 of the CG Code stipulates that there should be a formal, considered and transparent procedure for the appointment of new Directors, and all Directors should be subject to re-election at regular intervals.

All the Directors, including INEDs, are subject to retirement by rotation and, being eligible, may offer themselves for re-election in accordance with the Articles of Association. At each annual general meeting ("AGM") of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and shall be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

BOARD MEETINGS AND ATTENDANCE RECORDS

The Board did not hold any meeting during the Period. For the year commencing on 1 August 2017 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the Board meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary is responsible for recording and keeping all minutes of Board meetings. Draft and final versions of the minutes will be circulated to all Directors for their comments and records respectively within a reasonable time after each Board meeting and the final version is open for the Directors' inspection.

The Board held a meeting on 16 October 2017 and, among other matters, considered and approved the audited consolidated financial statements of the Group for the year ended 31 July 2017.

The attendance of each Director at Board meetings during the Period and up to the date of the annual report is as follows:

Name of Directors	No. of Attendance/ No. of Meetings
Mr. CHOW Luen Fat	1/1
Ms. LIU Shuk Yee	1/1
Ms. NG Wai Ying	1/1
Ms. CHENG Ju Wen	1/1
Mr. KWOK Siu Man	1/1
Mr. LAW Tze Lun	1/1
Mr. WONG Man Hin Raymond	1/1

During the Period, the Company did not hold any general meeting.

BOARD DIVERSITY POLICY

The Board has adopted a Board diversity policy which sets out all measurable objectives to achieve and maintain diversity on the Board to enhance effectiveness of the Board.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experiences and varying perspectives appropriate for the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of his/her director's responsibilities under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. During FY2017, each of the Directors attended the training seminar arranged by the Company's Hong Kong legal advisers on directors' responsibilities.

The Company will from time to time fund and arrange suitable training to all Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records.

According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors in FY2017 is summarised as follows:

Name of Directors	Type of trainings
Mr. CHOW Luen Fat	A and B
Ms. LIU Shuk Yee	A and B
Ms. NG Wai Ying	A and B
Ms. CHENG Ju Wen	A and B
Mr. KWOK Siu Man	A and B
Mr. LAW Tze Lun	A and B
Mr. WONG Man Hin Raymond	A and B

A: Attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops relevant to regulatory and governance updates

B: Reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES BY DIRECTORS

The Company has adopted the required standard of dealings (the "Required Standard of Dealings") as contained in Rules 5.48 to 5.67 of the GEM Listing Rules as its required standard for Directors' dealings in the securities of the Company. Following a specific enquiry made by the Company on each of the Directors, each Director has confirmed that he/she had complied with the Required Standard of Dealings during the Period.

The Required Standard of Dealings is also applicable to dealings in the securities of the Company by other employees of the Group who are likely to be in possession of inside information of the Company.

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code 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 is the Chairman of the Board and the Chief Executive Officer of the Company. In view of Mr. Chow Luen Fat being one of the founders of the Group and has been operating and managing the Group since its establishment in 2001, the Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Chow Luen Fat 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 Code Provision A.2.1.

Mr. Chow Luen Fat provides leadership to the Company and is responsible for overall management, strategic planning and supervision of operations of the Group.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for the board committees are posted on the respective websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee was established on 30 June 2017 with written terms of reference in compliance with the CG Code. It comprises three INEDs, namely Mr. Law Tze Lun (chairman of the Audit Committee), Mr. Wong Man Hin Raymond, and Mr. Kwok Siu Man.

The duties of the Audit Committee include, but not limited to reviewing the Group's financial reports, internal control and risk management systems in order to ensure the presentation of a true and balanced assessment of the Group's financial position and corporate governance; reviewing the effectiveness of the Company's internal audit function, making recommendation to the Board on the appointment of auditor; and reviewing financial and accounting policies and practices adopted by the Group. Other duties of the Audit Committee are set out in its terms of reference.

The Audit Committee shall meet with the Company's external auditor at least twice a year. During the Period, no Audit Committee meeting was held.

The first Audit Committee meeting was held on 9 August 2017. At the meeting, the Audit Committee reviewed and approved the audit service memorandum presented by the external auditor; discussed with the management and the external auditor the issues concerning the accounting policies and practices which may affect the Group, along with financial reporting matters; and determined the annual audit fee of the external auditor.

Another Audit Committee meeting was held on 16 October 2017 for, among other matters, considering and approving for presentation to the Board for consideration and approval the audit-related matters and the audited consolidated financial statements of the Group for FY2017.

This annual report for the year ended 31 July 2017 has been reviewed by the Audit Committee.

The attendance records of members at the Audit Committee meetings are as follows:

Name of Committee Members	No. of Attendance/ No. of Meetings
Mr. LAW Tze Lun (<i>Committee Chairman</i>)	2/2
Mr. KWOK Siu Man	2/2
Mr. WONG Man Hin Raymond	2/2

REMUNERATION COMMITTEE

The Remuneration Committee was established on 30 June 2017 with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises three INEDs, namely Mr. Wong Man Hin Raymond (chairman of the Remuneration Committee), Mr. Law Tze Lun and Mr. Kwok Siu Man.

The duties of the Remuneration Committee include, but not limited to making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy; and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. Other duties of the Remuneration Committee are set out in its terms of reference.

During the Period, no Remuneration Committee meeting was held.

The Remuneration Committee held a meeting on 16 October 2017 for reviewing and recommending to the Board for consideration certain remuneration-related matters of the Directors and senior management.

The attendance records of members at the Remuneration Committee meeting are as follows:

Name of Committee Members	No. of Attendance/ No. of Meeting
Mr. WONG Man Hin Raymond (<i>Committee Chairman</i>)	1/1
Mr. LAW Tze Lun	1/1
Mr. KWOK Siu Man	1/1

NOMINATION COMMITTEE

The Nomination Committee was established on 30 June 2017 with written terms of reference in compliance with the CG Code. It comprises three INEDs, namely Mr. Kwok Siu Man (chairman of the Nomination Committee), Mr. Law Tze Lun and Mr. Wong Man Hin Raymond.

The duties of the Nomination Committee include, but not limited to reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and reviewing the Company's board diversity policy, as appropriate, and reviewing the measurable objectives that the Board has set for implementing the Company's board diversity policy. Other duties of the Nomination Committee are set out in its terms of reference.

During the Period, no Nomination Committee meeting was held.

The Nomination Committee held a meeting on 16 October 2017 for among other things, reviewing the structure, size and composition of the Board, assessing the independence of the INEDs and recommending to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM.

The attendance records of members at the Nomination Committee meeting are as follows:

Name of Committee Members	No. of Attendance/ No. of Meeting
Mr. KWOK Siu Man (<i>Committee Chairman</i>)	1/1
Mr. LAW Tze Lun	1/1
Mr. WONG Man Hin Raymond	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as set out in Code Provision D.3.1 of the CG Code, which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for FY2017 are set out in note 13 to the consolidated financial statements.

Pursuant to Code Provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors), whose particulars are contained in the section headed "Directors and Senior Management" of the annual report, for FY2017 by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	3

INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid or payable to RSM Hong Kong, being the independent auditor of the Company, in respect of the audit services related to the audit for FY2017 amounted to HK\$0.5 million.

The remuneration paid or payable to RSM Hong Kong and its related entities in respect of the services in connection with the listing of the shares of the Company on GEM of the Stock Exchange and other permissible non-audit services for FY2017 amounted to approximately HK\$1.2 million and HK\$28,000, respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company which give a true and fair view of the state of affairs of the Group. In preparing such financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on page 45 to page 50 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group does not have an internal audit department. The Group engaged an external consultant, Baker Tilly Hong Kong Risk Assurance Limited, to conduct an internal control review on the internal control system of the Group after the Listing Date. The review covers certain business cycles and procedures undertaken by the Group, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

Since the Listing Date and up to the date of the annual report, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance as well as risk management. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

The Company acknowledges its responsibility for ensuring that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (“SFO”), GEM Listing Rules and all applicable laws and regulations. Procedures and internal controls for handling and dissemination of inside information are in place, which include, but not limited to conducting the Group’s affairs with close regard to the disclosure requirement under the SFO, GEM Listing Rules and all applicable laws and regulations; taking all reasonable steps to maintain strict confidentiality of inside information until it is announced; and establishing and implementing procedures for responding to external enquiries about the Group’s affairs, so that only the executive Directors, the company secretary and the financial controller of the Company are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

The company secretary is Ms. Ng Wai Ying (“Ms. Ng”), who has sound understanding of the operations of the Board and the Group. During FY2017, Ms. Ng has received no less than 15 hours of professional training in compliance with Rule 5.15 of the GEM Listing Rules. As the company secretary, Ms. Ng has been reporting to the Chairman of the Board who is also the Chief Executive Officer of the Company. All members of the Board have access to her advice and services. The appointment and removal of the company secretary will be subject to the Board’s approval.

SHAREHOLDERS’ RIGHTS

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS’ MEETINGS

There are no provisions allowing Shareholders to make proposals or move resolutions at the AGMs under the Memorandum and Articles of Association of the Company (the “M&A”) or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the “EGM”) in accordance with the “Procedures for Shareholders to convene an EGM” set out below.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM

According to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the “Eligible Shareholder(s)”) shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the “Requisition”) signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (presently D.D. 111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, N.T., Hong Kong) for the attention of the company secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the company secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at D.D. 111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, N.T., Hong Kong, by post, for the attention of the company secretary.

Upon receipt of the enquiries, the company secretary will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Board is committed to maintaining an on-going dialogue with Shareholders. The Company has adopted a Shareholders' communication policy with the objective of ensuring that appropriate steps are taken to provide effective communication with the Shareholders. The Company will review the Shareholders' communication policy on a regular basis to ensure its effectiveness.

Information will be communicated to the Shareholders through the Company's AGMs and other EGMs that may be convened as well as all announcements, corporate notice, and other financial and non-financial information published on the websites of the Stock Exchange and the Company in a timely manner.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of the M&A by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 30 June 2017 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during FY2017.

The M&A is available on the respective websites of the Stock Exchange and the Company.



TO THE SHAREHOLDERS OF TAK LEE MACHINERY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tak Lee Machinery Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 51 to 101, which comprise the consolidated statement of financial position as at 31 July 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are estimation of the net realisable value of inventories and impairment assessment on trade receivables.



Key Audit Matter**Estimation of the net realisable value of inventories**

Refer to notes 4(e) and 17 to the consolidated financial statements respectively.

As at 31 July 2017, the Group's inventories amounted to approximately HK\$128,515,000.

Inventories are carried at the lower of cost and net realisable value. Net realisable value is determined based on (i) independent valuations prepared by a qualified external valuer for the machinery (known as heavy vehicle and equipment); and (ii) the estimated selling price less the estimated costs of completion, if relevant, other costs necessary to make the sale for attachment and spare parts.

We focused on this area because of the significance of the inventories balance and the management judgements involved in identifying inventories subject to write-down and determining their net realisable value.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's estimation of the net realisable value of inventories included:

- Noting any slow moving and obsolete inventories during our attendance/observation of the physical inventory count at year end;
- Obtaining and examining the valuation reports for heavy vehicles and equipment, prepared by the external valuer engaged by the Group;
- Assessing the appropriateness of the valuation methodologies and inputs adopted by the external valuer;
- Testing inventories to assess if they are stated at the lower of cost or net realisable value by comparing the actual sales value to the carrying value of selected samples of finished goods; and
- Testing on a sample basis the inventory ageing analysis of the Group at year end, and reviewing subsequent usage and sales of inventories after year end, taking into consideration the impact of changes in technology and customers' preference and our knowledge of the Group's business operations and the industry in which the Group operates.

Key Audit Matter

Impairment assessment on trade receivables

Refer to notes 4(h), 4(p) and 18 to the consolidated financial statements respectively.

As at 31 July 2017, the Group's gross trade receivables and allowance for doubtful debts amounted to approximately HK\$47,105,000 and HK\$3,594,000 respectively.

Certain customers of the Group may have a slower settlement pattern and may settle after the contractual credit period. Management performed periodic credit monitoring, which included the review of customers' credit worthiness, status of collection of outstanding balances and individual credit terms. If there is indicator that the receivables are impaired, management would make specific impairment against individual balances with reference to the recoverable amount.

We focused on this area due to the estimation and judgement involved in the assessment of the recoverability of trade receivables.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment on trade receivables included:

- Understanding and validating the credit control procedures performed by management, including their procedures on periodic review of aged receivables and their assessment of the recoverability of these receivables;
- Testing the accuracy of the ageing profile of trade receivables on a sample basis and reviewing the ageing profile, focusing on the aged receivables for which no impairment had been made; and
- Testing the subsequent settlement of these balances. For those unsettled receivables, we enquired of management about the reasons for the delay in collection of these receivables and reviewed any further actions taken in recovering the long outstanding receivables in order to assess whether any additional impairment should be made.



OTHER INFORMATION AND AUDITOR'S REPORT THEREON

The directors are responsible for the Other Information. The Other Information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE
CONSOLIDATED FINANCIAL STATEMENTS (continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yam Tak Fai, Ronald.

RSM Hong Kong
Certified Public Accountants
Hong Kong
16 October 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

51

For the year ended 31 July 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	7	292,793	320,490
Cost of sales	8	(245,727)	(268,815)
Gross profit		47,066	51,675
Other income and net gains	7	1,004	3,292
Administrative and other operating expenses		(29,989)	(24,871)
Profit from operations		18,081	30,096
Finance costs	9	(1,248)	(1,277)
Profit before tax		16,833	28,819
Income tax expense	10	(4,732)	(5,303)
Profit and total comprehensive income for the year attributable to owners of the Company	11	12,101	23,516
Earnings per share			
– Basic and diluted (HK cents per share)	15	1.61	3.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 July 2017

	Note	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment	16	41,630	12,957
Current assets			
Inventories	17	128,515	108,917
Trade receivables	18	43,511	41,338
Prepayments, deposits and other receivables	19	24,044	6,053
Pledged bank deposit	20	10,000	–
Bank and cash balances	20	116,222	35,470
		322,292	191,778
Current liabilities			
Trade payables	21	6,565	5,140
Other payables and accruals	21	5,018	1,700
Deposits receipt in advance	21	3,234	4,202
Finance lease payables	22	356	346
Current tax liabilities		382	10,242
Deferred tax liabilities	23	6,217	1,680
Bank borrowings	24	64,985	18,286
		86,757	41,596
Net current assets		235,535	150,182
Total assets less current liabilities		277,165	163,139
Non-current liabilities			
Finance lease payables	22	30	386
NET ASSETS		277,135	162,753
Capital and reserves			
Share capital	25	10,000	3,000
Reserves		267,135	159,753
TOTAL EQUITY		277,135	162,753

Approved by the Board of Directors on 16 October 2017 and are signed on its behalf by:

Mr. Chow Luen Fat
Director

Ms. Ng Wai Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

53

For the year ended 31 July 2017

	Share capital	Share premium (note 27(b)(i))	Merger reserve (note 27(b)(ii))	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 August 2015	3,000	-	-	195,752	198,752
Profit and total comprehensive income for the year	-	-	-	23,516	23,516
Dividend paid (note 14)	-	-	-	(59,515)	(59,515)
At 31 July 2016 and 1 August 2016	3,000	-	-	159,753	162,753
Profit and total comprehensive income for the year	-	-	-	12,101	12,101
Group Reorganisation	(2,620)	-	2,620	-	-
Shares issued pursuant to the capitalisation issue (note 25(b))	7,120	(7,120)	-	-	-
Shares issued under the Share Offer (note 25(c))	2,500	99,781	-	-	102,281
At 31 July 2017	10,000	92,661	2,620	171,854	277,135

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2017

	2017 HK\$'000	2016 HK\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	16,833	28,819
Adjustments for:		
Reversal of allowance for trade receivables	(680)	(2,424)
Reversal of allowance for inventories	–	(4,998)
Depreciation	3,870	3,397
Net gain on disposals of property, plant and equipment	(28)	(282)
Interest income	(16)	(8)
Finance costs	1,248	1,277
Operating profit before working capital changes	21,227	25,781
(Increase)/decrease in trade receivables	(1,493)	36,183
(Increase)/decrease in inventories	(52,009)	18,407
(Increase)/decrease in prepayments, deposits and other receivables	(22,402)	26,164
Increase in trade payables	1,425	2,743
Increase/(decrease) in other payables and accruals	3,318	(2,469)
Decrease in deposits receipt in advance	(968)	(886)
Cash (used in)/generated from operations	(50,902)	105,923
Hong Kong Profits Tax paid	(10,055)	(184)
Finance costs paid	(1,248)	(1,277)
Net cash (used in)/generated from operating activities	(62,205)	104,462

CONSOLIDATED STATEMENT OF CASH FLOWS

55

For the year ended 31 July 2017

	2017 HK\$'000	2016 HK\$'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(544)	(1,353)
Proceeds from disposal of property, plant and equipment	440	945
Interest received	16	8
Increase in pledged bank deposit	(10,000)	–
Net cash used in investing activities	(10,088)	(400)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	–	(59,515)
Repayment of bank loan	(2,400)	(2,400)
Repayment of finance lease payables	(346)	(308)
Import loans raised	269,696	164,797
Repayment of import loans	(221,347)	(200,653)
Proceeds from shares issued	106,692	–
Net cash generated from/(used in) financing activities	152,295	(98,079)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	750	(265)
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,752	5,718
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	35,470	29,752
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	116,222	35,470
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	116,222	35,470

For the year ended 31 July 2017

1. GENERAL INFORMATION

Tak Lee Machinery Holdings Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands on 11 December 2015. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The address of its principal place of business is DD111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) now comprising the Group are principally engaged in providing sales of heavy equipment and spare parts, leasing of heavy equipment and provision of maintenance and ancillary services in Hong Kong (the “Business”).

On 27 July 2017 (the “Listing Date”), the Company’s shares were listed (the “Listing”) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In the opinion of the directors of the Company, Generous Way Limited (“Generous Way”), 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 (“Ms. Cheng”) are the ultimate controlling parties of the Company (together with Generous Way, known as the “Controlling Shareholders”).

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Group reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation for the purpose of Listing (the “Group Reorganisation”), the Business was carried out by companies now comprising the Group (collectively the “Operating Companies”). The Operating Companies were controlled by the Controlling Shareholders.

In the preparation for the Listing, the Group has undergone the Group Reorganisation, and the main steps of the Group Reorganisation are summarised below:

(i) *Incorporation of Generous Way*

Generous Way was incorporated in the BVI with limited liability on 28 September 2015. Upon incorporation, Generous Way was authorised to issue a maximum of 50,000 shares with a par value of US\$1.00, of which 50 shares each were allotted and issued as fully paid to Mr. Chow and Ms. Cheng at par on 20 November 2015. As at 31 July 2017, Generous Way was wholly owned by Mr. Chow and Ms. Cheng.

(ii) *Incorporation of the Company*

The Company was incorporated in the Cayman Islands on 11 December 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On 11 December 2015, one nil paid share was issued to the initial subscriber and such nil paid share was subsequently transferred to Generous Way on the same day.

2. GROUP REORGANISATION AND BASIS OF PREPARATION (continued)

Group reorganisation (continued)

(iii) *Incorporation of TLMC Company Limited ("TLMC")*

TLMC was incorporated in the BVI with limited liability on 4 January 2016 by the Company. Upon incorporation, it was authorised to issue up to a maximum of 50,000 shares of a single class without par value, of which one share was allotted and issued as fully paid to the Company at par on 4 January 2016. As at 31 July 2017, TLMC was wholly owned by the Company.

(iv) *Acquisition of 100% share capital of Tak Lee Machinery Company Limited ("Tak Lee Hong Kong"), Econsmart Limited ("Econsmart") and Success Sky Corporation Limited ("Success Sky")*

TLMC (as purchaser), Mr. Chow and Ms. Cheng (as vendors) and the Company entered into a share swap agreement on 23 June 2017, pursuant to which Mr. Chow and Ms. Cheng transferred their entire respective shareholding interests in Tak Lee Hong Kong, Econsmart and Success Sky to TLMC. In consideration thereof, TLMC procured the Company to allot and issue 37,999,999 shares to Generous Way, credited as fully paid and the crediting as fully paid at par the initial one nil paid share registered in the name of Generous Way. After completion of this step, Tak Lee Hong Kong, Econsmart and Success Sky have become wholly owned subsidiaries of TLMC.

Upon completion of the Group Reorganisation, the Company became the holding company of the companies now comprising the Group and the Group Reorganisation has been legally and properly completed and settled on 23 June 2017.

Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 August 2016. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 August 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
HKFRS 16 Leases	1 January 2019

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

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

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 the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

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

HKFRS 9 Financial Instruments (continued)

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The directors of the Company are in the process of assessing the potential impact on the consolidated financial statements resulting from the adoption of HKFRS 9 and anticipate that the adoption of HKFRS 9 may have impact on the Group's results and financial position as the new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a significant impact on the amounts reported and disclosures made on the consolidated financial statements of the Group in the future.

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

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

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office premises and directors' quarter leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 30, the Group's future minimum lease payments under non-cancellable operating leases for its office premises and directors' quarter amounted to approximately HK\$3,639,000 as at 31 July 2017. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 July. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary and any accumulated foreign currency translation reserve relating to that subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

Intra-group transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statements of financial position, the investment in a subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Property, plant and equipment held for use in the supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease term
Plant and machinery	20%
Machinery for lease	10% - 24%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	30%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

The Group, in the course of its ordinary activities, sells its machinery from time to time that it has held for leasing income. Such assets will be transferred to inventories at their carrying amount when they cease to be leased and become held for sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) Inventories

Inventories for machinery, equipment and parts are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in-first-out basis except for machinery and breaker which are determined on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables and bank balances and cash are classified in this category.

(h) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Trade and other receivables (continued)

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out from below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of heavy equipment and spare parts is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue recognition for rental income from lease of heavy equipment is recognised on a straight-line basis over the term of the relevant lease.

Service income is recognised when the service is rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(l) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) **Impairment of financial assets**

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(q) **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below.

Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 July 2017 was approximately HK\$41,630,000 (2016: HK\$12,957,000).

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 July 2017, accumulated impairment loss for bad and doubtful debts amounted to approximately HK\$3,594,000 (2016: HK\$4,274,000).

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HKD, Japanese Yen ("JPY"), Renminbi ("RMB"), Euro ("EUR") and United States Dollars ("USD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's foreign currency denominated financial assets and liabilities, translated into HKD at the prevailing closing rates at the end of the year, are as follows:

	HKD HK\$'000	JPY HK\$'000	RMB HK\$'000	USD HK\$'000	EUR HK\$'000	Others HK\$'000	Total HK\$'000
At 31 July 2017							
Financial assets	167,699	569	577	2,081	-	-	170,926
Financial liabilities	23,560	32,523	1,928	10,439	8,504	-	76,954
At 31 July 2016							
Financial assets	68,489	309	7,264	242	-	1,613	77,917
Financial liabilities	7,666	16,369	217	1,606	-	-	25,858

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates of JPY, RMB and EUR to which the Group has significant exposure at the end of the year. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the change taking place at the beginning of the year and held constant throughout the year.

For the year ended 31 July 2017

6. FINANCIAL RISK MANAGEMENT (continued)**(a) Foreign currency risk (continued)***Sensitivity analysis (continued)*

	Increase/(decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK\$'000
At 31 July 2017		
JPY	5%	(1,334)
JPY	(5%)	1,334
RMB	1%	(11)
RMB	(1%)	11
EUR	7%	(497)
EUR	(7%)	497
At 31 July 2016		
JPY	19%	(2,548)
JPY	(19%)	2,548
RMB	7%	412
RMB	(7%)	(412)
EUR	2%	–
EUR	(2%)	–

As HKD is pegged to USD, the directors considered that the foreign currency risk exposure between HKD and USD is limited.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over 5.6% (2016: 7.5%) of the turnover for the year ended 31 July 2017 and shared nearly 3.9% (2016: 4.6%) of the trade receivables at the end of reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to the non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the Group can be required to pay.

Bank borrowings with a repayment on demand clause should include in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Maturity Analysis – undiscounted cash outflows					Carrying amount HK\$'000
	Less than 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
At 31 July 2017						
Trade payables	6,565	-	-	-	6,565	6,565
Other payables and accruals	5,018	-	-	-	5,018	5,018
Bank borrowings	65,280	-	-	-	65,280	64,985
Financial lease payables	362	30	-	-	392	386
At 31 July 2016						
Trade payables	5,140	-	-	-	5,140	5,140
Other payables and accruals	1,700	-	-	-	1,700	1,700
Bank borrowings	18,403	-	-	-	18,403	18,286
Financial lease payables	362	392	-	-	754	732

6. FINANCIAL RISK MANAGEMENT (continued)**(d) Interest rate risk**

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial liabilities, mainly borrowings which carried interest at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rate for borrowings at the end of the reporting period and assumed that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's consolidated profit after tax for the year ended 31 July 2017 would decrease/increase by approximately HK\$543,000 (2016: HK\$153,000), arising mainly as a result of higher/lower interest expense on borrowings.

(e) Categories of the financial instruments at 31 July 2017

	2017 HK\$'000	2016 HK\$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	170,926	77,917
Financial liabilities:		
Financial liabilities at amortised cost	76,954	25,858

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE AND SEGMENT INFORMATION

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

	2017 HK\$'000	2016 HK\$'000
Revenue		
Sales of heavy equipment and spare parts	274,999	300,937
Lease of heavy equipment	14,010	16,379
Maintenance and ancillary services	3,784	3,174
	292,793	320,490
Other income and net gains		
Compensation income from suppliers	109	343
Net gain on disposals of property, plant and equipment	28	282
Interest income	16	8
Reversal of allowance for trade receivables	680	2,424
Others	171	235
	1,004	3,292

Segment information

Management has determined the operating segments based on the reports reviewed by the directors of the Company, 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 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.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except unallocated cash and bank balances and other unallocated assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Segment liabilities mainly consist of current liabilities as disclosed in the consolidated statement of financial position except income tax liabilities, deferred tax liabilities, bank loan, obligations under finance leases and other unallocated liabilities.

(i) Information about reportable segment profit or loss, assets and liabilities:

	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 2017					
External revenue	274,999	14,010	3,784	–	292,793
Segment results	24,535	7,677	1,096	(16,475)	16,833
Depreciation	–	2,844	–	1,026	3,870
Other material non-cash items:					
Reversal of allowance for trade receivables	680	–	–	–	680
Additions to non-current assets	–	60,457	–	544	61,001
As at 31 July 2017					
Segment assets	188,619	46,241	208	128,854	363,922
Segment liabilities	74,787	–	–	12,000	86,787
Year ended 31 July 2016					
External revenue	300,937	16,379	3,174	–	320,490
Segment results	26,150	9,318	1,039	(7,688)	28,819
Depreciation	–	2,331	–	1,066	3,397
Other material non-cash items:					
Reversal of allowance for trade receivables	2,424	–	–	–	2,424
Reversal of allowance for inventories	4,998	–	–	–	4,998
Additions to non-current assets	–	16,043	–	3,017	19,060
As at 31 July 2016					
Segment assets	151,281	13,030	402	40,022	204,735
Segment liabilities	25,228	–	–	16,754	41,982

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

(ii) *Reconciliation of reportable segment profit or loss, assets and liabilities:*

	2017 HK\$'000	2016 HK\$'000
Profit or loss		
Total profits of reportable segments	33,308	36,507
Unallocated amounts:		
Unallocated income	44	326
Unallocated corporate expenses	(16,519)	(8,014)
Consolidated profit before tax	16,833	28,819
Assets		
Total assets of reportable segments	235,068	164,713
Unallocated amounts:		
Corporate property, plant and equipment	1,814	2,708
Prepayments, deposits and other receivables	818	1,844
Pledged bank deposit	10,000	–
Bank and cash balances	116,222	35,470
Consolidated total assets	363,922	204,735
Liabilities		
Total liabilities of reportable segments	74,787	25,228
Unallocated amounts:		
Corporate liabilities	5,401	2,432
Bank loan	–	2,400
Current tax liabilities	382	10,242
Deferred tax liabilities	6,217	1,680
Consolidated total liabilities	86,787	41,982

(iii) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

7. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

There is no external customer that contributed to more than 10% revenue of the Group's revenue for the year ended 31 July 2017 (2016: nil).

8. COST OF SALES

	2017 HK\$'000	2016 HK\$'000
Costs of heavy equipment and spare parts	223,056	244,226
Declaration	37	28
Depreciation (<i>note 16</i>)	2,844	2,331
Freight and transportation	4,941	3,360
Repairs and maintenance	8,259	12,364
Staff costs	6,323	6,506
Subleasing fee	267	–
	245,727	268,815

9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on borrowings		
– Wholly repayable within five years	1,232	1,253
Finance leases charges	16	24
	1,248	1,277

For the year ended 31 July 2017

10. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Current tax – Hong Kong		
Provision for the year	192	4,540
Under-provision in prior years	3	661
	195	5,201
Deferred tax (<i>note 23</i>)	4,537	102
	4,732	5,303

The Company was incorporated in the Cayman Islands and TLMC was incorporated in BVI that are tax exempted as no business carried in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year ended 31 July 2017.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2017 HK\$'000	2016 HK\$'000
Profit before tax	16,833	28,819
Tax at the Hong Kong Profits Tax rate of 16.5%	2,777	4,755
Tax effect of income that is not taxable	(6)	(48)
Tax effect of expenses that are not deductible	1,975	546
Tax effect of temporary differences not recognised	72	(41)
Tax effect of utilisation of tax losses not previously recognised	(69)	–
Tax losses not recognised	–	50
Tax concession	(20)	(40)
Under-provision in prior years	3	81
Income tax expense	4,732	5,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

11. PROFIT FOR THE YEAR

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

	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration	500	400
Reversal of allowance for trade receivables	(680)	(2,424)
Reversal of allowance for inventories (included in cost of inventories) (<i>note</i>)	–	(4,998)
Cost of inventories sold	223,056	244,226
Depreciation	3,870	3,397
Foreign exchange loss, net	2,315	7,299
Net gain on disposals of property, plant and equipment	(28)	(282)
Listing expenses	10,681	2,784
Operating lease charges in respect of:		
– Director's quarter	1,854	1,800
– Office premises	792	760
	<u>2,646</u>	<u>2,560</u>

Note: Allowance for inventories is written back when the relevant inventory is sold.

12. EMPLOYEE BENEFITS EXPENSE

	2017 HK\$'000	2016 HK\$'000
Employee benefits expense excluding directors' emoluments:		
Salaries, allowances and bonus	9,035	8,798
Retirement benefit scheme contributions	322	333
	<u>9,357</u>	<u>9,131</u>

The five highest paid individuals in the Group during the year included three (2016: two) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining two (2016: three) individuals are set out below:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and bonus	1,048	1,390
Retirement benefit scheme contributions	36	50
	<u>1,084</u>	<u>1,440</u>

12. EMPLOYEE BENEFITS EXPENSE (continued)

The emoluments fell within the following band:

	Number of individuals	
	2017	2016
Nil to HK\$1,000,000	2	3

During the year, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of each of the Company's directors were as follows:

	Fees HK\$'000	Salaries, allowances and bonus HK\$'000	Quarter HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 July 2017					
Executive director:					
Mr. Chow	-	2,400	-	18	2,418
Ms. Liu Shuk Yee	-	409	-	18	427
Ms. Ng Wai Ying	-	744	-	18	762
	-	3,553	-	54	3,607
Non-executive director:					
Ms. Cheng	-	600	1,957	18	2,575
Independent non-executive director:					
Mr. Wong Man Hin, Raymond	2	-	-	-	2
Mr. Law Tze Lun	2	-	-	-	2
Mr. Kwok Siu Man	2	-	-	-	2
	6	-	-	-	6
	6	4,153	1,957	72	6,188

For the year ended 31 July 2017

13. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

The remunerations of each of the Company's directors were as follows: (continued)

	Fees HK\$'000	Salaries, allowances and bonus HK\$'000	Quarter HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 July 2016					
Executive director:					
Mr. Chow	-	2,400	-	18	2,418
Ms. Liu Shuk Yee	-	348	-	15	363
Ms. Ng Wai Ying	-	124	-	4	128
	-	2,872	-	37	2,909
Non-executive director:					
Ms. Cheng	-	530	1,839	18	2,387
	-	3,402	1,839	55	5,296

Notes:

- (i) Mr. Chow and Ms. Cheng were appointed as directors of the Company on 11 December 2015 and were re-designated as executive director and non-executive director of the Company on 4 August 2016. They were also directors of all subsidiaries of the Company during the year and the Group paid emoluments to them in their capacity as the directors of these subsidiaries before their appointment as executive director and non-executive director of the Company on 4 August 2016.
- (ii) Ms. Liu Shuk Yee and Ms. Ng Wai Ying were appointed as executive directors of the Company on 4 August 2016.
- (iii) Mr. Wong Man Hin, Raymond, Mr. Law Tze Lun and Mr. Kwok Siu Man were appointed as independent non-executive directors of the Company on 30 June 2017.
- (iv) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year.

13. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' material interests in transactions, arrangements or contracts

Apart from the transaction as disclosed in note 31, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. DIVIDENDS

During the year, the Company's subsidiary made the following distributions to its then shareholders:

	2017		2016	
	Dividend per share HK\$	Total dividends HK\$'000	Dividend per share HK\$	Total dividends HK\$'000
Dividends declared and paid/payable to its then shareholders during the year by:				
Tak Lee Hong Kong	–	–	19.84	59,515

No dividend has been paid or declared by the Company since its date of incorporation.

15. EARNINGS PER SHARE

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

	2017 HK\$'000	2016 HK\$'000
Earnings		
Profit attributable to owners of the Company	12,101	23,516
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basis earnings per share	753,425	750,000

For the year ended 31 July 2017

15. EARNINGS PER SHARE (continued)

The weighted average number of shares in issue during the year ended 31 July 2017 is based on the assumption that 750,000,000 shares of the Company were in issue, comprising 1 share in issue, 37,999,999 shares issued pursuant to the Group Reorganisation and 712,000,000 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 August 2016 to the Listing Date, and 250,000,000 shares issued under the Share Offer (as defined in the Prospectus).

The weighted average number of shares in issue during the year ended 31 July 2016 is based on the assumption that 750,000,000 shares of the Company were in issue, comprising 1 share in issue, 37,999,999 shares issued pursuant to the Group Reorganisation and 712,000,000 shares issued pursuant to the capitalisation issue, and as if these shares were outstanding throughout that year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the years ended 31 July 2016 and 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Machinery for lease HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost							
At 1 August 2015	437	74	15,897	2,525	571	3,364	22,868
Additions	234	25	16,043	24	59	2,675	19,060
Disposals	(11)	-	-	-	-	(1,595)	(1,606)
Reclassification to inventories	-	-	(20,274)	-	-	-	(20,274)
At 31 July 2016 and 1 August 2016							
At 31 July 2016 and 1 August 2016	660	99	11,666	2,549	630	4,444	20,048
Additions	154	-	60,457	30	36	324	61,001
Disposals	-	-	-	-	-	(412)	(412)
Reclassification to inventories	-	-	(30,842)	-	-	-	(30,842)
At 31 July 2017	814	99	41,281	2,579	666	4,356	49,795
Accumulated depreciation and impairment							
At 1 August 2015	293	65	1,273	2,301	475	2,417	6,824
Charge for the year	179	3	2,331	99	38	747	3,397
Disposals	(1)	-	-	-	-	(942)	(943)
Reclassification to inventories	-	-	(2,187)	-	-	-	(2,187)
At 31 July 2016 and 1 August 2016							
At 31 July 2016 and 1 August 2016	471	68	1,417	2,400	513	2,222	7,091
Charge for the year	128	8	2,844	94	44	752	3,870
Reclassification to inventories	-	-	(2,796)	-	-	-	(2,796)
At 31 July 2017	599	76	1,465	2,494	557	2,974	8,165
Net book value							
At 31 July 2017	215	23	39,816	85	109	1,382	41,630
At 31 July 2016	189	31	10,249	149	117	2,222	12,957

As at 31 July 2017, the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK\$423,000 (2016: HK\$740,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

17. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Finished goods	128,515	108,917

Reconciliation of allowance for inventories

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	–	4,998
Reversal of allowance for the year	–	(4,998)
At end of the year	–	–

18. TRADE RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	47,105	45,612
Allowance for doubtful debts	(3,594)	(4,274)
	43,511	41,338

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 receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the delivery date, and net of allowance, is as follows:

	2017 HK\$'000	2016 HK\$'000
0 to 90 days	36,224	34,486
91 to 180 days	3,377	1,521
181 to 365 days	1,960	3,784
Over 1 year	1,950	1,547
	43,511	41,338

For the year ended 31 July 2017

18. TRADE RECEIVABLES (continued)

Reconciliation of allowance for trade receivables:

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	4,274	6,698
Reversal of allowance for the year	(680)	(2,424)
At end of the year	<u>3,594</u>	<u>4,274</u>

As at 31 July 2017, trade receivables of HK\$21,555,000 (2016: HK\$18,993,000) were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 HK\$'000	2016 HK\$'000
Up to 3 months	18,330	13,298
3 to 6 months	462	1,293
6 to 12 months	2,456	2,855
Over 1 year	307	1,547
	<u>21,555</u>	<u>18,993</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
HKD	40,947	32,461
RMB	577	7,264
JPY	140	–
USD	1,847	–
Australian dollars	–	1,613
	<u>43,511</u>	<u>41,338</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Prepayments		
Goods purchased	22,789	3,713
Listing expenses	–	1,220
Administrative and operating expenses	62	11
	22,851	4,944
Deposits		
Rental deposits	636	582
Utility deposits	84	42
Trade deposits	233	233
Others	36	–
	989	857
Other receivables		
Advance to a supplier	204	252
	24,044	6,053

20. PLEDGED BANK DEPOSIT AND BANK AND CASH BALANCES

The Group's pledged bank deposit represents deposit pledged to bank to secure banking facilities granted to the Group as set out in note 24 to the consolidated financial statements.

The carrying amounts of the Group's pledged bank deposit and bank and cash balances are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
USD	1	9
HKD	126,033	35,404
JPY	188	57
	126,222	35,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

21. TRADE AND OTHER PAYABLES AND ACCRUALS AND DEPOSITS RECEIPT IN ADVANCE

	2017 HK\$'000	2016 HK\$'000
Trade payables	6,565	5,140
Other payables and accruals		
Accrued director fee	6	–
Accrued listing expenses	4,202	1,300
Accrued administrative and operating expenses	810	400
	5,018	1,700
Deposits receipt in advance	3,234	4,202
	14,817	11,042

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

	2017 HK\$'000	2016 HK\$'000
0 to 90 days	6,565	5,140

The credit period ranges from 0 to 30 days.

The carrying amounts of the Group's trade and other payables and accruals and deposits receipt in advance are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
EUR	16	–
USD	2,415	1,606
HKD	8,458	8,736
RMB	1,928	217
JPY	2,000	483
	14,817	11,042

For the year ended 31 July 2017

22. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Within one year	362	362	356	346
In the second to fifth years, inclusive	30	392	30	386
	392	754	386	732
Less: Future finance charges	(6)	(22)	N/a	N/a
Present value of lease obligations	<u>386</u>	<u>732</u>	<u>386</u>	<u>732</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			(356)	(346)
Amount due for settlement after 12 months			<u>30</u>	<u>386</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is three years. As at 31 July 2017, the flat rate was 1.49% (2016: 1.49%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

All finance lease payables are denominated in HKD.

23. DEFERRED TAX

The following are deferred tax recognised by the Group.

	Accelerated tax depreciation HK\$'000	Allowance for inventories HK\$'000	Tax loss HK\$'000	Total HK\$'000
At 1 August 2015	2,403	(825)	–	1,578
(Credit)/charge to profit or loss for the year (<i>note 10</i>)	(143)	825	–	682
Over-provision in prior years	(580)	–	–	(580)
At 31 July 2016 and 1 August 2016	1,680	–	–	1,680
Charge/(credit) to profit or loss for the year (<i>note 10</i>)	4,870	–	(333)	4,537
At 31 July 2017	6,550	–	(333)	6,217

The following is the analysis of the deferred tax balances for consolidated statement of financial position purposes:

	2017 HK\$'000	2016 HK\$'000
Deferred tax liabilities	6,550	1,680
Deferred tax assets	(333)	–
	6,217	1,680

At the end of the reporting period the Group has unused tax losses of approximately HK\$5,179,000 (2016: HK\$3,578,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$2,018,000 (2016: HK\$nil) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$3,161,000 (2016: HK\$3,578,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

24. BANK BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Bank loan	–	2,400
Import loans	64,985	15,886
	<u>64,985</u>	<u>18,286</u>
The bank borrowings are repayable as follows:		
On demand or within one year	64,985	18,286
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(64,985)</u>	<u>(18,286)</u>
Portion of bank loan that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>–</u>	<u>–</u>

Notes:

- (i) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	JPY HK\$'000	HKD HK\$'000	USD HK\$'000	EUR HK\$'000	Total HK\$'000
At 31 July 2017					
Import loans	30,604	17,869	8,024	8,488	64,985
At 31 July 2016					
Bank loan	–	2,400	–	–	2,400
Import loans	15,886	–	–	–	15,886
	<u>15,886</u>	<u>2,400</u>	<u>–</u>	<u>–</u>	<u>18,286</u>

- (ii) Import loans of approximately HK\$64,985,000 (2016: HK\$15,886,000) as at 31 July 2017 were secured by the following:

- (a) unlimited guarantee from Mr. Chow and Ms. Cheng (see note 31(b)); and
- (b) pledged bank deposit amounted to HK\$10,000,000 by the Group.

24. BANK BORROWINGS (continued)

Notes: (continued)

(iii) Bank loan as at 31 July 2016, was secured by the following:

- (a) unlimited guarantee from Mr. Chow and Ms. Cheng (see note 31(b)); and
- (b) a corporate guarantee executed by The Hong Kong Mortgage Corporation Limited.

(iv) The average interest rates per annum at the end of the reporting period were as follows:

	2017	2016
Bank loan	N/a	2.80%
Import loans	2.14% to 4.80%	2.00% to 3.50%

(v) The Group's bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

25. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
Upon incorporation on 11 December 2015,			
31 July 2016 and 1 August 2016	2(ii)	38,000,000	380
Increase in authorised share capital	(a)	962,000,000	9,620
As at 31 July 2017		1,000,000,000	10,000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
Upon incorporation on 11 December 2015 and			
31 July 2016 and 1 August 2016	2(ii)	1	–
Shares issued upon Group Reorganisation	2(iv)	37,999,999	380
Shares issued pursuant to the capitalisation issue	(b)	712,000,000	7,120
Shares issued under the Share Offer	(c)	250,000,000	2,500
As at 31 July 2017		1,000,000,000	10,000

For the year ended 31 July 2017

25. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to the written resolutions of the shareholders of the Company (the "Shareholders") passed on 30 June 2017, the authorised share capital of the Company increased from HK\$380,000 to HK\$10,000,000 by creation of an additional of 962,000,000 shares of HK\$0.01 each.
- (b) Pursuant to the written resolutions passed by the Shareholders on 30 June 2017, conditional on share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to capitalise an amount of HK\$7,120,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 712,000,000 shares for allotment and issue to the then existing Shareholders in proportion to their respective shareholdings.
- (c) On the Listing Date, the Company issued 250,000,000 new shares at HK\$0.44 each in relation to the Share Offer. The premium on the issue of shares, amounting to approximately HK\$99,781,000, net of listing-related expenses, was credited to the Company's share premium account. These new shares rank pari passu with the existing shares in all respects.

Share capital as presented in the consolidated statement of financial position as at 31 July 2016 represented the issued and paid up capital of the companies comprising the Group prior to the completion of the Group Reorganisation.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the Shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group regards total equity as capital, for management purpose. The amount of capital as at 31 July 2017 amounted to approximately HK\$277,135,000 (2016: HK\$162,753,000), in which the Group considers as optimal have considered the projected capital expenditures and the projected investment opportunities.

The only externally imposed capital requirement for the Group is in order to maintain its Listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 July 2017, 25% of the shares were in public hands.

The only externally imposed capital requirement for the Group prior to the Listing is to meet financial covenants attached to the interest-bearing borrowings.

At 31 July 2017

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Investment in a subsidiary		– ⁽ⁱ⁾	– ⁽ⁱ⁾
Current assets			
Prepayments		–	1,220
Amount due from a subsidiary		16,451	–
Bank and cash balances		85,443	–
		101,894	1,220
Current liabilities			
Accruals		4,334	–
Amounts due to subsidiaries		–	1,220
		4,334	1,220
Net current assets		97,560	–⁽ⁱ⁾
NET ASSETS		97,560	–
Capital and reserves			
Share capital		10,000	–
Reserves	26(b)	87,560	–
TOTAL EQUITY		97,560	–

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

Approved by the Board of Directors on 16 October 2017 and are signed on its behalf by:

Mr. Chow Luen Fat
Director

Ms. Ng Wai Ying
Director

For the year ended 31 July 2017

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share Premium (note 27(b)(i)) HK\$'000	Merger reserve (note 27(b)(ii)) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
On incorporation	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–
At 31 July 2016 and 1 August 2016	–	–	–	–
Profit and total comprehensive income for the year	–	–	(4,721)	(4,721)
Group Reorganisation	–	(380)	–	(380)
Shares issued pursuant to the capitalisation issue (note 25(b))	(7,120)	–	–	(7,120)
Shares issued under the Share Offer (note 25(c))	99,781	–	–	99,781
At 31 July 2017	92,661	(380)	(4,721)	87,560

27. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

27. RESERVES (continued)

(b) Nature and purpose of reserves (continued)

(ii) Merger reserve

The merger reserve of the Company represents the difference between the cost of investment in TLMC pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The merger reserve of the Group represents the difference between the nominal value of shares of Tak Lee Hong Kong, Econsmart and Success Sky acquired pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

28. MAJOR NON-CASH TRANSACTIONS

- (i) Property, plant and equipment of approximately HK\$60,457,000 (2016: HK\$16,043,000) were reclassified from inventories held for sale at the end of the reporting period.
- (ii) Property, plant and equipment of approximately HK\$28,046,000 (2016: HK\$18,087,000) were reclassified to inventories held for sale at the end of the reporting period.
- (iii) Property, plant and equipment of approximately HK\$nil (2016: HK\$624,000), were reclassified from deposits paid for non-current assets at the end of the reporting period.
- (iv) Additions to property, plant and equipment of approximately HK\$nil (2016: HK\$1,040,000), were financed by finance leases at the end of the reporting period.

29. CONTINGENT LIABILITIES

At 31 July 2017, the Group did not have any other significant contingent liabilities.



For the year ended 31 July 2017

30. LEASE COMMITMENTS

The Group as lessee

At 31 July 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	2,148	1,597
In the second to fifth years inclusive	1,491	–
	<u>3,639</u>	<u>1,597</u>

Operating lease payments represent rentals payable by the Group for its offices and director's quarter. Leases are negotiated for an average term of 2 years (2016: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

At 31 July 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	4,054	263
In the second to fifth years inclusive	1,435	–
	<u>5,489</u>	<u>263</u>

Operating lease payments represent rentals receivable by the Group for its heavy equipment. Leases are negotiated for an average term of 2 months (2016: 2 months) and rentals are fixed over the lease terms and do not include contingent rentals.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

- (a) Compensation of key management personnel of the Group was as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and bonus	1,225	1,022
Retirement benefit scheme contributions	48	44
	1,273	1,066

Further details of the emoluments of directors are included in note 13.

- (b) Personal guarantees were given by Mr. Chow and Ms. Cheng against the banking facilities granted to the Group as disclosed in note 24 to the consolidated financial statements at nil consideration. As a result of the listing of the Company's shares on the GEM of the Stock Exchange, the personal guarantees were subsequently released and replaced by corporate guarantees by the Company.

32. INVESTMENTS IN SUBSIDIARIES

Particulars of subsidiaries as at 31 July 2017 are as follows:

Name of subsidiaries	Date and place of incorporation/ establishment	Particular of issued share capital	Equity interests attributable to the Group	Principal activities
Directly held by the Company				
TLMC	4 January 2016 BVI	USD1	100%	Investment holding
Indirectly held by the Company				
Tak Lee Hong Kong	5 March 2001 Hong Kong	3,000,000 ordinary shares	100%	Trading of heavy equipment and spare parts, leasing of heavy equipment and provision of maintenance and ancillary services
Econsmart	19 September 2001 Hong Kong	2 ordinary shares	100%	Provision of motor vehicles services
Success Sky	7 October 2010 Hong Kong	2 ordinary shares	100%	Provision of maintenance and ancillary services

THREE YEARS FINANCIAL SUMMARY

	For the year ended 31 July		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
RESULTS			
Revenue	301,081	320,490	292,793
Profit before tax	37,682	28,819	16,833
Income tax expense	(6,470)	(5,303)	(4,732)
Profit and total comprehensive income for the year	31,212	23,516	12,101

	At 31 July		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Total assets	274,841	204,735	363,922
Total liabilities	(76,089)	(41,982)	(86,787)
Net assets	198,752	162,753	277,135